



Homelessness Australia
Creating a framework for ending homelessness

Submission to 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.

August 2012

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

Dear Committee Secretary

Homelessness Australia welcomes the opportunity to contribute a submission to the Inquiry into the adequacy of the allowance payments system for jobseekers and others.

Our organisation represents providers of more than 1500 specialist homelessness services across Australia and advocates for improved outcomes for people experiencing homelessness, both social and economic.

Our vision is to create a framework for ending homelessness in Australia. We do this by working closely with other community sector and housing peak bodies and taking advice from our Board, Councils and member services. This advice contributes to our advocacy, lobbying and policy work.

Our mission is to proactively research, develop and promote national policy and action to reduce homelessness and its impacts on the diverse range of people it affects.

It is our contention that the current levels of non-pension allowance payments are woefully inadequate, do not provide sufficient incentives to seek employment and do not provide sufficient income support dollars to allow people to meet the costs of basic needs; in particular housing.

We do not accept the proposition that providing people with income support payments that are between 33% and 43% below the Henderson Poverty Line acts as an incentive to seek paid employment or that current levels of allowance payments are sufficient to enable people to afford life's necessities.

We thank the Senate Committee for the opportunity to contribute to this important and long overdue Inquiry.

Yours Sincerely

Travis Gilbert

Policy and Research Officer, Homelessness Australia.

Key points

- Homelessness Australia contends that current levels of allowance payments are inadequate and do not enable people to meet the costs of housing and other basic necessities such as food, transport and utilities.
- Homelessness Australia believes that the inadequacy of income support payments is placing people in housing crisis and placing them at risk of homelessness.
- Census data showed that median weekly rents increased by over 50% in the five years from 2006 to 2011, well in excess of CPI and by three times as much per week as the Newstart Allowance (including Commonwealth Rent Assistance).
- Homelessness Australia concurs with the view of the Australian Council of Social Service (ACOSS) that non-pension allowance payments should be increased by a minimum of \$50 per week in line with the recommendation in the Henry Taxation and Transfer Review.
- While outside the scope of this Inquiry we believe Commonwealth Rent Assistance must be subject to a Productivity Commission review to examine its efficacy and efficiency as a housing subsidy.
- In the meantime we would advocate increasing the maximum rate of CRA by a minimum of 30% in order to make it easier for people to service the costs of housing, particularly recipients of non-pension allowance payments residing in private rental.
- Homelessness Australia does not believe that setting non-pension allowance payments so far below the poverty line acts as an incentive to seek paid employment nor does it make participating in social or economic life easier.
- We contend that increasing non-pension allowance payments by at least \$50 per week will in fact make it easier for people to participate in the social and economic institutions in their communities and to access services that will in time lift them out of poverty such as education, employment and training.
- We recommend indexing allowance payments applying the same formula as is used to index pension payments to prevent the scenario flagged in the Henry review that found by applying different methods the aged pension would be double that of the Newstart Allowance by the year 2040.
- We urge the committee to recommend urgent action be taken and additional assistance provided to jobseekers in receipt of income payments for 12 months or more to enable them to re-enter the labour force and access opportunities for re-skilling or up-skilling to improve their employability and chances of job security.

1.) Adequacy of Income support, housing stress, housing crisis and homelessness

Homelessness Australia understands that there are just over one million Australians who are recipients of non-pension allowance payments at the time of the announcement of this Inquiry.

Of these just under 600,000 are in receipt of the Newstart Allowance which is provided to persons with a participation requirement to actively look for ten paid employment roles per fortnight. The generosity of the payment is exemplified by its equation to \$35 per day for single people with an additional payment of up to \$8.40 per day to assist people to meet the costs of renting a dwelling.

More than 150,000 people are recipients of the even less generous Youth Allowance payment which provides just \$28 per day for life's necessities with an additional maximum of \$8.40 per day on offer to help meet the costs of weekly rent.

The remainder of the one million reliant on allowance payments receive either Abstudy, Austudy, sickness allowance, special benefit of Widowers Allowance.

Homelessness Australia contends that none of the allowance payments is adequate enough to enable people to meet the basic costs of living. We are particularly concerned that allowance payments do not provide enough money to service the costs of keeping a roof over the heads of individuals and families.

According to the National Centre for Social and Economic Modelling, there are more than 850,000 Australian households living in housing stress paying more than 30% of their NETT income to service the costs of housing. More than 360,000 Australians are in housing crisis, allocating more than half of their NETT pay to housing per fortnight. In addition, according to the best available data more than 100,000 Australians are experiencing homelessness on any given night. Homelessness Australia understands that low income households and people reliant entirely upon income support payments account for a significant number of people in housing stress and housing crisis.

Data collected from specialist homeless services indicates that the vast majority of people who receive support and/or accommodation are reliant on income support payments as their main source of income. It found:

- 24.3% were reliant on parenting payment single.
- 24.0% were reliant on Newstart Allowance.
- 21.2% were reliant on the Disability Support Pension.
- 10.8% were reliant on Youth Allowance.
- 5.8% were reliant on the aged pension.

The remainder either derived their main source of income from employment or did not state where their income came from.

