



Mission Australia

**Submission to the Education, Employment and
Workplace Relations Senate Committee**

**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

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Mission Australia is a large national not-for-profit organisation that has been transforming the lives of Australians in need for more than 150 years. Our vision is to see a fairer Australia by eliminating disadvantage for vulnerable Australians. We aim to do so by strengthening families, empowering youth, striving to solve homelessness and providing life and work skills and employment solutions.

This aim is reflected in the breadth and diversity of our programs - from early learning and youth services, extensive family support and homelessness initiatives, employment and skills development, to provision of affordable housing). In 2010-11 Mission Australia Community Services (including our MA Early Services) assisted 133,807 individuals and 8,568 families and provided a total of 103,728 instances of service.

Our Employment Solutions division is Australia's largest not for profit provider of government funded employment services, including Job Service Australia (JSA). Since the commencement of JSA in July 2009 we have placed some 50,000 job seekers into sustainable employment. Our focus on holistic solutions to social and community issues has seen MA Housing grow its housing portfolio to 1,071 properties, substantially increasing the number of people we have been able to support into stable accommodation.

Our submission

Mission Australia welcomes the opportunity to comment on the inquiry into the adequacy of the allowance payment system for jobseekers and others. We commend the Government for providing the community with an opportunity to debate the adequacy of the allowance payment system but are concerned about the piecemeal nature of the approach. Piecemeal reform to individual payments does not go far enough and may further compound inequities or perverse outcomes for recipients given all payments interact in some way.

That is not to say we do not welcome any change to the allowance payment system that improves the adequacy of payments and helps more people transition into work. Our view is that more comprehensive reform across the entire income support system would be the most effective intervention Government could make. This reform could draw on the number of reviews of the income support system that have been taken over the past 15 years¹ as well as recent inquiries into specific aspects of the system².

Mission Australia fully understands that any structural reforms to the income support system would have significant budgetary implications for Government – we know, for example, the British Government's 2011 reforms to the welfare system (including the introduction of a single income support payment) cost approximately \$5 billion. In the context of a fundamentally changed labour market, an ageing population and the structural transformation of the Australian economy however,

¹ For example, the 2000 McClure Report, the 2008 Harmer Review of the Pension System and the 2009 Henry Tax Review

² For example, the Social Security Legislation (Fair Incentives to Work) Bill inquiry

we believe it is a necessary reform. More so it represents a sound and financially smart investment to ensuring the future sustainability of Australia's income support system.

Our practice history enables us to offer a unique perspective on the questions raised by the Education, Employment and Workplace Relations Senate Committee. In particular the importance of adequate funding and community support that helps boosts the confidence and capability of long term unemployed job seekers to re-engage with the labour market and find satisfying, sustainable employment.

Our submission is therefore shaped by our service experience and research. This submission provides detailed comments on the Inquiry's terms of reference, with a primary focus on Newstart and Youth Allowance. We conclude by providing a series of policy recommendations to address the issues raised.

A. The adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care.

Australia's social security system provides a number of allowance payments, including support for individuals who are looking for work (unemployment benefit, e.g. Newstart) or are studying full time (study allowance, e.g. Youth Allowance). The adequacy or otherwise of these two payments is discussed below.

Newstart Allowance

The question of whether the Newstart Allowance payment is adequate to provide sufficient support to meet the daily needs of individuals and families has been the subject of considerable research and commentary within the non-government sector³. The answer is clear – the payment is inadequate.

For starters, Australia's unemployment benefits are the lowest in the OECD⁴. The maximum fortnightly rate of Newstart for a single person with no children is \$489.70. At \$245 per week, Newstart is less than half the minimum wage in Australia (or 45% of the after tax minimum) and \$130 a week less than the single base rate of the Disability Support Pension (DSP). Research undertaken in NSW estimates that a single Newstart recipient in Sydney is likely to be left with about \$16.50 a day after paying rent, taking into account the average cost of rent in the city⁵.

