

# **Submission to the Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others**

**Prepared for:  
The Senate Education, Employment and Workplace Relations  
References Committee**

**Prepared by:  
ANGLICARE Sydney**

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## 1. Summary of Policy Recommendations

This submission makes the following recommendations in relation to the adequacy of the allowance payment system and other incentives required across a diverse range of policy areas to assist people in returning to the workforce:

1. The Federal Government constitute an independent body to regularly review the adequacy of all government funded allowances to ensure that payments are sufficiently indexed to increase the capacity of individuals to enter the workforce.
2. The Federal Government increases the Newstart Allowance (NSA) and other allowance payments for single persons by at least \$50 per week, as per the recommendations of the Henry Taxation Review.
3. The Federal Government increases the income threshold for NSA recipients earning income through paid employment to ensure that people have sufficient income for their needs and a stronger incentive to increase their participation levels in the workforce.
4. The Federal Government repeals section 1 of the *Social Security Amendment (Fair Incentives to Work) Bill 2012*, which will remove access to the Parenting Payment (single) for single parents whose youngest child is 8 years old.
5. The Federal Government develops a National Child Poverty Action Plan which establishes measurable outcomes and is monitored across all government departments and agencies.
6. The Federal Government increases Commonwealth Rent Assistance by \$30 per fortnight for all current recipients and the maximum rent threshold be indexed by movements in national rental prices.
7. The Federal Government increases funding for community-based mental health services, early intervention programs and supported housing for low-income earners as an alternative to acute mental health services.
8. The Federal Government establishes an evaluation framework for its recently established case coordination trial and investigates the efficacy of the program as an alternative to income management.

## 2. Introduction

### 2.1 About ANGLICARE Sydney

ANGLICARE Sydney is a Christian organisation operating a wide range of community services and programs across the Sydney Metropolitan and the Illawarra regions of New South Wales. Our range of services include: counselling and family support services (including Family Relationship Centres); community education for families; disability case management and respite; youth services; emergency relief for people in crisis; migrant services including humanitarian entrants and newly emerging communities; English as a second language classes; foster care and adoption for children including those with special needs; aged care both through nursing homes and community services; opportunity shops providing low-cost clothing; emergency management in times of natural disaster; and chaplains in hospitals, prisons, mental health facilities and juvenile justice institutions.

### 2.2 Purpose of this submission

In June 2012, the Senate supported a motion put forward by the Australian Greens to hold an Inquiry into the adequacy of income support payments, including the Newstart Allowance. The Inquiry was referred to the Senate Education, Employment and Workplace Relations References Committee for reporting by November 2012.

The purpose of this submission is to provide ANGLICARE Sydney's response to the Senate Committee's Terms of Reference. ANGLICARE Sydney is well positioned to comment on the impacts of poverty and social exclusion for low-income households. Over the last five years, ANGLICARE Sydney has collected data from more than 7,200 people receiving the Newstart Allowance who have accessed one of our eight Emergency Relief centres in Sydney and the Illawarra. Due to the relatively small sample of people accessing ER that receive Youth Allowance or Austudy as their main payment, ANGLICARE Sydney has elected to focus exclusively on the experiences of Newstart Allowance (NSA) recipients.

### 2.3 Structure of this submission

The first section of this submission addresses the Senate Committee's first term of reference in relation to the *"adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance as an income support payment for jobseekers."*

The second section of this submission responds to selected parts of the Senate Committee's second and third terms of reference; specifically:

*bi) the effectiveness of the payment as an incentive into work;*

*bii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities; and*

*c) the impact of the changing nature of the labour market.*

### 3. The adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance as an income support payment for jobseekers

Recent Australian studies have indicated a growing disparity or polarisation of income for the six years to 2009-10 (ABS, 2012a). Causes of such disparity since 2004 were largely attributed to an increasing redistribution of income caused by falling levels of top marginal tax rates from 60% in 1980 to 45% in 2010. Similarly, wages for highly skilled workers have risen at a much faster rate than for those less skilled. Conversely, the annual working hours of low wage workers, who are often employed in a part time or casual working arrangement, have fallen significantly from an annual rate of 1,300 to around 1,100 since the mid 1980s (OECD, 2011). Other contributing factors to this rising income inequality also include the increasing number of single parent families and the emergence of single person households.

Aside from these economic and structural trends, income support payments have generally failed to keep pace with wages growth. This is especially true for payments such as the Newstart Allowance which is indexed to the Consumer Price Index rather than average weekly earnings:

*“In most cases, out-of-work income as a proportion of in-work income has fallen, in part due to allowance rates failing to keep pace with wage growth. Only lone parents, whose income support is tied to an average earnings measure and who benefitted from more generous family benefits, were excepted. The flattening of the personal income tax system in the mid-2000s (e.g. through increases to the top threshold) contributed to a reduced capacity of redistribution (OECD, 2011).”*

Further to this, the Consumer Price Index (CPI), which measures quarterly changes in the price of a basket of high-expenditure goods and services, has shown that overall CPI has risen by 1.3% in Sydney over the last 12 months, which was second only to price rises in Darwin (ABS, 2012b).