The above statistics demonstrate why the adequacy of allowance payments and their efficacy as incentives to provide people with incentives to access pathways out of homelessness and poverty are key considerations for our organisation. They also illustrate why this Senate Inquiry is of great importance to us, the work that we do and our goals, mission and vision as a peak body.

The other main source of data that we use to get a clearer picture of the issues and trends in the arenas of homelessness and housing affordability is the Census.

The 2011 Census found that the private rental market is becoming increasingly unaffordable, particularly for people who find themselves excluded from the labour force for medium-long term periods of time. It found that the median weekly rental price for a 2 bedroom unit increased by just under fifty percent between 2006 and 2011, while the median price for a 3 bedroom house increased by just over fifty percent. The average increase in median weekly rental prices between 2006 and 2011 was 49.5%ⁱ. During this period the maximum fortnightly rate of the Newstart Allowance increased by less than \$70 to \$489.00 for a single person with no dependents at the time of the 2011 Censusⁱⁱ.

Even with the maximum rate of a Commonwealth Rent Assistance (CRA) (\$119.40 per fortnight), the median weekly rental price of \$285 per week for a 2 bedroom property (Australian average) is decidedly unaffordable for a person reliant on the Newstart Allowance. With Youth Allowance amounting to just \$402.70 per fortnight before CRA, the \$285 property is out of reach for a young person reliant on this payment.

The decline in social housing stock since the early 1990s, in large part due to the need for jurisdictions to pay back debts incurred under the previous CSHA has meant that there are now long waiting lists for public and community housing. This has resulted in people being forced to subsist in the private rental market for long periods while they wait to be allocated a social housing dwelling. Even applicants assessed as in priority need, can wait more than six months for a property in some jurisdictions. Large numbers of people in this group are supported by specialist homelessness services, material aid organisations and tenancy support services. They are at imminent risk of homelessness because they are allocating the vast majority of their income support payments to service the costs of housing (rent).

Others are already in a state of homelessness, 'couch surfing', staying temporarily with friends and relatives because their income-support payments are so low that they are locked out of the private rental market. While many in this group are young people aged 15-24, Homelessness Australia has been made aware of many families in this circumstance.

In Queensland some people who are reliant on allowance payments have even found themselves unable to access community housing because the Newstart Allowance is considered so low that it renders them 'unviable' tenants. This appalling situation means many are left to cycle between caravan parks, boarding houses, crisis accommodation and back again. Homelessness Australia believes this scenario is not an uncommon one.

Homelessness Australia believes the safety net is failing when it does not provide enough to enable families and individuals to access affordable rental housing when they need it. People who find themselves unemployed and reliant on the Newstart Allowance who are in home purchase are likely to be even worse off and pushed to the brink of mortgage default as it is unlikely that they could meet monthly repayments unless the overwhelming principal sum has already been paid off.

It is our contention that none of the allowance payments can be considered adequate enough to enable people to meet housing costs let alone provide for other necessities for themselves or a family unit. In the following paragraphs we will specifically address questions around the adequacy of each payment type and its efficacy to act as an incentive for people to participate in education, employment and/or vocational training (potential pathways out of homelessness and housing crisis) from our perspective. We aim to demonstrate this through the use of 'cost of living tables'.

We will then turn to addressing other terms of reference relevant to our organisation.

Finally, we will offer some recommendations that we believe would, if implemented vastly improve the lives of Australians who are reliant on income support payments as their primary means through which to meet the basic costs of living in particular housing.

2.) A Comparison of four payment types

Table 1 (below) offers a comparison of four selected payment types and is included in our submission to highlight the impact of applying different methods of indexation to pension and allowance payments over the past fifteen years on the maximum fortnightly rate.

The increasing gap between allowance and pension payment rates caused by different indexation methods is one example—the single rate of Newstart Allowance is currently \$489.70 per fortnight while the single rate of Disability Support Pension is \$695.30.

The Henry Review estimated that by 2040, if the current arrangements remain in place, a single pensioner would be paid twice as much as a single unemployed person. In 1980, the unemployment benefit was 89 per cent of the pension rateⁱⁱⁱ. Homelessness Australia believes the gap caused by the application of differential indexation methods to pension and allowance payments is already too great and cannot be allowed to continued to grow.

Homelessness Australia is certainly not suggesting that pension payments are too high. We recognise that at a political level there are many on both sides of politics who believe that allowance and pension payments are there to perform different functions within the provision of a social safety net.

We are also concerned however that by setting allowance payments at significantly lower levels than those of pension payments, we are at both a policy and taxation/transfer level endorsing arguments that go to notions of the 'undeserving' and 'deserving' poor.

This is especially concerning for our organisation when viewed in the context of other elements of so called ‘welfare reform’ such as the breach penalty system and the imposition and expansion of compulsory income management for recipients of certain payment types on the basis of their ‘recipient class’ and their postcode.

The table below illustrates that while a person on the aged pension sits just above the after housing poverty line, persons reliant on Newstart and Youth Allowance payments are living significantly below the Henderson after housing poverty line^{iv}.