The way Newstart is indexed also serves to keep the payment low. Newstart is indexed twice a year according to the Consumer Price Index (CPI) and given wages typically grow faster than prices, the disparity between Newstart and average weekly earnings grows larger each year. For example, if Newstart continues to be indexed according to CPI, by 2050 a single unemployed person will be receiving a payment that equates to little more than 11% of the average male wage – almost half of the current comparison rate of about 20%. It is apparent CPI does not adequately compensate for basic cost of living increases therefore the payment should be indexed to a measure that better reflects cost of living changes for income support recipients⁶. The Government's change to the index applied to the pension to one that reflected changes in wages rather than changes in prices is an implicit recognition of this need.

The earned income of those receiving Newstart is treated in a punitive way. A recipient's Newstart payment starts to decrease when their earned income exceeds \$31 per week; however this threshold is not indexed and has only increased by \$1 over the last thirty years. A more generous threshold rate would provide a greater incentive to work, as well as providing a greater level of disposable income to facilitate job-seeking. The current low level of Newstart results in many

³ For example, see the ACOSS "\$35 a day is not enough" campaign, whose signatories include Anglicare Australia, Homelessness Australia, Jobs Australia, The Benevolent Society, The Salvation Army, The Smith Family and UnitingCare Australia.

⁴ Replacement rates for a single unemployed person in the first twelve months of unemployment and who was previously working at the average wage. See Whiteford, P (2010). "Why unemployment benefits need to be increased", *Inside Story*, December

⁵ Whiteford, P (2010). "The Henry Review and the Social Security System", *The Australian Economic Review*, 43 (4), 429-436

⁶ Harmer, J (2009). *Pension Review Report*, Department of Families, Housing, Community Services and Indigenous Australia.

recipients being unable to afford new clothes or access a computer or telephone, all of which are beneficial when actively job seeking⁷.

Further, Newstart recipients are not eligible for additional supplementary payments such as Utilities and Telephone Allowances unlike those receiving the pension. While Newstart recipients are eligible for health care cards, this only enables them to access concessional medicine prices. The adequacy of the Newstart payment is also affected by the supplementary Rent Assistance payment, especially for those recipients who live in capital cities. The maximum Rent Assistance payment rate for a single, childless Newstart recipient is \$56 a week despite the disproportionate financial burden of rental payments often experienced by sole occupants. The Harmer Review⁸ found the effectiveness and equity of Rent Assistance had been reduced by the way it is indexed and recommended a restructure of rent thresholds to target the payment to those who pay higher rents.

An inadequate Newstart payment means that recipients experience multiple levels of deprivation. An ACOSS survey found 50% of Newstart recipients identify as being poor. One quarter of Newstart recipient households report they lack a 'decent and secure home' and spend over 30% of their income on housing costs, placing them under housing stress.⁹ More than one in three recipients lacked \$500 in emergency savings, and more than one quarter were unable to pay a bill in the last 12 months¹⁰. Anglicare found most recipients were unable to afford daily basic needs such as food, heating and prescription medications¹¹.

Youth Allowance

Youth Allowance is another allowance payment that is inadequate to meet the daily living costs of young people (such as rent, food, utilities) whether they are studying or unemployed, or of meeting the costs of looking for employment. Youth Allowance recipients receive even less than those on Newstart, and will remain on this allowance for a longer period following recent reforms to increase the eligibility age for Newstart to 22¹². The maximum fortnightly payment of Youth Allowance for those aged over 18 living at home with no dependents is \$265 and \$402 for those who live away from home. This income places the annual payment well below the Henderson poverty line¹³.

The reasons for the inadequacy of this allowance are common to those that make Newstart inadequate. Youth Allowance is also indexed to CPI, which as discussed previously, means that any increases to the payment do not adequately reflect the cost of living. Indexation also has a detrimental impact on the eligibility for Youth Allowance as the Government assumes young people are dependent on their families unless they have reached the age of independence or demonstrated genuine independence. If young people are deemed dependent, their Youth Allowance eligibility is assessed against their parents' assets and income. This Parental Income Threshold however is

⁷ Wise, S & Wilks, S (2012). Anglicare Victoria's Hardship Survey 2012.

