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Submission to the Inquiry into the Social Services Legislation Amendment (Youth Employment) Bill 2015

Contents

1. Executive Summary	3
2. The Bill’s Proposed Changes	3
3. Higher Standard for ‘Financial Hardship’	3
4. Increased Age Minimum for Newstart	5
Intersectionality with Youth	7
5. Four-Week Waiting Period	9
6. Conclusion	10

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. In Australia, we operate in every state and territory, with more than 65,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and we run a wide variety of programs around Australia. Our work seeks to provide help for those who are marginalised by structures of exclusion and injustice, and our programs target (among other groups) people living with mental illness, homeless people, youth , migrants and refugees, and people experiencing severe poverty.

On 19 October 2015, the government invited the Society to make a submission to the Inquiry into the Social Services Legislation Amendment (Youth Employment) Bill 2015. The Society welcomes the opportunity to make this contribution. We would also be very happy to provide any further information, either in writing, or at a public hearing.

1. Executive Summary

The Society is opposed to the three significant reforms that the Bill proposes. Specifically, we are concerned about the following elements: making it harder for individuals to qualify for the 'financial hardship' exception; increasing the minimum eligible age for Newstart payments from 22 to 25; and introducing a new, four-week waiting period for people under 25 looking to apply for Newstart. It is the belief of the Society that the collective effect of these changes will only serve to aggravate the inadequacy of the current Australian framework for income support, especially for vulnerable groups such as individuals with mental disorders and young people.

Therefore, we call upon the government to not only reconsider the three significant reforms proposed by the Bill, but also to consider recommendations that would actually help these disadvantaged groups. These include increasing Newstart payments by \$50 per week, committing to a national plan for job creation, and reducing the cost of education so as to allow young people a better chance of establishing their own lives.

2. The Bill's Proposed Changes

The Bill seeks to introduce three main changes to the current social services framework. First, the Bill would tighten of the requirements for individuals to qualify as being in 'financial hardship' by requiring the person to have incurred unavoidable expenditure or experienced domestic violence to be eligible. Secondly, the Bill seeks to increase of the minimum age to qualify for Newstart from 22 to 25. This means that young people will now be on the lower rate of Youth Allowance for three more years. Finally, the Bill reintroduces of a four-week waiting period for people under 25 who apply for Newstart, while still requiring them to comply with a range of coercive job-seeking activities.

3. Higher Standard for 'Financial Hardship'

Under the current Newstart framework, the 'financial hardship' exception allows individuals who are in severe financial hardship to be paid their allowance without having to wait the otherwise mandatory seven day waiting period.¹ According to current legislation, individuals are considered to be in 'severe financial hardship' 'if the value of their liquid assets is less than their fortnightly rate of payment if they are single, or less than double their fortnightly payment if they are partnered'.²

¹ Explanatory Memorandum, *Social Services Legislation Amendment (Youth Employment) Bill 2015* (Cth), Sch 1, p 2.

² *Ibid* Sch 1, p 1.

However, the Bill seeks to restrict this definition, by adding the additional requirement that a person must also be experiencing a 'personal financial crisis' at the same time to claim that they are in severe financial hardship.³ 'Personal financial crisis' is then also defined in the Bill as 'experiencing...domestic violence or [incurring] unavoidable or reasonable expenditure'.⁴ According to the Explanatory Memorandum, the reason for tightening this standard is to discourage people from spending their resources on non-essential items in order to obtain income support payments. It appears to be the belief of the government that this high standard would encourage claimants to 'use their own resources first, while still enabling those who are in hardship due to extenuating circumstances to access payments immediately'.⁵

It is unclear what these 'extenuating circumstances' might be, but there is a significant risk that the test of what is 'unavoidable' expenditure will be narrow. On the other hand, we believe that 'unavoidable/reasonable expenditure and domestic violence' are often not the only 'extenuating circumstances' that many people experiencing disadvantage face in life, and which we believe should enable them to be considered as being in financial hardship.