Table 1: Comparative table of rates of income support across four payment types

Payment type	Max. Rate / fortnight (single person)	Max. Rate / fortnight (rent assistance)	Max. Rate /day (single person)* (incl. Rent assistance)	% of poverty line [^]
Youth Allowance	\$402.70	\$119.40	\$37.20*	57.0
NewStart Allowance	\$489.70	\$119.40	\$43.50*	66.7
Disability Support Pension	\$695.30	\$119.40	\$58.10*	88.9
Aged Pension	\$755.50~	\$119.40	\$62.50*	106.6~

*Daily amount shown includes rent assistance component and is based on Centrelink figures effective from 20 March 2012.

[^]Based on Melbourne University Centre for Applied Social Research Henderson Poverty Line estimate (inc. Housing), December 2011.

[~]Includes aged pension supplement of \$60.20 per fortnight, effective from 20 March 2012.

Source: Guide to Australian Government Payments effective from 20 March 2012.

To provide some immediate if temporary restitution to the disparity, Homelessness Australia recommends increasing the maximum rate of both Newstart and Youth Allowance by a minimum of \$50 per week for both single and partnered recipients. To avoid the 2040 scenario projected by the Henry Review we recommend applying the pension payment indexation method to allowance payments as well as pension payments from 1 July 2013.

3.) Income support, material deprivation and poverty

Homelessness Australia believes that a core function of our income support system should be to keep Australians out of poverty and to assist in breaking the cycle of intergenerational disadvantage, material deprivation and poverty.

It is our contention that the current low rates of allowance payments do not provide a sufficient safety net to mitigate material deprivation or keep people out of poverty.

Recent research^v has focussed on material deprivation as a means of determining and articulating in meaningful ways what the experience of ‘living without’ is like for people in Australia.

It is easier to understand what poverty and economic and social deprivation mean in terms of not being able to access or afford things that would be regarded as 'essential' by most Australians than it is to think of it falling below an arbitrary line of disposable income before and after housing costs are taken into account. There has in fact been some conjecture if not debate about the measurement of poverty in Australia and how it should be defined.

For the purposes of this submission, Homelessness Australia believes that it is useful to employ both the Henderson Poverty Line and the indicators of material and social deprivation to illustrate to Senators that the current levels of allowance payments do not provide a sufficient safety net to prevent exclusion or provide for life's essentials in 21st century Australia.

The Henderson Poverty Line measure is useful when thinking about at what level income support payments (both allowances and pensions) would need to be set at in order to keep people out of the poverty trap. At present the aged pension is the only income support payment type that is set high enough to do this.

The use of indicators of deprivation to determine material and social exclusion is important to include in our submission for a different purpose. From our perspective it helps to create a picture of what 'living without' is like for Australians whose circumstances mean that they are excluded from the economic and social structures that most of participate in as a matter of course. This group are not just 'struggling to make ends meet' or having to defer the purchase of 'big ticket items' such as a first home, a new car or home furnishings as we constantly hear is the case for Australian families earning on or about six figure incomes.

The group that our services and partner agencies provide assistance, material aid and accommodation to are living without 'small ticket' items such as a motor vehicle of any kind, heating in at least one room, savings of \$500 in the case of an emergency or the spare money to pay the gap between what our universal health care system covers and what a General Practitioner charges for a consultation.

The groups we are concerned about face tough choices week in, week out. Their children often go without things such as textbooks, school excursions with their peers and uniforms without holes in them. They are individuals who are going without meals, are unable to afford the cost of rent each fortnight, are unable to afford the cost of heating their homes and need the monetary support of charitable organisations on a regular basis to ensure there is food on the table and/or the power remains connected.

Research conducted by the Social Policy Research Centre found that tenants in the private rental market who were reliant on allowance payments had significantly higher rates of multiple indicators of material deprivation than were found across the general community.

It is important to consider the impact of multiple indicators of deprivation on the ability of individuals and families to engage in both economic and social participation.

The table below is a list of twenty-four items that were identified by researchers from the Social Policy Research Centre at the University of NSW as what the majority of Australians would regard as 'essential items'. While any list of this nature is likely to remain open to interpretation and is reliant on subjective interpretations of what constitutes an 'essential item', it is our belief that none of the items on the list could be said to be 'luxury items'.

The list is a compilation of those items that a majority of respondents to a survey on poverty and material exclusion in modern Australia (PEMA) regarded as 'essential'.

Table 2: List of expenditure items that a majority of respondents to the SPRC PEMA survey regarded as essential

ITEM	% of respondents that regarded it essential
Warm clothes and bedding, if it's cold	99.9
Medical treatment if needed	99.9
Able to buy medicines prescribed by a GP	99.5
A substantial meal at least once a day	99.4
Dental treatment if needed	98.4
A decent and secure home	97.1
Children can participate in school activities and excursions	95.8
A yearly dental check-up for children	94.9
A hobby or leisure activity for children	92.8
Up to date school books and school clothes	92.7
A roof and gutters that do not leak	92.4
Secure locks on doors and windows	92.3
Regular social contact with other people	91.6
Furniture in reasonable condition	89.0
Heating in at least one room of the house	87.0
Up to \$500 in savings for an emergency	81.4
A separate bed for each child	81.3
A washing machine	77.7
Computer skills	72.6
Home contents insurance	72.4
Presents for family and friends at least once per year	72.4
Comprehensive vehicle insurance	59.9
A telephone	59.7
A week's holiday away from home each year	53.9

The same survey found that recipients of the Newstart Allowance were significantly overrepresented in the group with more than half a dozen indicators of material deprivation. High numbers were found to have more than ten indicators of material deprivation. It is likely that many recipients of Youth Allowance (unreasonable to live at home) would face similarly high numbers of such indicators though this could be mitigated to some extent by the higher earnings potential before payments are affected.

