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Committee Secretary
Senate Standing Committee of Community Affairs
PO Box 6100
Parliament House
Canberra Act 2600

Re: Submission on the Social Services Legislation Amendment (Youth Employment Bill) 2015

Introduction

Thank you for the opportunity to provide some brief comments on this Bill. For over 32 years, the Welfare Rights Centre (WRC) Sydney has advised people about their social security rights, entitlements and obligations and have assisted people through the social security review and appeals system. WRC also provides assistance information and advice about family payments and employment assistance, The WRC also provides through community legal education and training, law reform and lobbying and it is the largest member of the National Welfare Rights Network.

The previous Bill, the Youth Employment and Other Measures Bill was recently rejected by the Parliament on 9 September 2015. The Bill currently before the Committee is substantially the same as the *Social Services Legislation Amendment (Youth Employment) and Other Measures Bill 2015*. This legislation was found to be both unfair and harsh, modelled on the 2014 Federal Budget measures for job seekers that included a rolling six-month waiting period for unemployed people under 30.

This Bill, like its predecessors, will further weaken and undermine access to vital social security support by expanding waiting periods for income support payments. Young people and recently separated women who experience domestic violence will be placed at significant risk, as incomes, personal safety, secure housing and mental well-being are threatened by the harmful measures contained in this Bill. The WRC recommends that the Committee reject the Bill in its entirety.

The major measures in this Bill include:

- Changes to the one-week Ordinary Waiting Period (saving \$241 m);¹
- A four week waiting period for some people under 25 (saving \$173.3 m);
- Age requirements for various Commonwealth payments increased (saving \$517 m); and
- The introduction of *RapidConnect Plus* (costing \$0.8 m).

Plans to freeze various income tests and thresholds for working age payments have been excised from this Bill, but are expected to be included in other legislation. The NWRN and the WRC have provided previous evidence and submissions highlighting the deep flaws in previous Bills before this Committee, and we provide copies for the Committee's information.²

¹ Note that the savings cover financial impact over the forward estimates, as indicated in the *Explanatory Memorandum* to the Bill.

² *Community Affairs Legislation Committee Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014, Public Hearing, Wednesday 20 August 2014. National Welfare Rights Network Submission on the Social Security Legislation Amendment (Youth Employment and Other Measures) Bill 2015.*



Below, the Welfare Rights Centre provides brief comments on the main measures proposed in the current Bill:

Schedule 1: Ordinary Waiting Periods

Another proposal recycled from last year's budget, Schedule 1, extends a one-week Ordinary Waiting Period to all payments – excluding Widows Allowance. This would take \$241 million over the forward estimates from people receiving working age payments.

In addition to extending a one-week waiting period to many single parents, the Bill will also impose new and complex evidentiary rules which will make it harder for people with limited resources to qualify for an exemption. Currently a person must be suffering "severe financial hardship" to have this waiting period waived. In the 2012-13 year, only 17.6% of waiting periods were applied, which gives an indication of how many people have little or no savings at the point of claim. Currently, a person can have the Ordinary Waiting Period waived if they are in "severe financial hardship" that is, if a person has less than the equivalent of one fortnight of payment in savings – about \$540 for a person on the Newstart Allowance.

The Bill proposes that a person must not only be in severe financial hardship, but states that they must also be experiencing a "personal financial crisis", which is very narrowly defined. While an exemption may be available for people experiencing family violence, the violence must have occurred within the last four weeks. This arbitrary and unrealistic restriction reveals a serious lack of understanding of the lived experience of domestic violence.

From our work in assisting people with social security problems, we know that domestic violence can have devastating and long-lasting impacts upon those it affects.

The drafting of the Bill shows a serious lack of understanding about the impact of domestic violence. There is no clear rationale for applying a 28-day time-frame, after which the domestic violence incident will be seen to have no consequence or significance for the parent or the children impacted.

The longer term impact of domestic violence is recognised elsewhere in the *Social Security Act* which provides activity test exemptions for Principal Carer Parents where the person has experienced domestic violence in the last 26 weeks, or for 13 weeks in other circumstances.

Welfare Rights urges the Committee to reject this Schedule as it shows a lack of sensitivity and awareness. Department of Human Services staff should not be forced to administer such inappropriate rules, and should lead by example.

Schedule 2: Age Requirements for various Commonwealth payments

This schedule would increase the eligibility age for the Newstart Allowance (NSA) and Sickness Allowance (SA) to the age of 25. This means that young unemployed people aged 22 to 24 will not be eligible for the higher NSA or SA. Instead, they will be eligible for the much lower Youth Allowance (YA).

Under this proposal, young people who are living away from the parental home would receive just \$207 per week on Youth Allowance (Other), as opposed to \$255 per week on the Newstart Allowance. This is a reduction of \$48 per week, and equal to a loss of a fifth of weekly incomes for people on the lowest rates of income support payments. This measure will leave a young person living away from home worse off by \$2,500 pa.