ANGLICARE Sydney is well positioned to comment on the impacts of poverty and social exclusion for low-income households as one of the largest providers of Emergency Relief (ER) in New South Wales. ANGLICARE Sydney’s eight ER centres in Sydney and the Illawarra provide financial and material assistance to people experiencing financial hardship or crisis. Such assistance is usually provided in the form of food parcels or vouchers, support with utility bills and transport costs, and sometimes clothing and household goods. ER can also involve the provision of microfinance through the No Interest Loans Scheme (NILS) or StepUp.

ANGLICARE Sydney has collected client data from each of these ER centres since 1 July 2007. Between July 2007 and June 2012, 26,940 people received assistance from an ANGLICARE Sydney ER centre. Over one-quarter of these visits (27%) came from people receiving the Newstart Allowance (NSA) as their main source of income. Key demographic findings about these NSA clients included:

1. **Age:** Nearly two-thirds of NSA clients (64%) were aged 30 to 49 years. Of particular interest was the fact that almost one-quarter of NSA clients (23%) were aged 50 years and above.

2. **Gender:** Men were more likely to present for assistance than women (58% compared with 42%), which is notably higher than the average rate of visits from men receiving income from another source (30%).
3. **Household composition:** Single person households (n=4,604) were almost twice as likely to be receiving the NSA (62%) as their main source of income than non-NSA clients (34%).
4. **Ethnicity:** The majority of NSA clients were born in Australia (72%). Only 9% of NSA clients spoke a language other than English at home.
5. **Aboriginal and Torres Strait Islander status:** One in ten (11%) NSA clients identified as being of Aboriginal or Torres Strait Islander descent.
6. **Employment status:** Only 2% of NSA clients were receiving any income from paid employment (usually casual or seasonal work) at the time of their ER visit.

Previous research studies based on ANGLICARE Sydney's ER data (King et al, 2009; King et al, 2010) have highlighted the risk factors of social exclusion for all households accessing Emergency Relief, including those with children (King et al, 2012). Social exclusion exists where people encounter barriers in accessing the basic essentials of life, participating in the workforce, and having effective community and social connections. Five risk factors are evident in the ER data for NSA clients:

- a) **Low income** arising out of unemployment and the rate of the NSA itself;
- b) **Significant financial debts** accumulated as a consequence of having insufficient income or alternative financial options to address unexpected crises;
- c) The experience of **food insecurity**;
- d) Households with **dependent children**; and
- e) The high prevalence of housing issues such as **homelessness** and **rental stress**.

ANGLICARE Sydney considers that the vicious cycle of poverty and disadvantage caused by the inadequate level of the Newstart Allowance hinders the ability of individuals to support themselves through financial difficulties and to develop their capacity for independence. Subsequently, the Newstart Allowance itself is the most significant barrier to assisting long-term unemployed people return to meaningful employment.

#### ANGLICARE Sydney Case Study

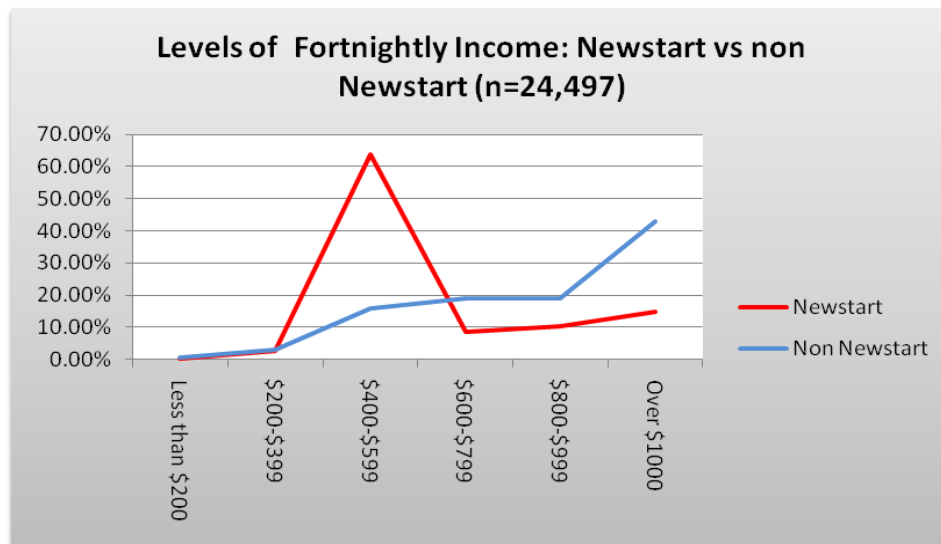
\_\_\_\_\_ is a 60 year old recipient of the Newstart Allowance. Her financial crisis was initially triggered by the loss of her business in January 2011:

*"At different times I am behind in the rent, power and the gas. My son and I both pay \$340 [per fortnight, individually] in rent and because of a small loan, I get \$490 [per fortnight] on Newstart. I have to repay \$70 for electricity and \$20 for some fines. I'm on anti-depressants and medicine for my high cholesterol. I have irritable bowel syndrome and so have to have a gluten free diet and need reflux tablets too. What is left is for everything else. Food runs out very quickly. We are now just up to date with the rent but it doesn't take much to get behind again."*

### 3.1 Low income

Income data reveals that more than two-thirds of NSA clients (68%) were relying on incomes of less than \$600 per fortnight compared with just one-fifth (20%) of non-NSA clients. For these clients this equates to an annual income of \$15,599. Chart 1 illustrates these findings.