While some of the indicators in the above table are perhaps open to some conjecture and debate about how 'essential' they might be, the important point from our perspective is that the majority of Newstart recipients were found to have more than eight of these indicators of material deprivation and to have no way of rectifying that situation in the foreseeable future.

In other words, the items above are things that large numbers of people reliant on allowance payments and significant numbers on Parenting Payment Single go without week in, week out, fortnight after fortnight and month after month.

This is of great concern to our organisation, the services we represent and most importantly the people who find themselves in need of assistance from specialist homelessness services.

We believe this warrants urgent action to rectify. Punishing people for finding themselves out of the labour force or for being young and unable to live at home will not in our view provide an incentive to participate and may not provide enough economic or social capital to a person to enable them to meet participation requirements now attached to payments or to find secure work.

4.) Newstart Allowance

Historically income support payments for people who are unemployed have been provided largely on the assumption that unemployment is a temporary situation and that re-entry to the workforce will be relatively easy for those who are willing and able to work.

Since the last major economic recession in Australia that occurred from the very late 1980s to the early 1990s following the severe downturn on the New York Stock Exchange in 1987 however a larger proportion of recipients have faced long term labour market exclusion and unemployment.

According to ACOSS, 60% of recipients of the Newstart Allowance have been unemployed for more than 12 months. This calls into serious question the claim that the payment provides sufficient incentive to enter the workforce despite fifteen years of 'mutual obligation' policies that impose 'participation requirements' on jobseekers in exchange for the Newstart Allowance.

It may also lend credence to the third of the Inquiry's terms of reference, the impact of the changing nature of the labour market of the past three decades and the subsequent rise of insecure work on the frequency of interactions with Australia's social security system.

With close to 350,000 recipients of the Newstart Allowance having been in receipt of the payment for more than twelve months, it is clear that there is a significant pool of persons who are defined as 'long-term unemployed'. It is this group that make up a significant proportion of Australians who using both the Henderson Poverty Line measure and the economic and material deprivation measure are living in relative poverty in Australia.

According to the Australian Council of Social Service *Poverty Report*:

“...74% of those below the 50% of median income poverty line [the deprivation measure] were from jobless households and 69% of those below the 60% of median income were below the poverty line...”^{vi}

Homelessness Australia is concerned about the capacity of these families to participate in their communities, society and economic and educational institutions that could help to lift them out of poverty.

We do not agree with commentary from some at a parliamentary level who have stated that keeping allowance payments as low as possible provides incentive to work or who have conversely argued that increasing allowance payments significantly will act as a disincentive for people to move into the workforce and out of the welfare system.

Interestingly this rhetoric is not applied to families in receipt of Family Tax Benefit who continue to receive additional bonuses in most budgets while other income support recipients who are genuinely struggling to make ends meet on significantly less money are not singled out for additional assistance presumably because they are perceived to be viewed less favourably by the voting public.

Homelessness Australia notes that there is an increasing consensus amongst a variety of interest groups within the Australian community that the Newstart Allowance is too low and does not provide an adequate safety net for people whilst they seek to re-enter the labour force.

We note that economics professors, the Australian Industry Group, the Business Council of Australia and the Australian Council of Trade Unions have joined community sector peak bodies such as the Australian Council of Social Service in expressing the view that allowance payments of \$28-\$36 per day do not provide enough money for people to meet the basic costs of living.

Recipients of the Newstart Allowance have clear participation requirements imposed on them as part of their mutual obligation in exchange for payment. Unless they are deemed to have a reduced employment capacity, this means actively seeking a minimum of ten jobs per fortnight, engaging face to face with a Job Services Australia provider and after thirteen weeks, involvement in another mutual obligation activity.

These activities all involve a significant cost to the individual in receipt of the Newstart payment. Typically the process of seeking a minimum of ten jobs per fortnight will involve a level of canvassing, phoning and e-mailing employers. Notwithstanding the fact that Job Services Australia providers are funded to offer facilities to enable jobseekers to do this at no cost to the individual, there are transport costs involved and often jobseekers will use their own phone and internet to look for work.

While the cost impost may not be great to most of us, when you are reliant on less than forty-five dollars per day including the maximum rate of Commonwealth Rent Assistance to provide for all what most Australians would consider the necessities in life including safe and secure housing, transport and ICT expenses could be the tipping point.

For the purposes of illustrating this we have taken the liberty of preparing table 3 below which provides approximate estimates of household expenditure items that Homelessness Australia believes most Australians would regard as essential for Australian households.

Table 3: Comparison of the mean cost of living with NSA rates (including maximum rate of CRA) \$609.10/fortnight (\$489.70 NSA + \$119.40 CRA)

Item	Median or minimum cost/fortnight	% of NS Allowance	Difference (n) +/-
Rent*	\$285.00	46.8	+\$324.10
Food~	\$144.00	23.6	+\$180.10
Transport^	\$51.00	6.8	+\$129.10
Utilities/internet'	\$67.65	11.1	+\$61.45
Mobile phone**	\$15.00	2.5	+\$46.45
Incidentals^^	\$25.00	4.1	+\$21.45

*Based on 50% of median weekly rental / 2 b.r. property in Australia. Source: ABS Census snapshot 2011 Census.

