

Chapter 3

The funding and delivery of social services

3.1 This chapter covers concerns expressed to the committee about the effect of possible cuts to income support payments for vulnerable individuals, such as those on fixed incomes, and on services provided by the community services and not-for-profit sector.

Expenditure

3.2 The overall quantum of Commonwealth social security and welfare payments has increased over the last decade from \$73 billion in 2002-3 to \$131.7 billion in 2012-13.¹ This increase represents a growth in spending of 43.2 per cent, an average of 3.7 per cent annually.² This was higher than the growth in GDP over the same period, which grew by 34.3 per cent or 3.0 per cent annually.³

3.3 The 2012-13 Budget stated that these increases in social security and welfare payments were 'largely due to the indexation of personal benefits and income support payments, such as the Age Pension, and the continuing demographic shift to an older population'.⁴

Government review

3.4 In January 2014, the Minister for Social Services, Mr Kevin Andrews MP, announced a review of the welfare system to be headed by the former chief executive of Mission Australia, Mr Patrick McClure. The minister referred to the most recent annual review of income support payments by the Department of Human Services, which shows significant growth in income support payments with the result that more than five million, or one in five, Australians now receive income support payments.⁵

1 *Commonwealth Budget 2002-03*, Budget Paper 1, Statement 6, p.6 and *Commonwealth Budget 2012-13*, Budget Paper 1, Statement 6, p. 5.

2 Parliamentary Budget Office, *Australian Government spending: Part 1: Historical trends from 2002-03 to 2012-13* (March 2013), p. 4.

3 Parliamentary Budget Office, *Australian Government spending: Part 1: Historical trends from 2002-03 to 2012-13* (March 2013), p. 4.

4 *Commonwealth Budget 2012-13*, Budget Paper 1, Statement 6, p. 5.

5 The Hon Kevin Andrews MP, 'Welfare system', ABC AM Transcript, 21 January 2014, available from: <http://kevinandrews.dss.gov.au/transcripts/41> (Accessed 18 March 2014); Jonathan Swan, 'Social Services Minister Kevin Andrews signals overhaul of welfare system', *Sydney Morning Herald*, 21 January 2014; for the report cited, see Department of Human Services, *Statistical Paper no. 11: Income support customers: a statistical overview 2012*, p. 2 at www.dss.gov.au/about-the-department/publications-articles/research-publications/statistical-paper-series (accessed 17 March 2013).

For a table summarising income support payments by type from 2002 to 2012 see Appendix 1.⁶

Is there a welfare crisis?

3.5 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service (ACOSS) rejected the perception that there is a welfare crisis in Australia. She acknowledged that over the last 10 years the number of income support recipients has increased by four per cent in gross terms. However, she noted that 'as a proportion of the population increase, the total number of recipients has in fact declined by three percentage points'.⁷ She added:

We do have shifts in the ageing demographics of the population; but, if we look at all income recipients and exclude those on the age pension as a proportion of the working age population, there has been a real decrease from 23 per cent to 18 per cent in 2012 in the number of people reliant on these income support payments. This is a decrease of five percentage points.⁸

3.6 In relation to the Disability Support Pension (DSP), Dr Goldie explained that '[i]f you take the number of recipients and the increase over that same decade, proportionate to population it is an increase of one per cent', which is 'very modest'.⁹

Threat to vulnerable individuals

3.7 Cuts to income support payments have the potential to affect the most vulnerable individuals in the community. The inadequacy of some current payments was highlighted to the committee.

Inadequacy of allowances system

3.8 Dr Goldie stressed that for the vast majority of the population there has been an increase in real living standards and accumulation of wealth over the last 10 years. However, Dr Goldie contrasted this with individuals on fixed incomes who have had their real standard of living drop by five per cent.¹⁰ Dr Goldie stressed that some income support payments are deficient:

There is a clear reason why we are seeing the rise in poverty rates that we are right now; it is because of the way in which those lowest payments have atrophied compared to the overall living standard in Australia. Equally, we know that we are struggling in terms of support services and sustaining those where they are needed.¹¹

6 Department of Human Services, *Statistical Paper no. 11: Income support customers: a statistical overview 2012*, p. 2.

7 *Proof Committee Hansard*, 18 February 2014, pp 50-51.

8 *Proof Committee Hansard*, 18 February 2014, p. 51.

9 *Proof Committee Hansard*, 18 February 2014, p. 57.

10 *Proof Committee Hansard*, 18 February 2014, p. 50, p. 54.

11 *Proof Committee Hansard*, 18 February 2014, p. 50.