Young people who are employed part-time will benefit as a result of the higher income-free areas. This will assist around one-in-five young job seekers.³ This is clearly a positive outcome but does not justify reforms that will leave young unemployed people not in employment with substantially less income support. Young people on the Disability Youth Supplement will also face payment reductions. This is unfair, as many will face higher costs due to their disability, and also experience barriers finding paid work. It is argued that existing payment differentials create incentives for people to remain on job seeker payments.

³ Senate Community Affairs Committee, Answers to Estimates Questions on Notice, Social Services Portfolio, 2013-14, *Additional Estimates Hearings*, Question No 346

A much fairer approach would be to raise Youth Allowance payments for independent young people to the higher Newstart Allowance rate.

Schedule 3: Income support waiting periods

Schedule 3 of the Bill includes a proposal to deny 'job ready' unemployed people under age 25 income support for 4 weeks. This Schedule also seeks to address deficiencies in previous legislation. Amendments to the Bill will mean that a young person may be re-assessed under the Job Seeker Classification Instrument (JSCI) and be found to be not 'job ready'. A person may be entitled to back payment for any waiting period that has been served prior to the reassessment.

The *Explanatory Memorandum* notes that a person will not be entitled to 'back payment' where the initial JSCI assessment was, as a matter of fact, accurate for the person's circumstances at the time, but where the person's circumstances change such that they are subsequently assessed to require employment services or disability employment services. They would, however, be exempt from the remainder of the income support waiting period.⁴

According to the Government, 75,000 young people under 25 will face a 4-week waiting period, and 10,000 will be subject to a second 4-week waiting period over a 12-month period. Over a 12-month period, an estimated 83,000 claims for Youth Allowance will be exempted from the 4-week waiting period.

Welfare Rights acknowledges the exemptions that have been provided in the Bill, though no set of complex or arbitrary exemptions, however broad, can adequately protect all those young job seekers facing difficult or vulnerable situations.

There are already a number of substantial waiting periods in the Australian social security system – such as the Liquid Assets Waiting Period. The Liquid Assets Waiting Period lasts for between 1 and 13 weeks. It applies if you have funds that are equal to or more than \$5,500 if you are single with no dependants, or \$11,000 if you are partnered or single with dependants. Other key waiting periods under social security law includes Income Maintenance Periods and Compensation Preclusion Periods.

There is no need for a new arbitrary, punitive waiting period that is based on inaccurate portrayals of school students who walk from the mythical 'school gate to the Centrelink office'.

One month is too long to go without any income, especially for someone who has just become unemployed or just finished high school. Families from low income and disadvantaged backgrounds are particularly likely to be reliant on any financial support to help meet stretched family budgets. Additionally, young people applying for income support are unlikely to have significant savings behind them.

Many people in the workforce wouldn't be able to survive for 4 weeks without any regular income coming in. Why is it any different for young people under 25?

Young people will be placed in severe financial difficulty if the Bill is passed by the Parliament. Department of Social Services data reveals that only 1.2 per cent of young people under 25 on Youth Allowance had sufficient savings to be impacted by a Liquid Assets Waiting Period. In 2013-14, only 2,921 job seekers under 25 had sufficient backup savings to cover essential living costs during the non-payment period.⁵

Many young unemployed people will effectively face a five week waiting period. This is because an Ordinary Waiting Period will be served after the 4 week waiting period, unless they can pass a rigorous set of exemptions. A tightening of rules for the one-week Ordinary Waiting Period will mean that many people under 25 will have to turn to family or friends to make ends meet. This won't be an option for many, so once again, over-stretched charities will have to step up and fix problems that were caused by a punitive and harsh approach to young people applying for income support.

⁴ Morrison, S. Minister for Social Services, *Explanatory Memorandum, Social Services Legislation Amendment (Youth Employment Bill) 2015*, p. 19.

⁵ Senate Community Affairs Committee, Questions on Notice, *Social Services Portfolio, 2015-16 Budget Estimates Hearings, Question No. SQ15-00609*.

The Parliamentary Libraries assessment of that the Australian 4-week waiting period is that it is a “novel measure in international terms”. It further concludes that the precise impact of the measure is unknown, stating that “as such, in the absence of overseas precedents, it is unclear what the outcomes of the measure will be”.⁶

Department of Employment officials experience difficulties explaining how the arrangements for a 4 week waiting period in Australia compares with the international experience, as the following discussion from a recent Senate Estimates hearing reveals:

“There is a more similar example in the Netherlands, where young people under 27 serve a four-week waiting period. That has not been evaluated properly at this stage. But there was some evidence from, I think, around maybe 10 municipalities that there had been a similar impact on young people not moving on to income support. In New Zealand, about 37 per cent of people who served the waiting period did not end up taking up income support. In the Netherlands example, albeit a small subset of the overall waiting period, there seemed to be a similar impact of around 48 per cent of people not then going on to income support.”⁷

The Welfare Rights Centre considers that the arguments that there are similar waiting periods in other jurisdictions is flawed and is neither credible nor convincing. Additionally, it is incorrect and inappropriate to talk of a 4-week waiting period in New Zealand, when it is clear and well known that back pay can be made.