~Includes minimum average grocery spend for single person plus one take-away meal per fortnight.

'<http://www.rba.gov.au/publications/bulletin/2010/dec/2.html> (also inc. Projected Carbon price increase to utilities)

^Based on public transport cost of 2 weekly concessional fare zone 3 bus/rail/ferry tickets in Sydney.

**Minimum cost / month is typically \$30 as \$20 of pre-paid credit would not enable fulfilment of participation requirements.

^^Incidentals are intended to cover the cost of occasional presents for family and friends, an occasional coffee, etc.

As the table above shows, the current rate of Newstart Allowance barely provides for what most Australians would consider essential items. It should be noted that apart from the inclusion of a fortnightly take-away meal in our projected estimate of fortnightly food costs, the table above does not contain provision for activities outside of the home.

It also assumes that a person living on Newstart Allowance does not have a motor vehicle. Ownership of a motor vehicle would push up transport costs as it would require insurance to at least third party cover (\$10 per week over the course of the year) and one would anticipate the costs of keeping it on the road would incur a similar weekly expense.

The table above does not take into account those fortnights where a visit to a GP or Dentist or a one off expense arising from an emergency or if an item such as the refrigerator or washing machine were to need replacing. Other items of expenditure such as home contents insurance are also not catered for in the above table. Even so, we found that recipients would struggle to find more than ten spare dollars per week after the bare essentials are covered.

When taking these additional items such as insurance into account it is clear that the Newstart Allowance offers almost no capacity to save for so called 'big ticket' items such as furniture, whitegoods or a car.

We therefore recommend increasing the Newstart Allowance by a minimum of \$50 per week in line with the recommendation in the Henry Taxation and Transfer Review.

We also recommend indexing the Newstart Allowance applying the same methodology as is applied to pension payments so that the gap between allowance and pension payments does not continue to grow exponentially. As noted earlier, this was a significant potential problem outlined in the Henry Tax Review.

5.) Youth Allowance

Table 4: Comparison of the mean cost of living with youth allowance rates (including maximum rate of CRA) \$522.10/fortnight

Item	Median or minimum cost/fortnight	% of Youth Allowance	Difference (n) +/-
Rent*	\$285.00	54.5	+\$237.10
Food~	\$144.00	24.1	+\$93.10
Transport^	\$41.20	7.9	+\$51.90
Utilities/internet'	\$67.65	9.8	-\$15.75
Incidentals^^	\$25.00	4.8	-\$40.75
Mobile phone**	\$15.00	2.9	-\$55.75

*Based on 50% of median weekly rental / 2 b.r. property in Australia. Source: ABS Census Table Snapshot of Australia Aug 2011.

~Includes minimum average grocery spend for single person plus one take-away meal per fortnight.

'<http://www.rba.gov.au/publications/bulletin/2010/dec/2.html> (estimated price impact of the carbon price is included).

^Based on public transport cost of 2 weekly concessional fare bus/rail/ferry tickets in Sydney (concession/student).

^^Incidentals include an occasional coffee or soft drink and expenses incurred during an 'average fortnight'.

**Minimum cost / month is typically \$30 as \$20 of pre-paid credit would not stretch this far for young people.

Table 2 (above) assumes that recipients of youth allowance will have a similar pattern of expenditure items as recipients of the Newstart Allowance if they are living outside of the family home.

It shows the fortnightly cost of five items that I would regard as essential for a young person living out of home and includes an estimate for the cost of a home internet connection (included with utilities) which is essential for people at TAFE or University or who have participation requirements with Job Services Australia. After allocating their Youth Allowance to provide for these essentials, a young person would be left with just seventy-five cents at the end of a usual fortnight.

The table shows that young people reliant on income support are facing very difficult choices in Australia. My calculations assume that a young person is sharing with another tenant and the cost of rent is based on a median estimate across Australia. Real Estate Institute of Australia data shows that this is less expensive than the median weekly rental price of two bedroom dwellings in all capital cities except Hobart^{vii}.

With the maximum rate of Youth Allowance (unreasonable to live at home) being \$87.00 per fortnight less than Newstart, we can see that even if we do not allow young people the opportunity to afford some entertainment outside of the home or even a trip to the cinema they still face a likely deficit of \$55.75 at the conclusion of a standard fortnight.

This indicates that Youth Allowance is not sufficient even with CRA to enable a young person to rent a share house with another young person in almost all Australian capital cities.

Homelessness Australia is aware that research with clients from youth homelessness services has found rates of food insecurity with subsequent adverse impacts on nutrition and primary health are in excess of ten times the Australian average and researchers highlight the low rate of the Youth Allowance as a significant barrier to the regular purchase of food.

The potential for detrimental health outcomes is even more acute for young women who are pregnant and their developing child(ren). Homelessness Australia is alarmed by these findings.

One of the key differences between the Newstart Allowance and Youth Allowance is the amount of personal income you are allowed to receive before your payment reduces.