**Chart 1: Income of NSA clients and non-NSA clients**



There was significant variation in income when these results were broken down by household type, with 91% of NSA single person households (n=4,604) found to be surviving on a fortnightly income of less than \$600. According to the Melbourne Institute’s Henderson Poverty Line for March 2012, the poverty line for a single person not in the workforce is \$762.80 per fortnight. However, ANGLICARE Sydney’s NSA single person households are receiving just 78% of this minimum benchmark amount.

For NSA households with dependent children, there was a greater spread of income. Of particular concern was the fact that 80% of single parent households (n=838) were relying on an income of less than \$1,000 per fortnight. As per the most recent Henderson Poverty Line, unemployed single parents with 1-2 dependent children required a minimum fortnightly income of between \$1,029.60 and \$1283.88.

In contrast, couple parent households with dependent children (n=670) were nearly four times less likely to be relying on an income of less than \$1,000 per fortnight, with just 26% of households in this situation. The majority of households were receiving an income of \$1,000 to \$1,599 per fortnight. Providing these households were only supporting 1-2 dependent children, their total income may have been comparable to the Henderson Poverty Line’s standards, which indicated that such households required a minimum fortnightly income of between \$1,334.76 and \$1,589.02.

Inadequate household income was cited as a presenting issue for 62% of NSA clients. ANGLICARE Sydney ER staff concurred that a lack of income is especially challenging for older NSA clients in their 40s and 50s who have been accustomed to having a higher income from paid employment for most of their lives. As previously mentioned, only 2% of NSA clients were employed in any capacity at the time of their visit to ANGLICARE Sydney ER.

### 3.2 Significant financial debts

The inadequacy of income is often reflected in an inability to accumulate savings as a buffer for unexpected expenses, such as a funeral or large electricity bill. One study from Saunders et al (2008) found that only one-third of ER clients had access to \$500 of emergency savings, compared to three-quarters of the general Australian population. Over the last five years, more than 3,500 visits to ANGLICARE Sydney ER from NSA clients have been triggered by significant financial debts, which has accounted for 16% of all visits from this group. These results are similar to the non-NSA client population (17%).

The onset of a financial crisis may force people to adopt a range of coping strategies, such as going without food, postponing bill payments, pawning belongings, borrowing money from family or friends, entering into informal housing arrangements, participating in the “black economy” and/or visiting an ER centre. However, these ER visits are sometimes supplemented by the use of ‘payday lenders’ who provide small loans (\$200 to \$500) to low-income households who are unable to access mainstream financial services. Such loans are usually extended for 2 to 8 weeks and attract an interest rate of 48% per annum. Despite these issues, it is not uncommon for clients of payday lenders to take out more than one loan in a short period of time, or to enter into two or more loans at the same time (Banks, 2011).

ANGLICARE Sydney microfinance staff in Western Sydney reported on the vicious cycle of poverty caused by short-term loans, which has frequently left people unable to pay for their basic necessities. Feedback has indicated that most of these people would have enough money to live on if they were not required to pay back their debts at such a high cost:

*“It breaks my heart to see people struggling in this cycle, and it's even more horrific when there are children involved, and you know they won't have food in the house in the coming week. When clients present with these debts, and are looking for help...it gives us an opportunity to partner with them for 4-5 weeks, while they break the cycle (via a contract to provide food vouchers).”*

In light of these issues, ANGLICARE Sydney has advocated for the expansion of sustainable microfinance programs as an alternative to short-term loans, which includes programs such as NILS and StepUP. ANGLICARE Sydney welcomed the allocation of additional funding (\$18m) to the NILS program in the 2011-12 Federal Budget. However, recent feedback from a second microfinance program in South Western Sydney has indicated that NSA clients may struggle to maintain their loan commitments as a consequence of their already low income:

*“We have a total of 3 loans [out of 72 issued] which have defaulted and clients have cancelled payments for the loan with Centrelink and stopped those automatic payments. Since NILS began [in March 2010]...all 3 defaults are clients who are on the Newstart Allowance. We have been more serious looking at their finance records when deciding to give a NILS loan to someone on Newstart as it's obviously hard for clients to pay any loans while on such a small allowance.”*

### 3.3 Food Insecurity

As of June 2012, one in two NSA clients (n=3,636) has received some form of food assistance from ANGLICARE Sydney's ER centres. People experiencing food insecurity often have multiple needs, as highlighted by a study from the NSW Centre for Public Health Nutrition (2003):

*“Different forms of disadvantage often interact and potentiate their impact on food insecurity. For example, the clients of soup kitchens and other food assistance programs often experience a combination of two or more of the following: unemployment, homelessness, physical ill health, mental health problems, dependence on drugs and alcohol, and social isolation.”*

In early 2005, ANGLICARE Sydney completed a pilot study among 117 clients at the ER centre in Wollongong, concerning their struggles to obtain adequate food for themselves and their household (Babbington and Donato-Hunt, 2007). Thirty-one percent of these clients received the NSA as their main source of income.

