

**Senate Inquiry Submission
Gosnells Community Legal Centre Inc.**

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

Centre Background:

Gosnells Community Legal Centre Inc. provides free legal services to low income and other disadvantaged clients. The Centre is located in Gosnells, 20km south east of Perth and services the south east metropolitan corridor. Services include a range of Family Law, Child Support and Domestic Violence related services, Financial Counselling Services, Tenancy Advocacy, Mediation, Welfare Rights and the provision of Emergency Relief(ER) Funds. The Centre receives Federal and State Government funding and has been operating since 1981. The Centre assists with information, advice and casework. In the last financial year (2011-2012) the Centre assisted a total of 4752 clients across the various services.

This submission is based on the Centre's case load and experience in working with clients, the majority of whom are in receipt of government benefits such as the New Start Allowance (NSA).

Case Study 1

A young couple with one dependant attended the Centre for assistance with an electricity account. They had been issued with a disconnection warning and were eligible for a State Government funded grant towards the account.

The main income earner was made redundant and had no success securing employment over the past months. He was now on NSA but this was a reduction of \$800 per fortnight in comparison to his income when employed. His partner was in receipt of Parenting Pension, Family Tax Benefit (FTB) and Rent Assistance. Due to the change in circumstances they were in rent arrears and could not afford household bills or food. During the appointment a budget was completed for the client, which indicated a fortnightly deficit of \$300. As they were paying off the rent arrears, the cost of retaining their accommodation was 78% of the household income during an already vulnerable financial situation.

Case Study 2

Mark, a single parent (with one child) attended the Centre for assistance with an electricity account. He has been in receipt of the New Start Allowance for nearly two years and unable to re-enter the workforce due to an injury. Mark is buying his home and his home loan repayments are below average. We prepared a basic budget with Mark, he does not receive rent assistance and is solely reliant on NSA and FTB. Even with substantially low accommodation costs Mark's budget was in deficit of \$200 every fortnight and his accommodation cost was 45% of total household income. His electricity, water and council rates has accumulated over the years as he struggled to keep up with home loan repayments to prevent homelessness.

Case Study 3

Geoff is a 58 year old single person recently granted NSA due to health complications. When employed, Geoff's fortnightly income was \$1800. Now in receipt of NSA, his income is reduced to \$495 per fortnight. Geoff is keen to return to the workforce but unable to do so until his health improves. In the mean time he needs to continue repayments of \$2000 per month on his home loan, maintain payments to electricity, gas and water plus other creditors such as council rates and credit cards. Geoff's budget indicated a deficit of \$1039 each fortnight.

Issues

High living costs, unemployment and mental health

We assist clients who are in financial crisis, (i.e. threatened with eviction, disconnection of essential utilities, and legal action) through the Centre's financial counselling, tenancy advocacy and emergency relief services. Financial hardship is typically a result of unemployment, illness and/or insufficient household income. Budgeting is a key component of financial counselling and we often find that clients (especially those on NSA) cannot afford to maintain private rental accommodation let alone home loan repayments. The weekly average rental cost in the Gosnells area is \$350.00 (3 bedroom rental property). This is usually more than the entire income of a single person in receipt of NSA and Rent Assistance. Unfortunately, the Rent Assistance allowance does not reflect rental market values and is in itself inadequate.

Due to the shortage of rental properties, groups of single people (applying for shared accommodation) compete against families. Therefore, it is our understanding that, in the current rental market, shared accommodation is difficult to secure. Further, boarders and lodgers do not share the same rights as a tenant and are more vulnerable as they are not protected by the *Residential Tenancies Act*.

The price of electricity in Western Australia has significantly increased in the last four years (57% prior to 30 June 2012). The cost of electricity, gas and water are forecast to continue to rise. As a result, our Emergency Relief and similar services in the area are inundated by individuals and families who are in rent arrears, cannot afford to maintain utility accounts or afford food. Similarly we find families are in housing and financial stress because their accommodation cost alone is more than 50% of household income.

Most families cannot cope with the huge reduction in income due to involuntary unemployment. We often find families in extreme financial distress, which impacts on their mental health, and cripples their confidence and capacity to actively seek employment.

Loss of stability

Many people who are unemployed are faced with a financial situation that is beyond their control. Controlling this i.e. avoiding eviction, repossession, disconnection, becomes priority and therefore job seeking becomes secondary. Understandably this is a barrier to employment.

Employment barriers

Single parents

Single parents transitioning from parenting payment to NSA find the drop in income difficult to cope with. They often lack the skills and experience necessary for employment. Employers are not willing to employ them or be flexible with work hours, considering care needs for young children. The cost of before and after school care is excessive and is often unaffordable for a single income family.

Mature age job seekers

Although NSA is traditionally designed to support people through a temporary period of unemployment we increasingly find clients who have been unemployed for a lengthy period of time. Among these are older people who are not in the age bracket for the age pension. Employers are often reluctant to employ people in this category and they remain severely disadvantaged both financially and socially.

Long term health issues

Similarly, we encounter people on the New Start Allowance who are exempt from work due to injuries and mental health issues but at the same time they are ineligible for the Disability Support Pension.

Training needs

People in receipt of NSA often cannot afford to maintain essential expenses and therefore do not have the financial capacity to pay for training and up-skilling. Improved job skill assessment, training (at no cost to job seekers) and mentoring in the form of job assistance programs would be beneficial in assisting the disadvantaged back in to the workforce.

Students

It is common for students and young people on Youth Allowance and study allowances to remain at home. These allowances are not sufficient for young people to manage independently i.e pay for private rental or appropriate student accommodation let alone manage expenses incurred during the course of study.

Concluding recommendation

Financial hardship and emotional stress caused by the inadequacy of allowance payments is a recurring theme in our case work at the Centre. Therefore, based on our experience, we support the "Statement" put forward by the Australian Council of Social Service (ACOSS) to increase income support as this will reduce the financial pressure on individuals and families, empowering them to participate in paid work. Further improved job assistance schemes will reduce the high social and financial cost of unemployment.