



care DIGNITY  
respect  
change HOPE

## Cutting costs, limiting opportunities

Submission in response to:

Senate Community Affairs Legislation Committee  
inquiry into the Social Services Legislation Amendment  
(No. 2) & Social Services Legislation Amendment (Youth  
Employment and Other Measures) Bills 2015

May 2015

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## Anglicare Australia

Anglicare Australia is a network of over 40 independent local, state, national and international organisations linked to the Anglican Church and which share values of service, innovation, leadership and the belief that every individual has intrinsic value. Our services are delivered to one in 45 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 13,000 staff and more than 7,000 volunteers work with over 600,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

## In response to the Budget...

Anglicare Australia was dismayed at this year's Budget, with such potential to do better after the overly punitive and mean Budget from 2014-15. This Budget could have signaled the government's commitment to talking to and working with the Australian public on a new way forward, as stated in Mr Abbott's comments regarding good government. And yet, at the end of Budget night we were left with the inalienable feeling that this year's Budget lacked direction. The biggest problems remain unaddressed, and despite some innovations in childcare and employment, in this scattergun approach there are too many Australians being left behind.

There are some laudable aspects to the Budget, specifically looking at the participation agenda for young people. There were some truly genuine responses to young job seekers, which take a person-first rather than work-first approach to exclusion from the workforce. This reinforces the view across the Anglicare network that constructive economic policy is inclusive social policy too. And yet, each gain is matched with its requisite pain.

Our safety net is a core component of our Australian identity. It signals to each other and to the rest of the world how we perceive and treat our least well off. Reforming welfare is about more than expenditure and notions of deservingness, it is about our identity as a society. And the type of society we want should dictate the type of systems we put in place.

Not all recipients of income support are expected to work; consequently the safety net should not be designed with work as the primary purpose. Any idea that people who are currently unemployed and have been for some time are at fault and can only be encouraged through punishment is unhelpful and generally false. Whilst it is beyond the responsibility of this inquiry, a related issue is the characterisation of long term unemployed as being 'lazy', 'obstinately wilful' and so far as lacking 'deservingness' for assistance. This is clearly not the case; people want to work and should not be demonised for not having the opportunity to do so.

A recent research paper commissioned by Anglicare Australia is [\*Beyond Supply and Demand: addressing the complexities of workforce exclusion in Australia\*](#)<sup>1</sup>. Produced by the Australian Centre for Community Services Research, *Beyond Supply and Demand* looked at evidence of the service delivery factors and approaches in the Anglicare network that provide the best employment pathways for disadvantaged job seekers.

The key finding is the most effective approach is one which recognises the person—and their goals and ambitions—at the centre of exclusion and acknowledges their circumstances, and the barriers and challenges they face.

It's called a 'life-first' approach.

*Beyond Supply and Demand* addresses issues at the heart of public debate, on the link between income support and getting more people into work. There is a lot of comment in the media suggesting people

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<sup>1</sup> Beyond supply and demand

don't try hard enough. Evidence from this report suggests that real jobs and individual support make the difference.

Most Australians have hopes and ambitions for their future, and many have profound attachments to their families and local communities. People out of work are no different. They want a 'normal' life too; a job and their own home. The pathways to that kind of security is an individual one; something which is not recognised in the Budget measures in this Bill.

*Beyond Supply and Demand* also provides a clear critique of the 'work-first' approach to employment programs and services, and argues that it is simplistic and counterproductive to presume that simply pushing the most disadvantaged job seekers to apply for jobs and training, whatever their capacity or the relevance of those activities, will result in increased participation.

What is particularly questionable is the presumption that cutting back on income support—when it is already too low—will in any effective way encourage people to find work.

The evidence from our network on the impact of poverty is that it works against participation at all levels; it works against gaining employment, and it works against the development of the skills needed for people to make a substantial contribution to our social and economic wellbeing. Unfortunately, there are measures in these Bills, discussed in some more detail below, which work against the ambition of all Australians to make such a contribution.

Following below are the comments from Anglicare Australia in relation to each of the schedules included in both the Social Services Legislation Amendment (No. 2) & Social Services Legislation Amendment (Youth Employment and Other Measures) Bills 2015 and their impact on people living with the least.

## Youth Employment and Other Measures

### Waiting periods

Schedule 1, Budget ref pg. 153 (residual from 2014-15)

- Extended to include Parenting Payment, Youth Allowance (other) – ie not in full-time study or an apprentice.
- Exemption changes from financial hardship to also include personal financial crisis.
- Cessation of serving preclusion periods and waiting periods concurrently – have to be served sequentially.

The waiting period of seven days may not on the face of it seem to be too harsh a criterion for accessing social security benefits or pensions. However, the additional criteria included in this schedule and how it interacts with other schedules raises particular concerns.

The question for Anglicare Australia in considering the impacts of these Budget measures is not what the economic efficiency will be or even the administrative simplicity of the changes, but how will it impact on the most disadvantaged in practice. For many, these might seem like academic discussions, but at the end of the day these decisions have consequences and it is these that Anglicare Australia considers.