The experience of food insecurity involves not being able to afford enough food, and enough of the right kinds of food, which can be obtained in ways that are considered socially acceptable. It may involve worrying about food running out, cutting meal sizes, and going without meals. These experiences were encapsulated in a measure of food insecurity known as the Food Security Survey Module (FSSM), which was developed by the United States Department of Agriculture.

Of these 117 respondents, 95% were found to be food insecure, meaning that they had experienced some level of food insecurity at least once in the three months prior to being surveyed. Outlining the experience of food insecurity in households revealed that 80% cut the size of their meals, 74% skipped meals, and 52% did not eat for a whole day. Amongst households with children, 67% of respondents could not afford to feed their children the variety of food they thought their children needed. Parents were forced to cut the size of their child's meal in 35% of cases and 14% of children skipped meals.

These experiences of food insecurity mostly occurred because of a lack of money for food (89%). Other major reasons included: the cost of transport when going to buy food (44%), the cost of food in the respondent's local area (43%), and not being to share the cost of food with another person/s (40%). Furthermore, when asked about the expenses incurred that left little money for food, the main costs included: gas and electricity bills (59%), phone bills (27%) and housing costs (19%).

Respondents discussed a wide variety of coping mechanisms, such as seeking help from ER services (88%), putting off paying a bill (79%), asking to extend the due date of a bill (77%) and pawning or selling personal belongings (63%). Respondents with children also went without food in order to minimise the severity of their children's food insecurity experiences.

Following on from the pilot study, 15 Anglicare agencies, including ANGLICARE Sydney as the lead agency, participated in a national study of food insecurity in early 2012, which saw 590 ER clients from all states and territories being interviewed about their experiences of food insecurity. The national findings are currently being finalised and will be released as Anglicare Australia's *State of the Family 2012* report in October 2012.



### 3.4 Households with dependent children

It has been estimated that 12% to 15% of all children in Australia are living in income poverty (UNICEF, 2007; Whiteford and Adema, 2007). Further to this, Abello and Harding (2006) estimated in their three-year Australian study of income mobility transitions that around 12% of children experienced persistent financial disadvantage for three years and that another 28% of children experienced financial disadvantage for at least one year. Of those children born into the lowest quintile of income, only one in four transitioned to higher income quintiles over the three-year period. This lack of mobility for some children appears to be directly related to the wage and educational outcomes of their parents (Cassells et al, 2011).

Of particular concern to ANGLICARE Sydney is the fact that one in four NSA clients (25%) accessing ER had at least one dependent child in their household, with some 3,636 children residing in these households. However, ANGLICARE Sydney ER staff expressed strong concerns about the recent change in entitlement for parents receiving the Parenting Payment (single), who will be transferred onto the NSA once their youngest child turns eight. One ANGLICARE ER staff member explained the anticipated impacts of this policy change:

*“The Newstart Allowance does not cover the amount for rent as previously was [covered] when receiving Parenting Payment (single). This is not enabling enough [money] to be left for food or bills. This is increasing the demand on the need for ER assistance with food and clients [are] requiring assistance more frequently. The Newstart Allowance places individuals and now families below the poverty line.”*

Another ANGLICARE ER staff member spoke about the educational impacts and social exclusion experienced by children whose parents were unable to pay for school excursions, activities, textbooks and/or uniforms. The staff member had recently advocated successfully to a local high school on behalf of a single mother receiving the NSA, who could not afford the cost of a year 10 jersey for her son. Although the mother received wages from a part-time job, the combination of unexpected car repairs and rental arrears meant that she was forced to consider the item as a “luxury.” Such experiences have corroborated research undertaken by McDonald (2008), who found that children living in poverty were more likely to miss out on school activities, and consequently, to experience stigmatisation and social exclusion. However, as per the example, such experiences could be largely mitigated by strong parental and social supports. Such issues also impact on single parents with shared custody of their children who are not entitled to Family Tax Benefits A and B.

#### ANGLICARE Case Study

█ is a 28-year-old recipient of the Newstart Allowance who lost his job a few months ago. He spends \$260 per week on his rent, leaving him with \$35 per week for basic expenses.

█ has shared custody of his young daughter, so he has been receiving food assistance from ANGLICARE Sydney ER to ensure that his daughter has enough to eat on her weekly visits. He explained that he only uses the heating in his home when his daughter is staying over as a way to save money. According to ANGLICARE Sydney ER staff, █ has excellent budgeting and cooking skills, which enables him to make the most of his low income.