Accordinging of the Department of Human Services:

Personal Income Test

As a student or Australian apprentice on Youth Allowance:

- you can earn up to \$400 before tax per fortnight before your payment is affected
- income over \$400 and up to \$480 reduces your payment by 50 cents in the dollar
- income over \$480 per fortnight reduces your payment by 60 cents in the dollar.

Your income bank balance may increase the amount you can earn before your payment is reduced.

As a jobseeker on Youth Allowance:

1. you can earn up to \$143 before tax per fortnight before your payment is affected
2. income over \$143 and up to \$250 reduces your payment by 50 cents in the dollar
3. income over \$250 per fortnight reduces your payment by 60 cents in the dollar.

Your working credit balance may increase the amount you can earn before your payment is reduced^{viii}.

By contrast, the Department states that a person on Newstart Allowance:

May not receive Newstart Allowance straight away if you have \$3000 or more in liquid assets if you are single; or \$6000 or more if you are a couple or are a single with dependants.

Income tests

As a Newstart Allowance customer, you can earn up to \$62 per fortnight (before tax) before your payment is affected.

Income above \$62 and up to \$250 per fortnight reduces your fortnightly payment by 50 cents in the dollar. Income above \$250 per fortnight reduces your payment by 60 cents in the dollar.

Partner income that exceeds the cut-out point also reduces your payment by 60 cents in the dollar^{ix}.

This means there is a much greater incentive to seek and engage in employment while receiving Youth Allowance as many young people are doing whilst engaging in further education or vocational training.

The income threshold for Newstart Allowance means that almost no work is possible in the fortnight without a recipient's income support being adversely affected.

While this may be reasonable given that one is a payment specifically designed to support people while they are looking for work; it is doubtful that such a low earnings potential enables anyone on Newstart to participate in even occasional employment.

Homelessness Australia does not want the inclusion of this comparison to be read as a justification for lowering the income threshold at which the youth allowance payment is adversely affected but rather to highlight the difference in income thresholds between each payment.

We do think that the higher income threshold before Youth Allowance payments are adversely affected is a positive.

It is set at a level that would enable young people to participate in part time employment or an apprenticeship or traineeship while still receiving the majority of if not the maximum Youth Allowance payment.

For full time University Students it would mean combining part time employment with University. As previous Senate Inquiries into the adequacy of support for students have shown this has been a growing trend over the past two decades and is now the norm for the majority of students.

While combining part-time employment with full time study has become the norm for many people this does not alter our organisational perspective on the Youth Allowance. We strongly believe that a payment level of just \$28.70 per day before CRA is applied is manifestly inadequate and does not enable young people to meet even the very basic costs of living.

The implicit assumption in this community perception is that there are employment opportunities available for young people and that the hours of work can be made compatible with a full time study load. Notwithstanding variable contact hours (a full time study load is based on units of study, not hours per week), there is a serious question arising here for students in regional, rural and remote areas as well as those in postcodes that could be defined as low socio-economic status. Students from lower SES backgrounds are more likely to be eligible for Youth Allowance because the parental means test for independence is quite low. For those who are forced out of the family home (in order to qualify for unreasonable to live at home) and those who are unable to rely upon material and financial support from families, the strain of combining work and study can be enormous.

Outside of major cities, distances between home and places of education, employment and training, transport costs are often higher and the breadth of employment options can often be much narrower than in our cities. The limited or in some cases complete lack of public transport options makes motor vehicle ownership essential. With motor vehicle ownership comes not only the cost of petrol but also registration, servicing, insurance, repairs and wear and tear. This needs to be taken into account when the Inquiry considers the adequacy of allowance payments. Furthermore, students from regional, rural and remote areas who are required to live away from families in order to pursue a program of study in major cities may face higher cost pressures as a result of being at great distance from family and support

networks and the high costs of median weekly rental prices, particularly in Canberra, Sydney and Darwin.

We are talking about people aged 16-24*, this group has not had a lifetime to amass material possessions or pay off a family home as many recipients of the aged pension have had an opportunity to do. Arguably then, their cost of living (with the exception of likely higher medical bills for older people) may be much higher when housing costs are factored in. It has become commonplace in the media to talk about the plight of people reliant on the aged pension and we know older Australians are really struggling with cost of living pressures. Rarely is it mentioned however that for young people, the level of income support is roughly 60% of the aged pension rate.

If older Australians reliant on income support are struggling to make ends meet on just over \$380 per week, it is our contention that young people on just over \$260 per week are not provided with enough money to live on.

We are particularly concerned that the gross inadequacy of this payment is placing a growing number of young people in housing crisis and at imminent risk of homelessness. High numbers of young people aged 15-24 years of are recorded as clients of youth homelessness services. With new Specialist Homelessness Services data showing where clients derive their main source of income from we can see that the vast majority of this group are reliant on Youth Allowance as their main source of money^x. While we can readily assume that inadequate income support is not the sole reason why large numbers of young people find themselves needing assistance from specialist homelessness services; the report did show that reasons like 'rent too high', 'housing crisis' and financial difficulties/high costs of living featured prominently in the main reasons given by young people for seeking assistance from specialist homelessness services.

Homelessness Australia contends that the current rate of Youth Allowance is grossly inadequate.