⁸ Harmer, J (2009). *Pension Review Report*,

⁹ ACOSS (2012) \$35 a day: not enough to live on, Australian Council of Social Service Brochure, p.2
http://www.acoss.org.au/images/uploads/Newstart%20Allowance%20brochure%20FINAL_March%20version.pdf

¹⁰ ACOSS (2012) *Who is missing out? Material deprivation and income support payments*, ACOSS Paper 187, Surry Hills.

¹¹ Wise, S & Wilks, S (2012). Anglicare Victoria's Hardship Survey 2012.

¹² This change will affect more than 68,000 young people over a period of 4 years and they will experience payment cuts of between \$43 - \$110

¹³ The 1973 Henderson Poverty Inquiry calculated an absolute poverty line of disposable income required to support the basic needs of a family of 2 adults and 2 dependent children. Since this time it has been regularly updated by the Melbourne Institute.

Urquhart, R, Matheson, G, O'Brien, J. (2002) *Young Homeless People's Experience of the Youth Allowance System: An Exploratory Study Summary Report*, UnitingCare Burnside, Parramatta.

indexed to the insufficient measure of CPI, so the parental income and asset thresholds are very low with the result that many young people are ineligible for the allowance¹⁴. The Bradley Review noted that if the Parental Income Threshold was indexed to both CPI and Male Total Average Weekly Earnings (MTAWE), approximately 35,000 more young people would be eligible for the payment¹⁵.

The earned income of Youth Allowance recipients is also treated in a punitive way. As a student or apprentice on Youth Allowance, recipients can earn up to \$400 before payment is reduced by fifty cents in the dollar with any income above \$480 reducing payment by sixty cents in the dollar whereas jobseekers on Youth Allowance can only earn up to \$143 before their payment is reduced by fifty cents in the dollar, and any income above \$250 sees a reduction in payment of sixty cents in the dollar¹⁶. While there are income bank and working credit systems in place to assist recipients to keep more of their income from part-time or casual work, there appears to be a considerable inequity in the allowable income levels, not least of all when the cost of living is similar for both jobseeker and student/apprentice recipients. Access to supplementary payments is also more difficult – for example, Youth Allowance recipients face more restrictive eligibility criteria for Rent Assistance, and are often paid lower rates of Rent Assistance than that received by other income support recipients.

The inadequacy of Youth Allowance is particularly concerning given how critical it is for young people to be either earning or learning. For young people who are studying, the low rate of Youth Allowance makes them more likely to be reliant on paid work, non-cash assistance and loans to meet their daily needs, all of which adversely affects their capacity to study. This issue is further compounded for those who are forced to live away from home.

Young people who are unemployed fair even worse as they are at greater risk of becoming long term unemployed, given they generally have lower skills, qualifications and/or work experience compared to the general population. Insufficient income support can compound the problem. Addressing youth unemployment is a particularly critical issue given the high social and economic costs of having someone out of the labour force for their entire working age.

B. The appropriateness of the allowance payment as a support into work, with particular reference to:

i. the effectiveness of the payment as an incentive to work;

There are two key assumptions behind the provision of Newstart Allowance – the benefit must be lower than the minimum wage in order to create an incentive to work and people rely on unemployment benefits for short periods of time¹⁷.

¹⁴ Australian Youth Affairs Coalition (2011). *Submission in response to the Australian Government's Review of Student Income Support Reforms*, April.

¹⁵ Bradley, D (2008). *Review of the Australian Education Final Report*, Commonwealth Department of Education, Employment and Workplace Relations, Canberra.

¹⁶ Department of Human Services, *Youth Allowance Payments*. See: <http://www.humanservices.gov.au/customer/enablers/centrelink/youth-allowance/income-assets-test>

¹⁷ Harmer, J (2008). *Pension Review Background Paper*, Department of Families, Housing, Community Services and Indigenous Australia.

If the effectiveness of Newstart as an incentive to work is to be judged by the length of time recipients rely on unemployment benefits, it is failing. The majority of Newstart allowance recipients are considered long-term unemployed, for example in August 2011, 64% of Newstart recipients had been on the payment for twelve months or longer; while 21% had been on the payment for 5 years or longer¹⁸. In 2009-10, 53% of households with at least one long-term unemployed person received Newstart¹⁹, making it the most common payment for a long-term unemployed person.