3.9 Several witnesses specifically referred to the inadequacy of the NewStart allowance.

3.10 Mr Ben Phillips, Principal Research Fellow, National Centre for Social and Economic Modelling, University of Canberra, indicated that generally the welfare system in Australia is fairly well targeted with 'the vast majority of it, around 72 per cent, goes to the bottom 40 per cent of households and that has been relatively stable throughout time'.¹² However, he also singled out Newstart as an allowance that was insufficient to support long-term unemployed individuals:

You will find that when you stack [up the various payments] the Newstart payment is well [below] the poverty line. Anyone who is on that payment, or the vast majority of them, would be in poverty. I think about 75 per cent of them are in poverty. If your sole income is the Newstart allowance you are certainly in poverty—in deep poverty, in fact—and if you are trying to pay rent as well, if you are in a capital city where the median rent might be \$350 or \$400 per week, that is not really going to be possible. So it is a very difficult position. If you are on those payments for a short time, it is probably not such a concern. It is when you are on that payment for a long time, and in reality people are often on that payment for a long time, and there are a whole range of reasons for that.¹³

3.11 Dr John Daley, Chief Executive Officer for the Grattan Institute, appearing in a private capacity, agreed that cost of living pressures are especially severe on Newstart recipients:

...I suspect we may as a nation have underestimated the pressure that will be on the aged pension budget and also underestimated the pressure that will be on the Newstart budget. At the point that the Business Council of Australia is calling for increases to Newstart, then I would suggest that that is a strong indication that the pips are really starting to squeak.¹⁴

3.12 Mr Frank Quinlan, Chief Executive Officer, Mental Health Council of Australia, told the committee that Newstart is inadequate and added that real reform to the system is required to ensure individuals are engaged 'to the extent that their capacity allows to bring them back into economic and social participation...'¹⁵

3.13 Mrs Jackie Brady, Acting Executive Director, Catholic Social Services Australia, highlighted the risk of shifting people from the DSP to Newstart without appropriate assessment and adequate support. This would push individuals with barriers to employment to look for work in a difficult environment and thereby into

12 *Proof Committee Hansard*, 18 February 2014, p. 44.

13 *Proof Committee Hansard*, 18 February 2014, p. 47. See also Mr Ian Carter AM, Chief Executive Officer, Anglicare, WA, *Proof Committee Hansard*, 1 April 2014, p. 17.

14 *Committee Hansard*, 5 February 2014, p. 2; for the BCA's agreement that the Newstart allowance should be raised see the evidence given by Ms Maria Tarrant, Deputy Chief Executive, Business Council of Australia. *Committee Hansard*, 5 February 2014, p. 21.

15 *Proof Committee Hansard*, 18 February 2014, p. 2.

poverty.¹⁶ Mrs Brady highlighted the need for adequate services to support people with a disability entering the workforce:

If you look at the cohort of people on DSP and the fact that the majority of them now have a mental health condition, quite often their condition is episodic and so forth, and therefore the experience from our agencies on the ground is that working with an employer in that environment is not necessarily an easy thing to do. There needs to be a strong campaign running with employers.¹⁷

3.14 Regarding the DSP and any possible review of assessment criteria, Mrs Brady expressed the view that those with a severe permanent disability should not be subjected to 'a treadmill of review every two years'.¹⁸

Need for consistent system of indexation

3.15 Mr Peter Davidson, Senior Adviser, ACOSS, highlighted the need for a consistent system of indexation, explaining that income support payments such as pensions are indexed to wage movements while others such as Newstart are indexed to the Consumer Price Index (CPI), which makes a significant difference over time:

With regard to all income support payments there should not be first- and second-class citizens in the social security system. All need help to keep up with community living standards. The only way to do that over time is to, in some way, index to wages. If you index to only CPI, then the living standards of people are frozen in time, while those of the rest of the community increase. That is exactly what has happened with Newstart—no real increase for 20 years, so the living standards are frozen in time...¹⁹

3.16 Current indexation arrangements were also raised by Mr Ken Henry, former Head of Treasury, during an interview on ABC 7.30 on 12 March 2014:

...I certainly would support unifying the rates of indexation at some point, and indeed, in the [Henry] tax review, that's what we recommended. We recommended that governments think about the appropriate level of benefit for different types of benefits, including disability support and unemployment. I mean, it's a good question to ask whether the present level of the unemployment benefit is adequate. But once the Government has established levels of adequacy for both benefits and for the unemployment system, then they should be indexed at the same rate. I think that's very important.²⁰

16 *Proof Committee Hansard*, 18 February 2014, p. 72.

17 *Proof Committee Hansard*, 18 February 2014, p. 70.