We recommend increasing the payment by a *minimum* of \$50 per week to give young recipients of the allowance some chance of meeting the costs of living.

Further to this, in recognition that growing numbers of young people are in the private rental market and that median weekly rental prices in the private market increased by almost 50% between 2006 and 2011, we recommend increasing the maximum rate of CRA by a minimum of 30% pending a Productivity Commission review of its efficacy as a housing subsidy.

Finally, as is our recommendation for the Newstart Allowance, we recommend applying the same indexation formula to the Youth Allowance payment as is used to index the aged pension. The biannual indexation of pension payments and setting it proportionally in line with the minimum adult weekly wage has made a significant difference to their payment level. As was noted in the Henry Taxation and Transfer review, if this trend continues the rate of the aged pension will be well above twice that of Youth Allowance by the year 2040.

6.) Do the payments act as an incentive for 'participation'?

Some commentators have suggested that keeping allowance payments pitifully low acts as a financial incentive to encourage or mandate participation in the labour market. The theory holds that almost everyone is motivated by money and in the past punitive financial penalties such as administrative breaches has been applied to recalcitrant income support recipients for failing to adhere to one or more of their mutual obligation participation requirements.

Homelessness Australia is not convinced that keeping payments so far below the poverty line acts an incentive for participation. We have serious concerns about the link between inadequate income support, housing crisis and social exclusion.

In comparison to most other nations in the Organisation for Economic Cooperation and Development (OECD), the gap between allowance payments and the minimum wage is pronounced. This means there is considerable scope to increase allowance payments without discouraging participation in the labour force or compromising the minimum wage.

While Homelessness Australia acknowledges that the Government's aspiration is for full employment, the reality of the labour market today is that a level of unemployment remains a constant feature despite the best efforts of people seeking employment. By setting allowance payments so low that they do not allow people to meet the basic costs of living places increased pressure on families and individuals and may in fact have the opposite effect.

We see this with people experiencing homelessness who are seeking work. They are caught between a rock and a hard place as employment can be a necessary pathway out of poverty and homelessness but without stable housing the process of seeking work and preparing for job interviews is made infinitely more difficult.

In addition, the costs of meeting participation requirements may be prohibitive for some Newstart recipients especially in areas of high median weekly rental. By setting allowances so low that meeting the costs of housing and transport leaves so little residual income that difficult choices such as 'skipping meals' or seeing the Doctor when you are sick are common realities faced by people reliant on allowance payments.

Homelessness Australia contends that increasing allowance payments will not act as a disincentive to participation. There is significant room for movement in-between both the maximum rate of Newstart Allowance and Youth Allowance and the minimum wage for adults.

By contrast, keeping allowance payments too low may have adverse implications for the health and wellbeing of families and individuals reliant on these payments which could have a negative impact on their capacity to seek employment and engage in education and vocational training.

Homelessness Australia believes incentives are a better means of encouraging workforce participation and re-skilling or up-skilling than punitive measures such as administrative breaching and inadequate allowance payments.

As the Australian Council of Social Service notes, people who are out of paid work long-term benefit from:

- Close and regular contact with employment services, so that they get to know the needs of the individual and guide them on the pathway to a job;
- Training to improve their skills;
- Experience in a regular paid job (this is more effective than Work for the Dole type schemes because it improves their competitiveness in the jobs market);
- For people who face particular challenges, such as mental health issues, local employment, health and social support services working together to help them overcome their hurdles to employment^{xi}.

The three fifths of unemployed people on Newstart Allowance who have been unemployed over 12 months struggle to find paid employment. Yet employment services only get \$500 to invest in work experience training and other help with barriers to paid work (and an interview every two months) after 12 months of unemployment.

People experiencing homelessness can often face additional barriers to employment and workforce participation. Homelessness Australia believes this needs to be considered by Government when thinking about incentives to increase participation and support people into employment and vocational training.

Incentives such as a wage subsidies paid to employers can encourage them to employ people who have been out of the labour force for some time. There are a limited number of wage subsidies on offer and given that they provide real incentives to employers to take a chance by hiring people who have experienced long-term unemployment and provide paid work for people it seems sensible to expand their coverage.

Increasing investment in genuine workplace training and providing incentives for people to gain real experience in paid work are in our view more likely to lead to sustainable employment outcomes than schemes such as work for the dole.

Arguably people who unemployed and face multiple barriers who are assessed as eligible for streams three and four in the Job Services Australia model should be provided with additional resources to support them to address these barriers.

7.) The impact of the changing nature of the labour market , particularly the rise of insecure work and decline of unskilled jobs

Homelessness Australia applauds the current Government's skills agenda and the funding and policy commitments that support it.

While beyond our area of expertise it is widely known that the labour market in liberal democracies including Australia has undergone significant changes and reforms over the past three decades or more. Many of these have been shaped by forces such as economic globalisation and the realities of variations in labour costs in different countries.

We are witnessing the continuing decline of some sectors that have historically provided mass employment for people, in particular the manufacturing sector. Other industries such as social and community services, health, the service industry more broadly and more recently the mining sector are, conversely, experiencing strong growth. It is widely acknowledged that we face significant shortages of skilled labour. While inevitably part of the solution is to be found in bringing in skilled migrants to fill particular niches in specialised sectors, Homelessness Australia believes boosting the skills base and capacity of people not currently in work is also critical.