### 3.5 Homelessness

The cultural definition of homelessness developed by Chamberlain and Mackenzie (2008) identified the minimum community housing standard as a “small rental flat with a bedroom, living room, kitchen, bathroom and an element of security of tenure.”

People living outside of these minimum standards can be divided into the following categories:

1. **Primary homelessness:** People without conventional accommodation living on the streets, in deserted buildings, or in improvised dwellings, such as cars, tents or squats.
2. **Secondary homelessness:** People moving between various forms of temporary shelter, including the homes of friends or relatives, emergency accommodation, refuges, caravan parks, motels or hostels.
3. **Tertiary homelessness:** People living in boarding houses without private facilities or security of tenure on a longer-term basis.

In accordance with the Chamberlain and Mackenzie definitions, 1,851 NSA clients (24%) were experiencing some form of homelessness at the time of their visit, compared with 1 in 10 non-NSA clients (11%). Table 1 outlines these findings.

**Table 1: Housing status (n=27,916)**

|                         | <b>Newstart Allowance</b> | <b>Other</b> |
|-------------------------|---------------------------|--------------|
| <b>Housing Secure</b>   | 75.90%                    | 88.40%       |
| <b>Housing Insecure</b> | 24.10%                    | 11.60%       |

Further to these findings, NSA clients experiencing homelessness resided in various forms of temporary or emergency accommodation. The five most common tenure types included: boarding houses (n=590), staying with friends or relatives (n=557), living in hotels or motels (n=274), refuges (n=164) or sleeping rough on the streets (n=154).

#### **ANGLICARE Client Case Study**

█ is in her mid-40s and became unemployed for the first time in 2010. She was able to afford private rent when she was employed as a law clerk in a full-time role, but is no longer able to make ends meet on the Newstart Allowance. Consequently, she has been couch-surfing with friends for an extended period of time.

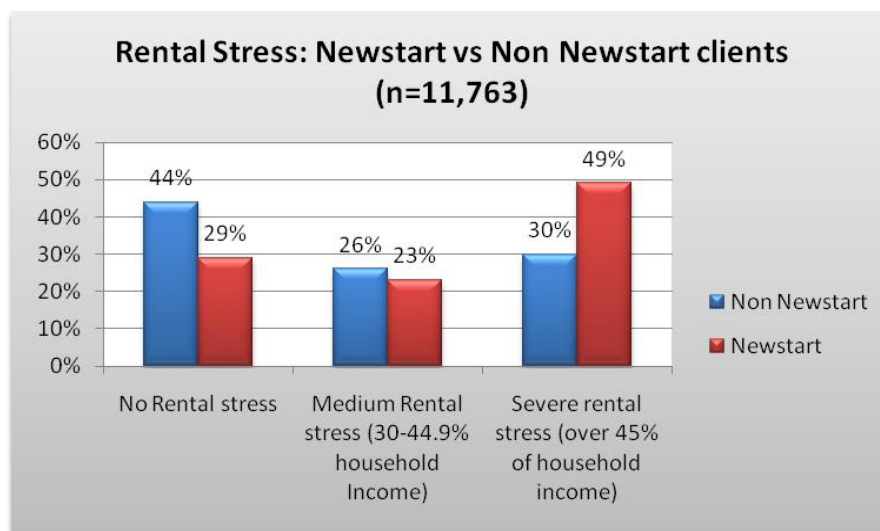
Despite these setbacks, █ has remained self-motivated and is confident about finding work again. Her employment agency has linked her to a training course and she is now studying for a security licence.

### 3.6 Rental Stress

Rental stress is a term commonly used to identify low-income households that are at risk or are experiencing difficulties in meeting their rental costs. An affordable rental property is usually defined as one where rental expenditure accounts for less than 30% of a household's income. High levels of rental stress can indicate that households have fewer affordable housing options, and as a consequence, may struggle to find housing that meets their needs.

Chart 2 indicates the incidence and depth of rental stress for NSA clients and non-NSA clients presenting at ANGLICARE Sydney's ER centres.

**Chart 2: Rental Stress among ER clients**



Between July 2007 and June 2012, 11,763 ER clients provided information about their income and rental expenditure. Of this number, 3,068 clients were receiving the NSA as their main source of income. Nearly half (49%) of all NSA clients were spending more than 45% of their household income on rent, compared with 30% of non-NSA clients. Another 23% of NSA clients were spending between 30% and 44% of their income on rent, which was a slightly lower proportion than non-NSA clients (26%). From these statistics, it is clear that NSA clients were far more likely to be affected by some level of rental stress (72%) compared with non-NSA clients (56%).

The Australian Bureau of Statistics (2012a) released data showing that households in the two lowest income quintiles spend, on average, 27% of their weekly income on housing costs. However, these findings were inclusive of low-income households who already owned their dwelling outright. In contrast, 7 out of 10 of ANGLICARE Sydney's NSA clients have missed out on finding an affordable rental dwelling. Further to this, ANGLICARE Sydney's NSA clients are less successful in accessing public housing (32%) than non-NSA clients (45%). Not surprisingly, the small proportion of NSA clients who owned their own home (2%) or were paying off a mortgage (2%) had progressed to this stage of their housing careers prior to becoming unemployed. Subsequently, these NSA clients are entrenched in a situation of precarious living with limited opportunities to improve their housing.