Newstart is clearly no longer a short term/interim payment and the OECD has rightly argued that the rate of Newstart is so low that it “raises issues about its effectiveness”²⁰. At its current level, Mission Australia considers the payment is not working as an effective incentive to work, as its inadequacy can entrench recipients into poverty rather than facilitate their transition into employment.

ii. the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of an illness or disability, and in helping or hindering recipients to overcome barriers to employment

The nature and distribution of work has changed significantly over the past 30 years. It has shifted from a profile of lifelong full time employment and/or unemployment to people making multiple transitions in and out of work throughout their lifetime with an increase in the instance of casual and part-time work. Four key transitions involving paid employment have been identified – ‘education / training and employment; private family based activity and paid employment; unemployment and employment; and work into retirement or between periodic incapacity for work and employment’²¹.

Despite this shift, Australia’s income support system remains structured around the assumption of full-time employment and/or unemployment. Any deviations from this norm – for example, caring for a child, acquiring a disability, returning to further education after a stint in the workforce, reaching retirement age – are dealt with differently by the system. A new payment is required for each life transition²² with different application processes, rates of payments, eligibility for concessions and participation requirements for each. All of this contributes to a clunky, complex income support and allowance payment system which rarely meet the needs of those it is trying to assist – a system that requires reform (our suggestions for that reform are outlined at the policy recommendations section later in this submission).

iii. the impact of the differences between pensions and allowances on the transition between working and other activities.

Since the inception of Australia’s income support system, pensions have been paid at a higher rate than other allowances. The reason for this was the assumption that those in receipt of pensions

¹⁸ DEEWR (2011). Supplementary Estimates Question on Notice EW0708_12. *Senate Standing Committee on Education, Employment and Workplace Relations*, Canberra.

¹⁹ Australian Bureau of Statistics (2011). “Australian Social Trends September 2011: Long-term unemployment”, Cat No. 4102.0

²⁰ OECD (2010). *OECD Economic Surveys: Australia 2010*, OECD Publishing

²¹ Gunther Schmid, cited in the Australian Council of Trade Unions (2012). “Lives on Hold: the report of the Independent Inquiry into insecure work in Australia”, Sydney p.42.

²² For example, Newstart Allowance, Parenting Payment, Disability Support Pension, Austudy, Aged Pension.

were likely to be on income support for longer periods of time, while allowance recipients were only likely to need short-term assistance.

Pensions are indexed according to whichever is greater of the MTAW, the CPI or the Pension Beneficiary Living Cost Index while Newstart and other allowances are indexed only to CPI, as previously noted. As a result, the gap between the two payment types has increased dramatically – there was a gap of \$130 between Newstart and other pensions at June 2012, a gap which is expected to rise to \$222 by 2020. The Australian Treasury estimates that by 2040, Newstart will equate to less than half the \$649 pension²³.

There is also a gap between how much allowance and pension recipients can earn in income before it affects their payment. Specifically, Newstart recipients can earn up to \$62 a fortnight before their payment is affected while earned income between \$62 and \$250 reduces the recipient's fortnightly payments by fifty cents in the dollar and income above \$250 reduces payment by sixty cents in the dollar. In contrast pension recipients are treated much more generously. A Disability Support Pension (DSP) recipient can earn up to \$152 per fortnight before their payment is affected. Earned income over \$152 reduces the recipient's fortnightly payment by fifty cents in the dollar. The cut off point for both payments, i.e. the amount that can be earned before a payment reduces to \$0, is also inequitable at \$909 per fortnight for Newstart recipients and \$1663 per fortnight for DSP recipients.

Mission Australia believes the significant difference in Newstart payment rates and the treatment of earned income when compared to pensions can create an incentive for recipients to "work around the system" by testing their eligibility for a pension payment like DSP²⁴. This is a particularly perverse outcome as pensions have little onus to participate in job search activities. We are of course mindful of the Government's DSP reforms introduced on 1 July which aim to tighten eligibility for DSP, and which may help stem the trend increase in the DSP caseload.