Ensuring that people currently seeking work are provided with increased opportunities to expand their skill base and engage in technical and further education, university and vocational training must be a priority. In a labour market increasingly characterised not by tradition notions of employment security but rather 'employability security', it is vital that people are equipped with transferrable skills to enable them to find employment quickly when they do find themselves out of work.

For people who have out of work for more than twelve months, providing access to programs and certified training courses to assist in building or diversifying skills seems like a more sensible use of dollars in a tight budgetary environment than schemes such as compulsory income management that cost as much as \$6000 per recipient to administer.

Initiatives such as the Productivity Places Program are positive but consideration needs to be given to providing differential levels of support relative to the barriers a person may face to getting and sustaining employment.

In the case of homelessness and in particular for young people experiencing homelessness, housing and support models that provide young people with self contained accommodation in exchange for participation in education, employment or vocational training are achieving good outcomes.

With the decline in the number and proportion of so-called 'unskilled' jobs it is vital that people who are currently unemployed are provided with real opportunities to access pre-employment and vocational training and are given priority access to initiatives and programs that boost skills and improve employability.

While the changing nature of the labour market has produced risks and led to a significant pool of people defined by policy makers as 'long-term unemployed' it can also present opportunities.

While the impact of the fledgling carbon pricing arrangements is yet to be fully determined if it were to foreshadow the scale of economic transformation that many proponents believe that it will it could provide significant employment and training opportunities for

people to move into so-called 'green jobs'. These may require particular skills sets and the transformation may take a significant period of time to unfold. That being said, there is no reason why people currently out of the labour force who are seeking employment could not be prioritised in future initiatives and programs that may be developed.

The impact of a sharp increase in 'casual' employment on the frequency, nature and/or durations of interactions by individuals with the income support system and the impact of over and under-payment of allowances is not an area in which Homelessness Australia has undertaken a great deal of work. With respect to this term of reference we will defer to other submitters to provide expert advice to this Inquiry. We recommend that the Australian Government commissions further investigative work in this area.

In summary however, we believe incentive measures that encourage participation are preferable to punitive measures and we believe it is important to invest in re-skilling or up-skilling people who have been unemployed for longer periods.

8.) Recommendations

- That allowance payments (Newstart Allowance, Special Benefit and Youth Allowance) should be increased by a minimum of \$50 per week to improve the ability of people to meet the basic costs of living.
- That allowance payments be indexed using the same formula as pensions to prevent the scenario outlined in the Henry Taxation and Transfer Review from unfolding that would see the gap between the aged pension and the Newstart Allowance increase to 100% by 2040.
- That the maximum rate of Commonwealth Rent Assistance be increased by a minimum of 30% pending a Productivity Commission review of both its efficacy and efficiency as a housing subsidy.
- That homelessness and housing crisis are considered by the Inquiry to be critical issues of concern that arise from the inadequacy of allowance payments and that these are noted in any recommendations the Inquiry makes.
- That people who are experiencing homelessness are provided with additional incentives to access pre-employment and vocational training programs.
- That expensive, punitive measures such as administrative breaching, the enforcement of participation failures and the imposition of compulsory income management are de-prioritised with costs savings to be re-directed to incentive based initiatives that encourage and reward participation.
- That the Australian Government expands the coverage of positive incentives such as wage subsidies to employers for hiring people defined as long-term unemployed.
- That the Australian Government recognises that the provision of real opportunities to participate in on the job training that provides transferrable skills are preferable to programs like the pejoratively titled 'work for the dole' and adjusts policy settings accordingly.
- That the Australian Government continues to prioritise people who are disengaged from the labour market with a demonstrated capacity to work when developing, funding and implementing its skills agenda.
- That the impact of the rise of casual and insecure work on interactions by individuals and families with the income support system be subject to additional lines of inquiry to determine what additional support can be provided to people in insecure and temporary employment.

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- ⁱ http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0
- ⁱⁱ Centrelink Guide to Government Payments, July 2006 and July 2011.
- ⁱⁱⁱ Henry Taxation and Transfer Review, Chapter F1, income support payments.
- ^{iv} <http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-Lines-Australia-Dec-2011.pdf>
- ^v Saunders & Wong, Poverty and Exclusion in Modern Australia, Social Policy Research Centre, UNSW, 2011; The Economic and Social Impact of Cost of Living Pressures on People Accessing Emergency Relief: A National Survey, Salvation Army Southern Territory, June 2012.
- ^{vi} Australian Council of Social Service, Poverty Report: October 2011 update, p.3.
- ^{vii} pm.com.au/pdf/SampleStateOfTheMarketReport.pdf
- ^{viii} <http://www.humanservices.gov.au/customer/enablers/centrelink/youth-allowance/income-assets-test>
- ^{ix} <http://www.humanservices.gov.au/customer/enablers/centrelink/newstart-allowance/newstart-allowance-income-and-assets-test>
- ^x Specialist Homelessness Services Collection – Results from the December Quarter 2011, AIHW, Canberra, 2012, p.31.
- ^{xi} Australian Council of Social Service Factsheet: Employment Participation.