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The current amendment stipulates that the ordinary waiting period cannot be served concurrently with other waiting periods, thus ensuring the maximum time served will be  $x + one$  week. Given the proposed income support waiting period will be four weeks, that is a total of five weeks an individual will be without an income to support themselves. Other waiting periods and preclusion periods can be longer. Just on the most basic calculations in the income support and ordinary waiting period an individual will have to find some way to cover the costs of at least two and possibly three fortnightly rental payments, two fortnightly grocery shops, a month's worth of public transport tickets or petrol and parking money, not to mention the monthly bills relating to phones, utilities if they're on fortnightly or monthly payment plans and any other debt repayments they may have accrued. Creative accounting may cater for the last of these living costs, however there is no amount of creativity that can defer the costs of housing and food.

Anglicare Australia concedes there are exemptions for financial hardship, however the eligibility for these will be tightened by this Bill. It is not sufficient that a person be in financial hardship as might be described by the scenario above, they must also be experiencing a personal financial crisis as well. Given we know that people living on low incomes are already spending 120% of their incomes to survive<sup>2</sup> and given we also know that personal financial crises can be the tipping point into homelessness and poverty, making this a criteria of eligibility before income support waiting periods can be waived is particularly cruel. In effect, it sends a message that a person must be in absolute dire straits before the help they have asked for will be received.

The Liquid Assets Waiting Period is already in place to ensure people exhaust their own resources before making a claim on tax payer funded income support. Additional waiting periods, such as the Ordinary Waiting Period, the Income Support Waiting Period, Income Maintenance Period, Seasonal Work Preclusion Period, Unemployment Non-Payment Period etc, are not necessary. Anglicare Australia would also stipulate the Newly Arrived Resident's Waiting Period is also unnecessary.

Lowering the point at which people in hardship receive support may provide a short term gain. This will most likely be immediately countered by the long term costs of further exacerbating the conditions in which people enter into poverty and long-term unemployment. This is purely a cost-cutting exercise with no additional benefit of providing sufficient support to people to improve their circumstances. While this amendment focuses specifically on adding Youth Allowance (other) and the Parenting Payment to the Ordinary Waiting Period and tightening exemption criteria, Anglicare Australia suggests abandoning the waiting period altogether. As always, it is those with the least to live on who feel the greatest effects of even the most minor of tinkers at the margins.

### **Age requirements for payments**

Schedule 2, Budget ref pg. 158 (residual from 2014-15)

- Limit Newstart to 25yrs and over.
- Current recipients grandfathered.
- Also apply to sickness allowance

The Department of Human Services website informs potential income support applicants that the Newstart

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<sup>2</sup> Going without

Allowance will provide...

“financial help if you are looking for work or participating in approved activities that may increase your chances of finding a job.”

Youth Allowance will provide...

“financial help for people aged 16 to 24 years who are studying full-time, undertaking a full-time Australian Apprenticeship, training, looking for work or sick.”

In other words, Youth Allowance will also provide financial assistance for undertaking activities that will increase your chances of finding a job or are sick.

These are after all, *both* working age payments that come under the banner of **Payments for job seekers** and described as payments of...

“income support if you are looking for work, completing approved studies or have a disability and are looking for work.”

What then is the discernible difference between the two payments in terms of outcomes?

An independent single person receiving Newstart can expect \$519.20 a fortnight while the same individual on Youth Allowance will receive \$426.80. They are both ‘job seekers’, they both have the same costs of living, but one gets \$92.40 more. An almost \$100 penalty for no discernable reason other than not being old enough.

Of the 396,000 people in 2013 who were marginally attached to the labour force (not necessarily unemployed) 65,200 of them were discouraged job seekers, people who had given up the hope of finding a job. Of those, 19,400 were young people aged 15-24; the same age bracket as those who will be eligible for the lower Youth Allowance payment. The main reason they gave for giving up on looking for work, why they were ‘discouraged’, was because they “lacked the necessary schooling, training, skills or experience” or there were “no jobs in locality or line of work”. While these discouraged job seekers might not be the same young people accessing the Youth Allowance payment, their experience speaks directly to the issues that face those young people. The opportunity and capacity for sustained employment is not available to them, and where opportunities might exist, they have limited resources and capabilities to capitalise on them. Penalising them further by offering them less to live on, purely by virtue of their age while they attempt to achieve against the odds, seems counter-intuitive to providing support to look for—and sustain—employment.

## Income support waiting periods

Schedule 3, Budget ref pg. 159

- Applies to all job ready applicants under 25 years – Youth Allowance (other) only
- Serve waiting period sequentially with ordinary waiting period but concurrently with other waiting periods – max 5 weeks waiting period.
- Transferring from YA to YA(o) serve a waiting period. Transferring from YA(o) to YA no waiting period.

Our comments in relation to the Ordinary Waiting Period apply also to this amendment. Particularly:

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Anglicare would like to stress here that the other initiatives announced in the Budget that seek to support young people prepare for, seek and sustain employment, are progressive steps toward social inclusion and participation. We refer here to the expansion of wage subsidies, the Intensive support–Transition To Work Program and the National Work Experience Programme\*. The establishment of these programs concedes the fact that additional support is required through a person-first approach to support individuals into long-term engagement with the workforce, and that these are occurring in the immovable and undeniable context that there are fewer jobs than there are people wanting one. Without complimentary policy measures addressing this central necessity, welfare utilisation—which these amendments seek to address—in Australia will not change.