C. The impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the nature and frequency of individual interaction with the allowance payment system, and over and underpayment of allowances to recipients.

Australia's labour market has changed significantly over the past twenty years, with the proportion of employees engaged in casual work growing significantly from 15.8% in 1984 to around 23.9% (or 2.2 million workers) in 2011²⁵. This is problematic as casual work is inherently more insecure than both part-time and full-time work with workers ineligible for paid leave entitlements, including sick leave.

Job insecurity also manifests in working time insecurity, with many workers experiencing irregular and unpredictable hours of work. ABS data²⁶ suggests that 37% of all employees working part-time have no guaranteed minimum hours of work, and that 35% of casual workers are in jobs where their

²³ Australian Treasury (2008). "Architecture of Australia's Tax and Transfer System", Canberra.

²⁴ Brown, J. 2011. "Working Towards Self-reliance: Three Lessons for Disability Pension Reform", CSI Policy Monograph 124, The Centre for Independent Studies: Australia

²⁵ Australian Bureau of Statistics, *Forms of Employment*, November 2011, Cat 6359.0. Released April 2012.

²⁶ Australian Bureau of Statistics, *Labour Force, Australia*, Cat 6291.0.55.01, July 2011.

hours vary weekly. There is also an issue of the adequacy of working hours, for example there are over 850,000 workers in Australia working part-time hours who would like to work more.

Approximately 29% of all casual employees have also reported wanting to work more hours than they currently do. These workers have an age and gender dimension with 20% of all casual workers are aged between 15-19 years and approximately 60% of all casual workers aged less than 35 years. Women are also much more likely to be in casual employment than men, with 25.5% of all female employees working in casual jobs, compared to 19.7% of male employees²⁷.

In addition to the changing nature of work, there has also been a decline in demand for low-skilled labour. Jobseekers with poor education, low competencies and minimal work experience rely on the low-skilled entry-level job opportunities, but this is where the biggest declines in employment have occurred. Only 1 in 8 of the new jobs created between 1990-2003 were taken up by jobseekers without post-school qualifications whereas nearly three-quarters of new jobs in the same period were won by university graduates²⁸.

As already stated, Australia's current allowance system does not reflect this new labour market reality, which this creates several problems. Firstly, recipients are disproportionately penalised for working. The allowance payment system can create a barrier to employment in and of itself through the income testing of social security benefits interacting with the progressive taxation system (Effective Marginal Tax Rates (EMTRs)). Up until July 1 this year, the effective marginal tax rate resulted in a person moving from welfare to work paying over 50% tax if they undertook more than the prescribed minimum of paid employment²⁹. Mission Australia welcomes the Government's large increase in the tax threshold that took effect from 1 July 2012, which will help reduce the interaction between the tax and transfers system by taking many low income individuals out of the income tax system altogether. However even after such reform, disincentives to work may still exist within the system, and this issue should be carefully monitored.

The income support system needs to be less complex and more flexible and allow jobseekers to work when it best suits them. Newstart (Principal Carers) recipients for example are more likely to combine income support with part-time or casual work, and frequently calculate the optimal number of hours of paid work in relation to their income support payments. The Brotherhood of St Laurence reports that many parents were frustrated they were unable to get ahead financially as they were forced to refuse additional hours of work offered because accepting the work would not be 'worthwhile' due to the reduction of income support payments³⁰.

Newstart recipients also view the waiting periods associated with going back onto Newstart as a disincentive to taking up short-term or insecure work. While Newstart offers the security of a guaranteed payment, however inadequate, the casual nature of the low-skilled labour market is inherently more risky. There is little incentive for jobseekers to take on insecure or casual employment if there is a likelihood they could lose the job and be forced to undergo the arduous process of reapplying for income support. This is compounded by the fact they may not be able to

²⁷ Australian Bureau of Statistics, Labour Force, Australia, Cat 6291.0.55.01, July 2011.