For example, mental health is a challenge that many people battle with on a daily basis. It was reported in 2007 that 45% of all Australians aged 16-85 years (in other words, 7.3 million people) had experienced mental health disorders at some point in their lives.⁶ These disorders can have a devastating impact on an individual's physical and mental well-being, and drastically affect their ability to access housing, maintain stable relationships, or participate in employment. Individuals who suffer from addictive disorders such as alcoholism, drug dependency and problem gambling are particularly disadvantaged here, as these disorders not only cause psychological/physical harm, but also have severe financial consequences.⁷

Contrary to common preconceptions, mental health disorders are not solely caused by an individual's inability to regulate their own behaviour. Indeed, studies have shown that issues such as problem gambling, for example, are often highly influenced by social and genetic factors as well.⁸ Therefore,

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Australian Bureau of Statistics, *Feature Article 2: Mental Health* (4 June 2010) <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/1301.0Chapter11082009%E2%80%9310>>.

⁷ See, eg, Nicki Dowling, 'The Impact of Problem Gambling on Families' (Discussion Paper No.1, Australian Gambling Research Centre, November 2014).

⁸ See generally, Christine Reilly and Nathan Smith, 'The Evolving Definition of Pathological Gambling in the DSM-5' (Issues Paper, National Centre for Responsible Gaming, 2013); Tanya Davidson and Bryan Rodgers, '2009 Survey of the Nature and Extent of Gambling and Problem Gambling, in the Australian Capital Territory' (Survey Report, ACT Gambling and Racing Commission, 26 November 2010); Charles Livingston, 'Assessment of Poker Machine Expenditure and Community Benefit Claims in Selected Commonwealth Electoral Divisions' (Research Report, UnitingCare Australia, April 2012).

if the government was to limit the qualification of ‘severe financial hardship’ to just unavoidable/reasonable expenditure and domestic violence, it would effectively be punishing the vulnerable group of individuals who are already suffering from mental health disorders for something that is essentially out of their control. Clearly, this outcome raises issues of equity, and the Society is strongly of the view that the government should be doing more to help these vulnerable groups (by way of services, education, and a proper level of income support), instead of cutting payments and thus trying to make it more difficult for them to access the support and welfare that they so desperately need.

4. Increased Age Minimum for Newstart

Another key feature of the Bill is that it seeks to increase the minimum age of eligibility for Newstart Allowance payments from 22 to 25.⁹ This change would mean that young, unemployed people aged 22 to 24 will now lose a significant portion of their income, and will have to depend solely on the much lower level of Youth Allowance instead.¹⁰ This has already been attempted and rejected by the Senate on two occasions.

The Society believes that such a change is unacceptable, as it would only serve to aggravate the gross inadequacy of Australian Government’s current framework for income support. Aside for a small increase to offset the GST in 2000, the Newstart Allowance has not been increased in real terms since 1994, despite cost-of-living pressures, such as food, utilities and housing costs increasing more quickly than inflation.¹¹ Indeed, in November 2012, a Senate inquiry found that even the existing, basic single Newstart Allowance does not provide an acceptable level of financial support in the Australian context for more than a short period.¹² This claim is reflected in Anglicare Australia’s recent finding that singles living on the Newstart could afford less than 1 per cent of available rental accommodation.¹³ Anglicare’s report found that most Newstart recipients wishing to live in single occupancy accommodation would have to pay much more than 30 per cent of their income to house themselves, leaving little after expenditure on other necessities for the kinds of purchases that help people make a good impression when applying for jobs and attending interviews, such as appropriate clothing and grooming, internet access, reliable transport and mobile phones.¹⁴ Considering this, it is

⁹ Explanatory Memorandum, above n 1, Sch 2, p 6.

¹⁰ Ibid. Young people *currently* aged 22, 23 or 24 who qualify for Newstart will have their benefits safeguarded.