\* We note the existence of the other measures announced in the Budget which do not adopt this philosophy and are more in line with previous punitive approaches to the participation agenda. These include: strengthening compliance arrangements and increased activity requirements as noted on pp 82-83 of Budget Paper No 2.

## **Cessation of Low Income Supplement**

Schedule 4, Budget ref pg. 162

- Low take up and administratively expensive



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- Continue through to the 2016-17 financial year (we should work out a way to remind people to make their claims)

In the context of other mean amendments which serve only to cut costs, this seems like a particularly harsh thing to do to people who are already on low incomes. The drivers behind the amendment seem to be that there has been a low take-up of the payment and there are excessively high costs in its administration.

Rather than ceasing the payment as the current amendments suggest, Anglicare Australia would rather the amendment be held over until a communication strategy about the ability to claim the payment has been developed and implemented. Perhaps the reason there has been a low take up of the claim is because those eligible for it aren't aware of its availability. The willful withholding of available payments might no longer be policy for the Department of Human Services but do we know if it is still the practice? If every effort has been taken to inform people of the payment availability and take up is still low, by all means, cease the payment.

It seems unreasonable to strip people of meagre but much needed income support because the agency responsible has been inefficient in its administration of it. Until such time as the efficacy of a communication strategy is known, perhaps the amendments should focus on reducing the costs of administering the payments by streamlining how it is applied for and assessed.

## Indexation pause to income thresholds

### Schedule 5

- Maintain at level, income free threshold for working age payments and pps (excl student payments) from 2015
- Maintain at level, income free threshold and means test thresholds for student payments from 2016

The community sector has for years been calling for an increase to the lowest of the income support payments because of their absolute inadequacy as a living wage. The usual and unusual suspects have shown time and again the importance of an adequate income in supporting an individual to move from ongoing reliance on the welfare system to sustainable independence through employment. Anglicare and other social justice peaks have called for the separation of the safety net and the participation agenda, though having similar goals, are not one in the same. And yet this, along with the other amendments in this Bill, will only serve to decrease the incomes of people living on the least and make seeking employment all the more difficult.

It is slightly hypocritical in the explanatory memorandum to point to the 'more generous' income free area as justification of cuts<sup>3</sup> in the other schedules while at the same time seek to scale them back. The earnings, income thresholds and taper rates already serve as a wicked mix for people who are employed but do not earn enough to sustain themselves through employment only. Again, Anglicare Australia stipulates that this is a cost-cutting measure only and provides no added benefit in terms of the goals of either the safety net or the participation agenda: that is it will not provide protection against poverty or support an individual to prepare for, seek or sustain employment.

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<sup>3</sup> It states on page 9 of the explanatory memorandum "While youth allowance is paid at lower rates to newstart allowance, the payment has a larger income free area compared to newstart allowance, providing greater flexibility to earn while on payment."



## Social Services Legislation Amendment (No. 2)

### Income Management

Schedule 1, Budget ref pg. 160

- Two year continuation
- Abolition of Voluntary incentive payments and matched savings payments
- reduced number of contacts/interactions b/wn DHS and participants

Anglicare Australia has never been in favour of involuntary ongoing income management, stipulating that it is not an effective mechanism to change behaviour. Where the various governments have insisted on pursuing it as a policy option, we've stated it should be on a voluntary, time limited basis, supported by a number of wrap around supports and accompanied by money management skill development.

Abolishing the voluntary incentive payments and the matched savings schemes seems like it might reduce the numbers of people seeking out the program who actively want to pursue change in their money management skills. Removing these aspects also removes any notion the program is anything other than a broad-brush oppressive approach to changing behaviour, which will not achieve lasting change.

### Aged care place holding subsidy

Schedule 2

- Cease payment of subsidies to AC providers for holding a place up to 7 days prior to recipient entering care.

No comment in regard to these amendments.

### Abolishing committees

Schedule 3

- Abolish the Aged Care Planning Advisory Committees (disbanded) – Smaller Government Initiative

No comment in regard to these amendments.

## Concluding comments

Overall, while these Bills might be concerned with small changes at the margins, collectively they serve to reinforce the notion that the unemployment problem in Australia is the fault of those who are unemployed and as a result, collectively, we cannot be perceived as condoning their life choices. And yet, the safety net, to which these amendments refer, should be exactly that, a protective barrier from absolute destitution. We

know the further a person falls into poverty and disadvantage, the more difficult it is to recover. The social safety net is indeed a cost to society, but it is not a cost that society should be unwilling to pay. Streamline it and make it more efficient, yes, but we should be in the business of preventing the spiral, not just waiting for people at the bottom, and certainly not helping them get there. As a society, we are playing the long-game and should not be diverted from it by short-term gratification.

With that view, Anglicare Australia urges the Senate Committee to reject the amendments noted in these Bills and recommend new amendments specifically removing all waiting periods, save the Liquid Assets Waiting Period.