18 *Proof Committee Hansard*, 18 February 2014, p. 70.

19 *Proof Committee Hansard*, 18 February 2014, p. 54.

20 7.30, 12 March 2014, Transcript available from www.abc.net.au/7.30/content/2014/s3962156.htm (accessed 13 March 2014)

Threat to services

3.17 ACOSS provided the committee with additional information assessing the effect of possible cuts and funding uncertainty for various community services.²¹ Dr Goldie highlighted the additional stress on organisations in the sector due to the uncertainty about ongoing funding as a result of the commission's work:

We are used to being told, 'Look, you're going to have to wait until the May budget to know whether you've got ongoing funding.' There has been some work to try to get a more extended approach to funding arrangements, but we know that this is a very particular environment. We have been told in many cases, 'You have to wait. We have a Commission of Audit. We have a federal budget.' Funding is seriously up for question.²²

Housing

3.18 The National Partnership Agreement on Homelessness (NPAH) has been operating for four years and is due to expire on 30 June 2014. Mission Australia calculated the funding uncertainty 'is affecting 180 services, 80,000 clients and over 3,000 staff across Australia'.²³

3.19 The NPAH was also raised by Mrs Jackie Brady, who commented that the uncertainty will lead to people seeking jobs elsewhere and maintaining the workforce will be a challenge. Mrs Brady explained the effects if the partnership agreement does not continue:

Essentially it will mean that people on the ground, people in the street—not literally—and those people who require homelessness and housing services simply will not be able to get them to the same extent that they do at the current time. It is unknown at this stage how much money the states will be prepared to contribute, because it is a co-contribution type scheme for a large part of it. So it is difficult at this stage to ascertain exactly what the impact would be.²⁴

3.20 The committee notes that on 30 March 2014, the government announced \$115 million to continue the NPAH.²⁵ However, the acting Shadow Minister for Housing and Homelessness, the Hon Jenny Macklin MP, said it represented a cut of \$44 million from the \$159 million in the current agreement and still leaves the sector with an uncertain future.²⁶

21 See ACOSS, answers to questions on notice from 18 February 2014 hearing.

22 *Proof Committee Hansard*, 18 February 2014, p. 51.

23 *Proof Committee Hansard*, 18 February 2014, p. 51. See also ACOSS, answers to questions on notice from 18 February 2014 hearing.

24 *Proof Committee Hansard*, 18 February 2014, pp 70-71.

25 The Hon Kevin Andrews MP, 'Coalition to renew homelessness agreement', *Media Release*, 30 March 2014.

26 The Hon Jenny Macklin MP, 'Abbott government cuts \$44m in homelessness funding', *Media Release*, 30 March 2014.

3.21 Ms Sue Ash, Chief Executive Officer, UnitingCare West and Mr Mark Glasson, Executive General Manager, Anglicare WA, spoke about the effect the funding uncertainty has had on the provision of services²⁷ as did Mr John Berger, Chief Executive Officer, St Bartholomew's House Inc.²⁸

Mental health

3.22 Mr Frank Quinlan, from the Mental Health Council of Australia stressed that recommendations made by the commission could have implications for people experiencing mental illness. He stated:

It is our view that the current mental health system is too often failing those who rely on it for assistance. We invest too much at the acute end while still letting down many people who are acutely ill and [doing] too little in early intervention and prevention. We routinely fail to monitor the outcomes we expect from the investments that we do make. The Mental Health Council of Australia has recommended to the Commission of Audit that, in order to assess the complex interactions of so many policies and programs at both state and Commonwealth level, changes to mental health should be considered and developed through the broad review being progressed by the National Mental Health Commission.²⁹

3.23 In their submission to the committee, SANE Australia stated that the Commission of Audit should not propose any funding cuts to the mental health system, given the pre-election commitments made by the Coalition not to cut expenditure in this area, as well as the ongoing review of the mental health system by the National Mental Health Commission.³⁰

Youth connections

3.24 Ms Rebekha Sharkie, National Executive Officer, Youth Connections told the committee her organisation is facing funding uncertainty. Youth Connections is a national network of community organisations that assists 30,000 young people every year to maintain or renew their engagement in education, training and employment.³¹ Ms Sharkie told the committee that the case management service they provide to young job seekers, including indigenous and regional cohorts, was reasonably low cost and resulted in considerable savings for government:

...if you look at the individual costs to provide the service, it is between \$2,000 and \$4,000—that is what the department tells us it costs annually to assist a young person. We see that as cost effective compared with around \$20,000 if you are on a Centrelink benefit and you are that age. The key focus of Youth Connections is that it is an individualised case management service, because every young person is going to need a different style of

27 *Proof Committee Hansard*, 1 April 2014, pp 19-20.