²⁸ Horn, M. (2008). "Rethinking employment assistance to strengthen social and economic participation", Presentation to the 2008 Economic and Social Outlook Conference, 27th March 2008.

²⁹ Harding, A. (2008) Effective tax rates in Australia today: an overview and some issues, Presentation to the CEDA 2008 Tax Policy Directions Forum, Canberra, 12 March 2008.

³⁰ Bodsworth, E (2010). "Making work pay and income support work", The Brotherhood of St Laurence, Melbourne.

access income support until they spend the majority of their savings due to the liquid assets requirements.

Finally, the decline in demand for unskilled jobs means jobseekers need greater support to move into employment. Disadvantaged jobseekers with poor education and minimal work experience rely on low-skilled and entry-level job opportunities to move into employment, yet the pool of these types of job continues to shrink. We know from our experience delivering employment services that even the most disadvantaged jobseekers want to work – however they also want jobs with a future and ones that meet their aspirations. The Job Services Australia system could be funded to provide a higher level of support to these jobseekers.

In our view the current system is inequitable; overly complicated; the payments no longer reflect the reality of the labour market; and there is an increasing disparity in the support available between those who are considered welfare worthy and those who are not. On a positive note, many of the issues inherent in the current system can be readily rectified and our recommendations for how this can occur are outlined for your consideration below.

Policy recommendations

Mission Australia believes **comprehensive reform of the income support system is needed**. We think adopting a ‘work-life’ transitions approach to redesigning the income support system would help to reduce the complexity of the current income support system and actually facilitate more transitions to work.

Mission Australia recommends system reform:

1. **A single welfare payment** – that is a base amount with add-on supplements to reflect an individual’s personal circumstances and life transitions – is consistent with a ‘work-life’ transitions approach. Add-on supplements would include parenting and family assistance supplement for parents, and a rent supplement to assist with the direct costs of housing. People with a disability and those with a partial capacity to work would be eligible for a participation supplement that provides an incentive for them to work part-time.

The idea of a single welfare payment is not new and was first proposed by the McClure Report in 2000³¹. It was also recommended by the 2009 Henry Tax Review³² in the form of a universal participation payment. The UK Government has also recently introduced ‘Universal Credit’, which brings together different forms of income-related support into an integrated benefit for people in or out of work. It consists of a basic personal amount with additional amounts for disability, caring responsibilities, housing costs, and children³³.

If a single welfare payment were to be introduced in Australia, the level of the base or ‘universal participation’ payment would have to be carefully considered. It must be sufficient to support

³¹ McClure, P (2000). “Participation Support for a More Equitable Society”, Final Report for Reference Group on Welfare Reform, July.

³² Australian Government, (2009). “Australia’s Future Tax System”, Final Report of the Henry Review”, December.

³³ Department of Work and Pensions (2012). “Universal Credit”, accessible at: <http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/>

those who are unemployed to avoid poverty and be able to job search, while low enough to provide a good incentive to work. Setting the base rate should be informed by the submissions made to this Inquiry and previous work examining the issue.

2. **Introduction of a comprehensive employment insurance scheme**, as proposed by the Australian Council of Trade Unions in its recent inquiry into insecure work in Australia. Such a scheme would deliver a national system of income protection that could underwrite income security throughout people's working lives. The principle advantage of such a scheme is that greater income stability would be guaranteed over the course of people's lives, reducing the risk of unemployment, and facilitating smooth transitions between work, studying, caring and retirement³⁴.

We understand such a major reform will be challenging at this time, although the necessity of these changes are well acknowledged and reform will only become more difficult and expensive in the future.

Mission Australia recommends amendments to the existing system:

Mission Australia believes the following policy recommendations must be made if the current allowance payment system is to provide an adequate and appropriate support for allowance recipients to transition into work.