## Research Case Study: ANGLICARE Sydney's Rental Affordability Snapshot (2012)

On April 13-14 2012, ANGLICARE Sydney conducted its second Rental Affordability Snapshot to highlight the difficulty of finding an affordable and appropriate rental property whilst on a low income (McDowell and Bellamy, 2012; McDowell and Bellamy, 2011). As part of this national project, ANGLICARE Sydney examined more than 11,400 rental advertisements in Greater Sydney and the Illawarra using both print and online media.

The snapshot defined an affordable rental property as one which took up 30% or less of a household's income. ANGLICARE Sydney also counted the number of properties available where 30 to 45% of income would be required to be spent on rent, placing a household into rental stress. The measure of appropriateness was based on the Canadian Housing Occupancy Standard, which specified the minimum number of bedrooms required for each household type.

Assessments of affordability and appropriateness were applied to nine different household types receiving the basic income support payments from Centrelink. Each household was assumed to be receiving the maximum rate of income support (including Commonwealth Rent Assistance), including the Family Tax Benefit if applicable. The snapshot also assumed that no household members were receiving income from paid employment.

Two household types were assumed to be receiving the NSA:

- **Couple parent family with 2 children under the age of 10 years** with a maximum weekly affordable rent of \$216.52.
- **A single person aged 18 to 64 years** with a maximum affordable weekly rent of \$79.28.

The snapshot also collected results for single persons receiving **Youth Allowance** or **Austudy** with a maximum weekly affordable rent of \$62.44.

Table 2 contains the combined results for Greater Sydney and the Illawarra for households receiving the Newstart Allowance, Youth Allowance and Austudy.

**Table 2: Rental Affordability Snapshot results, 2012**

| Results by Household Type                              | No. and % affordable & appropriate (30% income) | No. and % affordable & appropriate (45% income) |
|--|---|---|
| Couple, 2 children<br>( <i>Newstart Allowance</i> )    | 28 (less than 1%)                               | 2 BR: 703 (6%)<br>3 BR: 364 (3%)                |
| Single, 18+ years ( <i>Newstart Allowance</i> )        | 1 (less than 1%)                                | 6 (less than 1%)                                |
| Single, 18+ years ( <i>Youth Allowance / Austudy</i> ) | None (0%)                                       | 2 (less than 1%)                                |

The snapshot results have revealed the extreme shortage of low-cost private rental accommodation in Greater Sydney and the Illawarra for households in receipt of income support payments. Of particular concern was the finding that only 1 property (in Lansvale) was located within 5-20km of the Sydney CBD, which was only affordable and appropriate for a single person on the NSA.

Couple families with 2 children were most likely to find an affordable and appropriate rental property (n=28) out of these 3 household types. Of this number, only 10 properties were located in the Greater Sydney area, primarily on the Central Coast. Although the incidence of rental stress in the 30-45% income band was far from ideal, these families enjoyed a strong level of housing choice (n=1,067) in the Blue Mountains, Central Coast, Nowra, Wollongong and selected middle and outer suburbs of Greater Sydney. Problematically, many properties were located in areas of above average to high unemployment and limited public transport, which could potentially contribute to further social exclusion and intergenerational disadvantage for already vulnerable children and families.

In contrast, single persons on the NSA, Youth Allowance and Austudy would have been extremely fortunate to locate even a shared rental property in the same 30-45% income band. Hence, ANGLICARE Sydney ER staff observed that is not uncommon for such single person households to be spending up to 80% of their income on private rent.

Further to this, Hulse and Saugeres (2008) have argued that low-income private renters are especially vulnerable to housing insecurity, which can be defined as a lack of control in housing circumstances. The six dimensions include: moving house involuntarily, unstable future housing arrangements, a lack of privacy, feeling unsafe, a lack of belonging, and a lack of comfort. These dimensions are not discrete and it is possible for low-income private renters to experience multiple forms of housing insecurity at the same time.

The implication of these results is that households who are solely reliant on income support payments are not an equal footing with moderate-income or high-income households, and therein, should not be expected to compete on equal terms for a very small pool of private rental properties. To this end, households that are relying on income support payments may require additional assistance in obtaining and maintaining a tenancy, whether this is through financial or material aid, developing a rental history, learning how to negotiate the housing system, developing the skills to be a good tenant, case management and/or advocacy to real estate or government agencies, amongst other initiatives.

#### **ANGLICARE Sydney Case Study**

██████ is a 55 year old recipient of the Newstart Allowance who arrived in Australia on a refugee visa in 2005. She rented a house on the private market for three years. The house required major repairs, most of which were repeatedly ignored by the landlord. Despite these issues, her rent eventually increased by \$130 per week, which, over time, became financially unsustainable.