28 *Proof Committee Hansard*, 1 April 2014, pp 55-56.

29 *Proof Committee Hansard*, 18 February 2014, p. 1.

30 SANE Australia, *Submission 20*, p. 1.

31 See ACOSS, answers to questions on notice from 18 February 2014 hearing.

service and every young person will present with a different range of barriers that need to be addressed in order to activate, re-engage and get back on track or into something new.³²

3.25 However, she also indicated that the sector was already being affected by the uncertainty of future government funding – not only direct funding for the program itself, but also for aligned programs:

The program is so strongly supported by JSA [Job Services Australia] contractors that Jobs Australia, the peak body for JSA, recommended in its recent *Policy on Youth Transitions* paper that the Youth Connections Program needs to continue for young people who are not yet ready for the JSA system, particularly early school leavers and young people with multiple and complex barriers.

Within this space there is much speculation that there will be changes to the delivery of the JSA model, which is set to take effect in July 2015, at the end of the current JSA period. That is six months after the Youth Connections contract is set to end if it is not renewed. That means that there could effectively be a six-month period, or possibly longer, where there are no such services for our most disadvantaged and disengaged young people.³³

Other areas

3.26 ACOSS highlighted other areas of concern where a reduction in funding or services would have a significant effect. These included funding for Aboriginal and Torres Strait Islander representative bodies, funding for financial counselling services and legal assistance programs.³⁴ Financial counselling was also mentioned by Anglicare WA and UnitingCare West.³⁵

3.27 Funding cuts to community legal centres was also highlighted by the Community Legal Centre Association of WA and the Women's Law Centre WA.³⁶ Mr David Kernohan, Chair, Community Legal Centres Association of WA stressed that any policy work requested by government is undertaken by solicitors in addition to existing workloads. This means any cuts will affect front-line service delivery.³⁷ The

32 *Proof Committee Hansard*, 13 March 2014, p. 54. See also Ms Justine Colyer, Chief Executive Officer, Rise, *Proof Committee Hansard*, 1 April 2014, p. 27, 29; Mr Craig Comrie, Chief Executive Officer, Youth Affairs Council of Western Australia, *Proof Committee Hansard* 1 April 2014, p. 29.

33 *Proof Committee Hansard*, 13 March 2014, p. 53.

34 *Proof Committee Hansard*, 18 February 2014, p. 53. See also ACOSS, answers to questions on notice from 18 February 2014 hearing.

35 Mr Ian Carter AM Chief Executive Officer, Anglicare WA and Ms Sue Ash, Chief Executive Officer, UnitingCare West, *Proof Committee Hansard*, 1 April 2014, p. 25.

36 Mr David Kernohan, Chair, Community Legal Centres Association of WA, *Proof Committee Hansard*, 1 April 2014, p. 34; Ms Lesley Kirkwood, Managing Solicitor, Women's Law Centre WA, *Proof Committee Hansard*, 1 April 2014, p. 35.

37 *Proof Committee Hansard*, 1 April 2014, p. 38.

effect on front-line services was also emphasised by Mr Dennis Eggington, Chief Executive Officer, and Mr Peter Collins, Director of Legal Services, Aboriginal Legal Service of Western Australia.³⁸

3.28 The lack of certainty around funding for services and its effects was highlighted to the committee numerous times across a number of different sectors.³⁹

The benefits of investing in social services

3.29 Mrs Brady highlighted that most social services help people provide for themselves and investment in early intervention services 'provides long-term financial savings to government and social benefits to individual and families'.⁴⁰ Mrs Brady detailed how early intervention can prevent long-term problems:

By improving participation in education, training and employment, many social programs make a contribution to economic productivity. An example are programs that work with at-risk families with young children. There is evidence that early childhood interventions can reduce the likelihood of problems in later life such as joblessness and criminal offending. Another example is that 76 per cent of clients of Catholic Social Services Australia receiving family support services have reported improved family, community and economic engagement.⁴¹

3.30 However, Mrs Brady noted the challenge for measuring the real impacts of this investment, because benefits resulting from some social services are not always directly attributable to a particular funding stream:

If, for example, it is funded from the Department of Social Security, then potentially the savings will not come to DSS, they may well be out of the health budget or out of state budgets that do not necessarily align. To be honest, some of the complexity involved in delivering and espousing the

38 *Proof Committee Hansard*, 1 April 2014, p. 44.