¹¹ Business Council of Australia, above n 15.

¹² Senate Standing Committee on Education, Employment and Workplace Relations 2012, *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* (Senate Inquiry Report, Australian Government, 2012) 50, 54.

¹³ Anglicare Australia, *Rental Affordability Snapshot* (Research Report, April 2015) 12.

¹⁴ Ibid 4.

perhaps also unsurprising that the Brotherhood of St Laurence found that 24 per cent of its clients receiving services for homelessness were on the Newstart Allowance.¹⁵

However, it is not only grassroots and charitable organisations that believe that income support is currently inadequate. Indeed, the OECD and the Business Council of Australia (BCA) have argued that the current level of income support provided by Newstart is not adequate to enable individuals to make the transition to self-reliance and workforce participation.¹⁶ In particular, the BCA has argued that the payments offered to Newstart recipients are so low that they ‘[present] a barrier to employment and [risk] entrenching poverty...[as jobseekers are] severely disadvantaged in their ability to maintain an active job search and present themselves decently for job interviews’.¹⁷ The Benevolent Society has also argued that current rates make it difficult for income-support recipients to meet costs associated with searching for work, such as paying for transport to interviews, buying appropriate interview and work clothing, and paying telephone, computer, printing and internet costs incurred to contact prospective employers.¹⁸ Finally, studies conducted by the Crawford School of Public Policy at the Australian National University calculate that after budgeting for rental expenses, a single recipient of Newstart with no employment income will only have \$17 per day for all other costs such as food, clothing, utilities, personal care, transport, and medical and school expenses, in addition to the costs of jobseeking.¹⁹ By contrast, the average single Australian under 35 spends around \$84 each day, not including their housing-related costs,²⁰ or more than four times this much.

Considering all of the above, it seems clear that even the current Newstart framework provides an inadequate level of income support to those who needs it most. It is for this reason that the Society has consistently advocated for **an increase of Newstart benefits by \$50 per week.**²¹ However, the

¹⁵ Brotherhood of St Laurence, Submission to *Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others*, 2010.

¹⁶ See National Welfare Rights Network, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market*, 2012; Business Council of Australia, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market*, 2012.

¹⁷ Adam Creighton, ‘It’s a Hard Dole Life’, *The Australian* (online), 29 August 2012 <<http://www.theaustralian.com.au/news/inquirer/its-a-hard-dole-life/story-e6frg6z6-1226460253688>>.

¹⁸ Benevolent Society, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market*, 2012.

¹⁹ Peter Whiteford, ‘Tax Forum: making the Social Security System Fair’, *The Conversation* (online), 3 October 2011 <<http://theconversation.edu.au/tax-forum-make-the-social-security-system-fair-3640>>

²⁰ Ibid; See also Benevolent Society, above n 17.

²¹ See St. Vincent de Paul National Council, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for*

intention of the proposed Bill appears to have the opposite intention. Instead of trying to bolster a failing system of support, the Bill seeks to have Newstart taken away from certain individuals altogether. Clearly, such a move would cause a significant detrimental impact on the welfare of individuals who are already struggling with the support of these payments, thus pushing even further away the possibility that they are able to enjoy an acceptable standard of living.

Intersectionality with Youth

The change also appears to target a particularly vulnerable group, considering the particular financial vulnerability that young Australians already face in the current economic climate. As reported by the Australian Social Inclusion Board, the global financial crisis had a disproportionately high negative impact on Australians aged 15 to 24, and that impact continues to be felt.²² Australia's rate of long-term unemployment among those aged 15 to 19 in 2010 was 10 per cent,²³ while the rate of youth unemployment this year had risen to 13.6 per cent.²⁴

Not only is youth unemployment high, but there are also diminishing opportunities for full-time work, meaning that more young people in recent decades have experienced extended periods of casual or part-time work.²⁵ While full-time work for young people has been decreasing, 'three times as many teenagers and more than twice as many young adults not in education now work part-time compared to 25 years ago'.²⁶ Underemployment among young people rose from around 5 per cent in the mid-1980s to 13 per cent in 2011,²⁷ and Mission Australia estimates that 20 per cent of Australia's casual workers are aged between 15 and 19.²⁸ Added to this the fact that the government has been trying to lower penalty rates which youth casual workers often depend on, and it seems clear that young people in Australia are already 'doing it tough' with what little income support that they do have.