After paying for basic expenses, ██████ was left with just \$20 per week. She was refused assistance from Centrelink and subsequently chose to terminate her lease and move in with a friend in order to maintain a good tenancy history and avoid the cycle of debt.

## 4. The effectiveness of the Newstart Allowance as an incentive into work and facilitating transitions between working and other activities

The Australian Bureau of Statistics (2010) reported that the major impediments for people seeking employment included high levels of competition for available jobs, no available vacancies, insufficient work experience, a lack of necessary skills or education, transport issues, ill health or disability and unsuitable working hours. Consequently, people with lower financial and educational resources who have been out of the workforce for some time are more likely to be restricted to unskilled employment with low security, few benefits and minimal pay, which in turn, stymies their opportunities for growth in remuneration or skills.

Furthermore, the Australian of Council of Social Service (2011) found that people who have been receiving the NSA for one year are twice as likely to remain on the payment for at least another year. Given that the prospect of employment is often uncertain for individuals who have been unemployed in the long-term, such people are forced to make a decision between remaining on lowly paid and stable income support payments, or moving into employment which is most likely to involve intermittent, casual or shift work. The latter situation may increase the risk of poverty and jeopardise the safety and security of such people and their families, as the prospect of social inclusion and economic participation is only partially realised.

ANGLICARE Sydney ER staff identified four major employment barriers for NSA clients, including: structural issues, mental and physical health and wellbeing, access to affordable child care and formal care, and jobseeking costs. These issues are explored below.

### 4.1 Structural issues

ANGLICARE Sydney ER staff in regional areas spoke about the recent closure of major local businesses, some of which were previously responsible for employing hundreds of local residents. As a consequence of weak economic conditions, other local businesses were concurrently moving towards employing people in unskilled work (such as catering, cleaning or labouring) on a seasonal basis, which meant that people were only able to rely on “cash in hand” wages for a couple of weeks at a time. Subsequently, these employees developed few transferrable skills which could be transferred into more permanent employment, education or training.

#### ANGLICARE Sydney Case Study

\_\_\_\_\_ is a Newstart Allowance recipient in his late 20s, who received food assistance from ANGLICARE Sydney ER for the first time in March 2012. His financial crisis was triggered by unexpected funeral costs, which had increased his sense of urgency to return to work.

At the time of his interview, \_\_\_\_\_ had been unemployed for six months. He had previously worked as a removalist in a friend’s business, but had not received any recent job offers.

## 4.2 Health and Wellbeing

ANGLICARE Sydney ER staff repeatedly commented on the low levels of self-esteem and confidence amongst the vast majority of NSA clients, especially if they had already been rejected for a significant number of jobs and/or had been unemployed for more than 12 months. The impacts of these emotional issues were described by ANGLICARE Sydney ER staff:

*“They are too focused on the now and surviving [on a low income]. They don’t have the energy to look for jobs.”*

*“The low payment exacerbates the level and frequency of crisis, which in turn reduces the capacity for seeking employment or employment-related study or training.”*

*“They know they’ll get a bad job as they can’t dress the part or talk the talk. They have a defeatist attitude because the low payment of the Newstart Allowance prevents them from feeling socially included and worthwhile by society and the government.”*

Mental health issues have been cited as a presenting issue for around 1 in 10 visits (n=1,869) from NSA clients over the last years. Surprisingly, mental health issues have been cited less frequently as a reason for presentation than physical issues, which has accounted for 17% of visits (n=2,889) made by NSA clients to ANGLICARE Sydney ER. Around two-thirds of visits for mental health or physical health reasons have been made by clients aged in their 30s and 40s, which reflects the overrepresentation of their age cohort amongst all NSA clients. However, there is a strong likelihood that mental health issues are under-reported in the ER database, as clients are less likely to disclose these issues during a 30-minute appointment. One ANGLICARE Sydney staff member stated:

*“Anecdotal observations indicate that untreated, or poorly treated, mental health conditions restrict the capacity of a large proportion of clients. This restricts their access to employment, increases the propensity for drug and alcohol addiction, and increases the level and frequency of financial and other crises.”*

ANGLICARE Sydney ER staff reflected that low-income, socially isolated clients often find it difficult to access mental health services, which are significantly under-resourced for these groups:

*“Treatment is often only provided after a substantial breakdown which involves intervention by the police or ambulance. They might get two or three days of ‘subduing’ therapy, and they are released onto the street again. Access to meaningful preventative or specialist treatment needs to be part of the solution. Financial destitution is not a motivator on its own.”*

The debilitating impact of mental health issues on employment prospects was described by a client:

*“Before I lost the shop, I did a Bachelor of Social Science and worked as a case manager as well as in office administration. I just couldn’t do it now... This year I have felt worse than ever in my life... Panic attacks and anxiety because of losing that stupid shop.”*



### 4.3 Child care and formal care

Various studies have explored the effects of the cost of child care on labour supply decisions (Doiron and Kalb, 2005; Rammohan and Whelan, 2007). Single parents in paid employment generally encounter the greatest constraints in using non-parental care and in establishing suitable arrangements to provide care for their children (Hughes and Gray, 2005). Subsequently, the emergence of non-standard work arrangements may increase the level of work and family strain experienced (Alexander and Baxter, 2005), as working on the weekends may decrease the availability of a parent to care for their children or undertake household tasks. These issues may be further exacerbated in cases where families have limited support networks and/or require caring arrangements outside of business hours.