39 Mr Chris Twomey, Director of Social Policy, West Australian Council of Social Service, *Proof Committee Hansard*, 1 April 2014, p. 13; Ms Sue Ash, Chief Executive Officer, UnitingCare West, *Proof Committee Hansard*, p. 19; Mr Ian Carter AM, Chief Executive Officer, Anglicare WA, *Proof Committee Hansard*, 1 April 2014, p. 19; Ms Justine Colyer, Chief Executive Officer, Rise, *Proof Committee Hansard*, 1 April 2014; Mr Craig Comrie, Chief Executive Officer, Youth Affairs Council of Western Australia, *Proof Committee Hansard*, 1 April 2014, pp 28-29; Ms Lesley Kirkwood, Managing Solicitor, Women's Law Centre WA, *Proof Committee Hansard*, 1 April 2014, p. 34, 36; Ms Sara Kane, Deputy Chair, Community Legal Centres Association of WA, *Proof Committee Hansard* 1 April 2014, p. 36; Mr John Bouffler, Executive Director, Community Employers WA, *Proof Committee Hansard*, 1 April 2014, p. 69.

40 *Proof Committee Hansard*, 18 February 2014, p. 68.

41 *Proof Committee Hansard*, 18 February 2014, pp 68-69. See also Mr David Kernohan, Chair, Community Legal Centres Association of WA, *Proof Committee Hansard*, 1 April 2014, p. 34; Ms Chantal Roberts, Executive Officer, Shelter WA, *Proof Committee Hansard*, 1 April 2014, p. 52; Mr Michael Brown, Chairman, St Batholomew's House Inc, *Proof Committee Hansard*, 1 April 2014, p. 57.

benefits of those programs is that the benefit does not necessarily always come back to the program areas within the funding pool.⁴²

Conclusion

3.31 The committee believes that government expenditure on income support should be targeted to people most in need. In addition, while acknowledging the need to review expenditure, the committee believes the government should commit to protecting services for low-income and vulnerable groups. These individuals should not bear the brunt of the commission's task of finding savings to government expenditure. Any retargeting and reprioritising of funding that is seen as necessary to increase effectiveness in achieving policy outcomes should be undertaken in consultation with the community sector to gain a comprehensive picture of the possible effects of any changes.

Recommendation 6

3.32 The committee recommends services for low-income and vulnerable groups be quarantined from any government spending cuts.

Recommendation 7

3.33 The committee recommends that the government actively consult with the community sector before undertaking any changes to targeting or prioritisation of funding in social services and disclose potential changes under consideration as part of this consultation.

3.34 The committee notes that the welfare review being undertaken by Mr Patrick McClure was due to report to government in February 2014.⁴³ If a report was provided to government in February it has not yet been made public.

3.35 Moreover, the committee also notes that the current review has no formal terms of reference and that details of the framework it is using have not been made public. The committee acknowledges the work of the Senate Community Affairs Legislation Committee during Additional Estimates hearings to discover more detail about the review.⁴⁴

3.36 The committee notes that Mr McClure undertook a similar review in 1999 to 2000. Unlike the current review, Mr McClure's earlier review was a much more public

42 *Proof Committee Hansard*, 18 February 2014, p. 69.

43 Jonathan Swan, 'Social Services Minister Kevin Andrews signals overhaul of welfare system', *Sydney Morning Herald*, 21 January 2014.

44 Mr Finn Pratt, Secretary, Ms Serena Wilson, Deputy Secretary, and Ms Carolyn Smith, Acting Deputy Secretary, Department of Social Services, Estimates Transcripts of Evidence, Community Affairs Legislation Committee Estimates Hearing, Thursday, 27 February 2014, pp 7-11.

process, with formal terms of reference and wide consultation, conducted over a longer time frame.⁴⁵

3.37 It seems that the processes for this welfare review are similar to those adopted by the commission: both are undertaking wide ranging reviews with short reporting deadlines; both lack transparency of their processes; and both lack wide public and community consultation and engagement.

Recommendation 8

3.38 The committee recommends that the welfare review being undertaken by Mr Patrick McClure be released to the public once it has been provided to government.

3.39 The committee agrees that more support and education is required for employers to provide adequate services to individuals with a disability to enter or re-enter the workforce.

Recommendation 9

3.40 The committee recommends that any efficiencies found as a result of recommendations by the National Commission of Audit or the Welfare Review being undertaken by Mr Patrick McClure be reinvested in providing services such as those required to support people with a disability to enter or re-enter the workforce.

45 See Peter Yeend, Parliamentary Library Welfare review e-brief, September 2000, at: [www.aph.gov.au/About Parliament/Parliamentary Departments/Parliamentary Library/Publications_Archive/archive/welfarebrief](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/welfarebrief) (accessed 18 March 2014)