1. Mission Australia **believes the rates of all allowance payments** – Newstart, Youth Allowance, Widow Allowance, Sickness Allowance, Special Benefit, Austudy and ABSTUDY – **should immediately be increased by \$50 a week**. This is consistent with the 2009 Henry Tax Review recommendation, and is estimated to cost at least \$1 billion a year in extra payments.
2. We also believe **allowance payments should be indexed in a way that more specifically reflects costs of living changes to income support recipient households**. At a minimum, indexation should be consistent with that applied to pensions – i.e. whichever is higher of the MTAW, CPI or Pension Beneficiary Living Cost Index.
3. Mission Australia believes that **significant reduction of EMTRs is crucial to reducing the structural disincentives jobseekers have to taking up employment**, and the impact of lifting the tax free threshold should be carefully monitored. Mission Australia supports the recommendation of the Henry Tax Review to replace the current income and asset tests for income support payments with a comprehensive means test; a test based on a combined measure of employment income, business income and deemed income on assets.
4. Consistent with the Harmer Review, Mission Australia recommends **a restructure of Rent Assistance thresholds to target the payment to those who pay higher rents**.
5. To increase the flexibility of the system, Mission Australia believes all **allowance recipients should be allowed to 'bank' hours worked in excess of the maximum allowable hours/income**. This would give recipients the flexibility to increase their hours when required (or available) without risking financial penalties, and to work fewer hours in times when it suits them such as

³⁴ Australian Council of Trade Unions (2012) "Lives on Hold: the report of the Independent Inquiry into insecure work in Australia", Sydney.

school holidays. It would also ensure the system better reflected the irregular hours associated with casual work.

6. Another way to increase flexibility and **ensure allowance recipients have the security they need to take up casual work would be to allow them to remain on the Centrelink system for 12 months after commencing work, even though they are not receiving payments**, provided the system facilitates rapid reconnection to employment services. This would reduce the risk of taking up employment as those who become unemployed again would avoid both the onerous re-application process and the waiting time associated with returning to income support.
7. Finally, Mission Australia believes the current labour market is a very difficult one for disadvantaged jobseekers and **they need greater assistance to secure meaningful and worthwhile employment**. The most effective way to do this is to provide **quality intensive case management through the employment services system**. This approach would strengthen the ability of service providers to better identify and address the barriers that very disadvantaged jobseekers face.

To assist with this, we believe Government should **extend the length of intensive case management support available through the Job Services Australia from 26 weeks to 52 weeks for highly disadvantaged clients**. Clients should be entitled to support from case managers after they have been placed in a job as a way to ensure their employment is sustainable. Support should also include more on-the-job training and work experience, as well as additional help to address the more significant barriers jobseekers face - like mental illness, homelessness and drug dependence. To support more early intervention, our view is that the Government should front-load payments to providers to ensure jobseekers are given the intensive training and support they need and as early as possible.

In conclusion, Mission Australia understands the Government faces significant financial constraints in light of its commitment to maintain a budget surplus. However it is well understood that Government could generate significant public savings if it makes the necessary investments to create a more effective income support system that helps more people into work. The think tank Per Capita have quantified the benefits of placing an unemployed person into work, finding moving a single childless person into a job paying \$40,000 per year creates a combined public and private value of almost \$4,000 per month³⁵. This is based on a conservative estimate of the combined benefit of increased private income, higher tax receipts, lower welfare costs and other social goods such as the lower likelihood of contact with the justice system and improved health outcomes. It also does not include the intergenerational multiplier effect – e.g. children of a newly employed person are now more likely to be employed, nor the net returns to the employer from hiring the individual.

Mission Australia's own Michael Project, a new service delivery model designed to assist homeless men through temporary accommodation, outreach support, assertive case management and guaranteed access to a range of specialist services, is an example of how strategic upfront investment can generate public savings. While the service was more expensive than those generally

³⁵ Hetherington, D (2008) *Unlocking the value of a job: market design in employment services*, Per Capita: Australia.

provided, it created a net saving to Government of \$3,600 for every person the project helped through savings accrued from spending money on ambulances, emergency department care and court and police costs.

Mission Australia believe the policy reforms we have recommended are financially smart and will result in a more efficient and effective system that creates significant public savings over the medium to long-term. We urge the Government to carefully consider both the financial costs and benefits of undertaking whole-of-system reforms or amendments to the current system – as well as the financial and opportunity costs of taking no action at all.