Access to family-friendly work arrangements may potentially assist families to balance family and work responsibilities. According to Gray and Tudball (2003), these practices include access to permanent part-time roles, flexible start and finish times, and paid parental leave. However, the authors also found that employees whose skills were in short supply were usually the most successful in being able to negotiate these arrangements, and that subsequently, these practices needed to be more readily available to all employees.

ANGLICARE Sydney's *State of Sydney 2011* report (King et al, 2011) recognised that the lack of affordable child care or formal care was a significant barrier for young single mothers in the Carramar Early Interventions program who were seeking to enter into education or employment. However, the research affirmed that these young mothers needed to access stable housing and implement the independent living skills they had learned from their support workers *before* engaging in education or employment. Two recent graduates successfully exited from the program into private rental, which enabled one young woman to complete university and commence employment as a support worker in the NGO sector. The other young woman is currently studying to be an AUSLAN interpreter at TAFE and has enrolled her children in child care on a part-time basis.

Currently, ANGLICARE Sydney does not collect ER data in relation to the cost of child care or formal care as an issue precipitating a financial crisis. ANGLICARE Sydney ER staff commented that a lack of access to and affordability of child care or formal care may serve as a disincentive for people with limited employment skills who have only received an offer of casual or seasonal work.

#### ANGLICARE Sydney Case Study

\_\_\_\_\_ currently receives the Parenting Payment (single) but will be transferred onto the Newstart Allowance within months once her daughter turns 8 years old.

Recently, \_\_\_\_\_ secured a casual cleaning job at a primary school, some 30 minutes away. Her scheduled working hours are 4pm to 8pm.

Child care is a significant problem, as \_\_\_\_\_ has a limited social network. The Out of School Hours (OOSH) service closes at 6pm. Combined with the cost of babysitting services, \_\_\_\_\_ stands to lose about half of her casual wage on the cost of child care.

Consequently, \_\_\_\_\_ is continuing to explore her options and is yet to start in her new role.



#### 4.4 Job seeking expenses

ANGLICARE Sydney ER staff commented on the limited income that NSA clients have left over to cover the costs of preparing job applications and attending interviews as prescribed by their NSA participation and activity test requirements, especially if they are not eligible for further assistance from their employment services provider. As a result, ANGLICARE Sydney ER staff regularly receive referrals from government agencies such as Centrelink and/or employment service providers such as Mission Australia to offer material or financial assistance to NSA clients.

The most common forms of assistance offered to NSA clients who are attending job interviews include: op-shop vouchers for the purchase of appropriate clothing and/or footwear and petrol vouchers. Clients may also incur job seeking expenses related to the costs of technology, such as phone calls and the use of public internet kiosks to complete their job applications. Although ANGLICARE Sydney is unable to provide financial assistance to clients with education or training costs, further assistance may be offered in the form of advocacy, information sharing or referrals to other services or organisations. The most significant issue that ANGLICARE Sydney ER staff must negotiate is the effective budgeting of funds to ensure that people can receive assistance in accordance with their entitlements throughout the year.

Overall, ANGLICARE Sydney ER staff stated that material assistance may provide a minimal number of clients with the confidence to perform well at interviews, particularly if these clients have previous and recent employment experience. These staff members offered the following policy solutions to federal and state governments:

*“Linking employment services with counselling or Medicare’s Better Access to Mental Health Care Initiative.”*

*“More petrol vouchers [available from Emergency Relief funding], as I noticed recently that we were giving out more of these vouchers than food vouchers. They run out very quickly.”*

*“People on pensions are entitled to a pensioner travel concession that costs \$2.50 a day. Newstart Allowance recipients are not entitled to this low cost transport. This creates further inequalities with being unable to afford a rail ticket with the possibility of being caught with fare evasion and receiving a fine. If people on NSA were able to access the pensioner travel rate tickets this would benefit the community.”*

#### **ANGLICARE Sydney Case Study**

\_\_\_\_\_ was employed as a casual labourer in a regional area for a number of years. Over time, the labouring jobs that \_\_\_\_\_ had relied upon gradually dried up as local businesses began to close or reduced the number of staff on their books. As a result, \_\_\_\_\_ became solely reliant on the Newstart Allowance.

Having presented to ANGLICARE Sydney for ER assistance, \_\_\_\_\_ received petrol vouchers and an op-shop voucher to purchase clothes, which enabled him to travel to Sydney for an interview.

\_\_\_\_\_ was successful in securing the job and has retained employment for several months. However, he is still employed on a casual basis as a labourer, so his financial situation remains precarious.

## 5. Conclusion

ANGLICARE Sydney appreciates the opportunity to participate in the Senate Committee's consultation process and looks forward to the release of the final report in November 2012.

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