It appears evident that, even with Newstart, the situation for young Australians who are trying to establish themselves in life already looks bleak. Indeed, the payments for young people on Newstart are significantly lower than pensions, even though young people and retirees both face many of the same living costs. In addition, young Australians in receipt of income support who live away from

Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market (3 August 2012).

²² Australian Social Inclusion Board, *How Australia is Faring* (Final Report, Australian Government 2012), 8.

²³ Youth Coalition of the ACT 2010, *Policy Platforms: Income Support* (Policy Paper, 2010) 1.

²⁴ <http://www.afr.com/opinion/its-not-all-bad-for-jobless-youth-20151014-gk91o9>.

²⁵ Foundation for Young Australians, *How Young People are Faring 2012* (Research Report, 2012).

²⁶ Australian Social Inclusion Board, above n 21.

²⁷ Ibid.

²⁸ Mission Australia, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market*, 2012.

home are likely to have to rent accommodation,²⁹ whereas many pensioners own their own homes.³⁰ This reality has led ACOSS to argue that the difference between pensions and income support for young Australians is unjust,³¹ while others have suggested that the disparity gives rise to the inference that the government believes that the unemployed are 'less deserving' of support than other groups receiving it.³² Considering this, the Australian Government should be seeking to rectify this inequity by giving young Australians an extra 'helping hand'. Unfortunately, this does not seem to be their present intention, as raising the minimum age requirement would only make it significantly harder for these youths who are trying to best to establish their own, independent lives.

Issues with the 'Disincentive to Work' Argument

The Explanatory Memorandum notes that the rationale behind the change to increase the minimum age is to prevent the receipt of Newstart from becoming a 'disincentive' for young people to pursue either employment or full-time study. This is a position that has previously been adopted by the government, as, in a 2012 submission to the Senate inquiry in the adequacy of income support payments, four Australian Government departments argued that an increase to the Newstart Allowance would be a disincentive for recipients to find work.³³ The departments also reported in their submission that 'around 60 per cent of new recipients move off the Newstart Allowance within 12 months of commencement on this payment'.³⁴

However, as the Senate Committee noted in its majority report, '[n]ineteen per cent of allowance recipients who find work with the help of JSA [Jobs Services Australia], lose that employment within 26 weeks'.³⁵ The submission by the four government departments also identified an 'emerging trend of increasingly long durations on the Newstart Allowance for those who do not transition off payment within 12 months'.³⁶ This is especially worrying for young people, given that today it is taking them,

²⁹ Homelessness Australia, Submission to the Senate Standing Senate Standing Committee on Education, Employment and Workplace Relations, *The Adequacy of the Allowance Payment System for Jobseekers and Others, the Appropriateness of the Allowance System as a Support into Work and the Impact of the Changing Nature of the Labour Market*, 2012.

³⁰ Australian Housing and Urban Research Institute 2005, *Why is the Rate of Home Ownership Falling in Australia* (Discussion Paper, 2005).

³¹ Australian Council of Social Services, *Who is Missing Out? Material Deprivation and Income Support Payments* (Discussion Paper, 2012).

³² See Phillip Mendes, *Income Support and the Abandonment of Equity in Australia* (Discussion Paper, Monash University, 2012).

³³ Department of Education, Employment and Workplace Relations, *Compact with Young Australians* (Research Report, 2012) 12.

³⁴ *Ibid* 11.

³⁵ Senate Standing Committee on Education, Employment and Workplace Relations 2012, above n 11, 70.