Welfare Rights seeks details of how supporters of the waiting period expect young job seekers to afford a bus ticket or petrol to attend any appointments, and to answer how a person with no income can be expected to pay for phone calls, Internet usage, and other costs involved in meeting participation requirements. It is both unrealistic and unfair to expect young job seekers to undertake job search activities and undertake pre-benefit activities during a 4 week period when the young person has been left without any income.

The fact that the Government has had to put aside \$8.1 million to help pay the bills of people made destitute by this policy, and that it will direct Centrelink to re-classify people and grant them exemptions if their situation deteriorates during the 4-week waiting period, should be enough to convince even the casual observer that this approach is a bad idea and poor social policy that will cause harm and distress should it proceed.

Schedule 4: Other amendments (Rapid Activation of young job seekers)

The Bill introduces new requirements for job seekers during the 4-week waiting period, called *RapidConnect Plus*, a 2015 Budget measure. During the waiting period young people will be required to attend activities, such as meeting with an employment service provider and undertaking job search, which for most means applying for 20 jobs a month.

During this ‘pre-benefit’ stage a job seeker will also need to agree to a job plan, develop a resume and create a profile on the JobSearch website. If they fail to fulfil these requirements they will not be eligible for benefit and the will have to go back to Centrelink and start the process again, make a new claim, with another month off payments.

If the Secretary is satisfied that a job seeker has a ‘reasonable excuse’ for not complying with their pre-benefit activities, the job seeker will not be required to serve a waiting period. Legislative instruments will determine the factors that must be considered when deciding whether a person has a ‘reasonable excuse’ for failing to meet the range of ‘pre-benefit’ activities. Further details about this process and how it will operate can be found at Subsection 549CAC(2) (3) and (4).⁸

Other issues

One of Welfare Rights significant concerns with this Bill is that it assumes that the current crisis of youth unemployment is the fault of young people, who just aren’t trying hard enough to find a job. Apart from various claims about young people being ‘welfare dependent’, no evidence has been provided to back up such

⁶ Thomas, M. *Budget Review 2015-16 Index, Waiting period for young people to access income support*, FlagPost, Parliament of Australia.

⁷ Senate Community Affairs Committee, *Estimates Transcript*, 22 October 2015, p. 45.

⁸ Morrison, s. Op Cit, p. 26.

sentiments. In fact, there is evidence to suggest that young people are generally striving to improve their lot in a very difficult labour market. Attendance at job active appointments is at a record high, with the Department of Employment advising that 90 per cent of appointments are met, up from 65 per cent 12 months ago. There has also been a steady decline in the number of financial penalties applied in the last financial year.

The Government has recognised the need to offer employment supports and programs to assist young people to complete school, complete study, training, and to find paid employment with over \$330 m for a new Youth Employment Strategy. The new assistance for young people includes: wage subsidies, support for a youth-school transition program, a work experience program, and additional supports for young people at risk, with a focus on young people with mental health issues and refugees.

What is missing from this Bill, however, is any move to increase the Newstart and Youth Allowance, which remain at levels well below the austere poverty line.

When taken as a whole, the measures before the Committee are little more than a recipe for even more poverty, hardship, mental anguish, and in the most extreme cases, homelessness. Young people are not the problem, yet they are being blamed for structural deficiencies in the labour market.

Jobs data

These harsh policies in the Bills before the Committee must to be considered against the backdrop of unacceptably high levels of youth unemployment in this country.

Recent research by the Brotherhood of St Laurence paints a disturbing picture of the current labour market experience for many young people. Since the global financial crisis, the number of young people looking for work has increased by 55 per cent, by over 100,000, to 290,000 people.

The latest official ABS data shows that the unemployment rate for 15 to 24-year olds at October 2015 stood at 12.4%. This is more than twice the official rate of unemployment, which was 5.9 percent in October 2015.

The latest payment data from the Department of Social Services reports that between September 2014 and September 2015 the total Newstart Allowance (NSA) and Youth Allowance (other) (YA(o)) recipients increased 2.0 per cent overall from 832,521 to 849,164.⁹ Total Newstart Allowance (NSA) and Youth Allowance (other) (YA(o)) recipients increased 2.0 per cent overall from 832,521 to 849,164. NSA recipients increased 3.2 per cent from 728,126 to 751,471. YA (o) recipients decreased 6.4 per cent from 104,395 to 97,693. The number of job seekers increased 31.9 per cent overall, from 399,339 to 526,684.

Of great concern is the jump in long term unemployment, which is attributed to changes introduced from 1 July with the new jobactive arrangements.¹⁰ In the previous 12 months, long-term job seekers increased 40.7 per cent from 246,892 to 347,277. Short-term job seekers increased 17.7 per cent from 152,447 to 179,407.

Conclusion and recommendations

This Bill would take \$931.3 m over the forward estimates from young people, many who are just starting out in life. We urge the Committee to reject the Bill in its entirety. The Welfare Rights Centre would welcome the opportunity provide further details to the Committee on our submission.

Yours sincerely,

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⁹ Department of Social Services, *Labour Market and Related Payments*, September 2015, p. 1

¹⁰ The Government argues that job seeker numbers have increased, as more recipients have a job search requirement under the new model.