³⁶ Department of Education, Employment and Workplace Relations, above n 31, 11.

on average, much longer than in the mid-1980s to settle into full-time work after leaving education.³⁷ In light of this evidence, and of the fact that the number of jobs available is more than twelve times smaller than the number of job-seekers in Australia,³⁸ it is certainly questionable whether the government's justification for raising the minimum age in order to encourage education/employment will hold true in practice.

5. Four-Week Waiting Period

The proposed Bill also seeks to introduce a four-week waiting period for people under 25 who apply for Newstart. It seems that under the proposed scheme, the claimants will still have to comply with a range of job-seeking activities but without receiving any income support during these four weeks. According to the Explanatory Memorandum, this measure is 'aimed at providing an incentive for individuals to be self-sufficient, or to undertake further relevant education or training to increase employability before relying on the taxpayer for support'.³⁹

It appears to us that the Bill has again missed the mark with this proposed reform. As mentioned above, young Australians are currently facing huge challenges in the labour market. Higher unemployment and underemployment rates coupled with the increasing casualization of the workforce has meant that the transition into stable and permanent full-time work is no longer a given, but that the new normal is cycles of unemployment and insecure casual labour. Spiralling education costs have also removed education as a viable option for many disadvantaged young people. Indeed, university courses can now cost up to \$18,000 AUD a year, a price range that is just simply out of reach of many young people without external financial support.⁴⁰

Therefore, we believe that to really help more young Australians into employment or education, we need to strengthen protections in both the social security system, the labour market and the educational sector, rather than removing what little income support young Australians currently receive.

³⁷ Dandolo Partners, *Second Interim Evaluation of the National Partnership on Youth Attainment and Transition: A Report for the Department of Education, Employment and Workplace Relations* (Final Report, Department of Education, Employment and Workplace Relations, 21 December 2012).

³⁸ See ABS, Labour force statistics (August 2015) at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/F756C48F25016833CA25753E00135FD9?opendocument>; ABS, Media release (12 March 2015).

³⁹ Explanatory Memorandum, above n 1, Sch 3, p 16

⁴⁰ Chris Pash, 'The Cost of Getting a University Degree is about to Change: Here's What You Need to Know', *The Business Insider* (online), 2 June 2014 <<http://www.businessinsider.com.au/the-cost-of-getting-a-university-degree-in-australia-is-about-to-change-heres-what-you-need-to-know>>.

6. Conclusion

After careful consideration of the proposed changes, the Society is of the belief that the Bill will not achieve its intended aims. Instead, the changes will only be to the detriment of those groups who are most vulnerable within our society. For example, the additional restrictions placed on the ‘financial hardship’ exception would arguably serve to exclude and punish those with mental health disorders, when they need support the most. Further, the increase of the minimum age to qualify for Newstart and the introduction of the four-week waiting period will hit young people very hard, at a time when they, as a group, are very economically vulnerable in Australia.

The Society is opposed to the major changes proposed by the Bill. Instead, we encourage the government to consider policies that are actually going to provide a ‘hand up’ to these vulnerable groups. For example, the Society has previously recommended that Newstart payments be increased by \$50 per week. The Society also urges the government to create a concrete national jobs plan for Australia, especially, but not exclusively, focussed on areas of high youth unemployment. Finally, the Society would encourage the government to review the cost of education and training in Australia, given that it is the key to many positive outcomes in life.

The Society believes that the social welfare system has a strong part to play in promoting greater social equity and reducing poverty in Australia. However, for too long Australian governments have heeded to populist approaches to welfare and as a result the system has faltered, and many Australians now live below the poverty line, with young people and individuals with mental disorders particularly struggling under the current social services framework. Instead of more cuts and austerity, based in a flawed rhetoric of blaming people for their own poverty, we want to work together to make the conversation more intelligent, compassionate, and fair. We invite the current government to join in that conversation.