

**Fairness & support in uncertain times**

**2012-13 Federal Budget Statement Priorities**

by the

**National Welfare Rights Network (NWRN)**

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**About the National Welfare Rights Network**

**Our work**

**The National Welfare Rights Network (NWRN or Welfare Rights) is a network of 16 community legal services throughout Australia which specialise in Social Security law and its administration by Centrelink. Based on the experience of clients of NWRN members, the Network also develops policy and advocates for reform based on the principles and rights set out below.**

**NWRN member organisations provide casework assistance to their clients. NWRN members also conduct training and education for community workers and produce publications to help Social Security recipients and community organisations understand the system. The NWRN also engages in policy analysis and lobbying to improve the current Social Security system and its administration.**

**Our aim**

**NWRN member organisations, individual Welfare Rights centres and services throughout Australia, aim to reduce poverty, hardship and inequality in Australia by:**

* providing casework advice and assistance to individuals to ensure they can exercise their rights, fulfil their obligations, meet their responsibilities and maximise their entitlements under the Australian **Social** Security system; and
* advocating for the maintenance of a Social Security system that has rights and entitlements, obligations and responsibilities, detailed under and protected by law.

**Our principles**

**The NWRN advocates that the Social Security system in Australia should be characterised by an uncompromising recognition of the following rights:**

* the right of all people in need to an adequate level of income support which is protected by law;
* the right of people to be treated with respect and dignity by Centrelink and those administering the Social Security system;
* the right to accessible information about Social Security rights and entitlements, obligations and responsibilities;
* the right to receive prompt and appropriate service and Social Security payments without delay;
* the right to a free, independent, informal, efficient and fair appeal system;
* the right to an independent complaints system; and
* the right to independent advice and representation.

**Executive Summary**

**The 2012-13 Federal Budget is being framed in a period of significant uncertainty both in Australia and globally.**

**Economic uncertainties in the US and European nations pose major challenges, with the Government itself warning of an increase in the number of Australians out of work. NWRN recognises that compared to other nations, our unemployment rate – at 5.3 per cent – is well below the double-digit figures that are the cause of so much economic uncertainty and social upheaval that is blighting both developed and developing nations. However, people who are unemployed or underemployed in Australia do need extra support and assistance into paid work and sufficient income support while job seeking.**

**The Federal Government has reiterated its commitment to a fiscal strategy which aims to achieve a return to a budget surplus in this year’s budget. In calling for community proposals for national expenditure priorities in the 2012-13 Federal Budget, the Treasurer has urged stakeholders to suggest offsetting revenue measures.**

**This budget should remove waste, address inefficiencies while prioritising support and assistance to those experiencing difficult times. It should address the gaps in our social security safety net and reduce poverty.**

**One of the ways to minimise exclusion and to reduce poverty and social exclusion is to address the patent inadequacy of income support and employment assistance for unemployed people, sole parents and young people who try to make do on payments such as Newstart and Youth Allowance. NWRN recognises that Australia is faring much better than the European Union, where 23 million lives are shattered under the blight of massive levels of unemployment.**

**In light of the Treasurer’s recent admissions that employment growth has stalled and that we face uncertain times ahead it is an appropriate time to re-think our national priorities.**

**The NWRN *Budget Priority Statement* outlines policy recommendations for consideration by the 2012-13 budget. On 11 January 2012 the Australian Council of Social Service (ACOSS) released their *2012-13 Federal Budget Priorities Statement*. The statement included Expenditure savings and revenue measures that would raise $4.8 billion in 2012-13. NWRN, as a member of ACOSS, endorses these revenue measures and includes them as part of our *Budget Priorities Statement for 2012-13*. Modest additional expenditures that NWRN has proposed in our submission can be funded from savings resulting from unfair, inefficient tax waste and tax breaks, and by implementing revenue strengthening reforms that would save an estimated $4.8 billion in 2012-13. A number of these savings, revenue measures and efficiencies were supported by the *2009 Report to the Treasurer* from the review *Australia’s Future Taxation System*. See** Appendix for full details of the ACOSS revenue measures.

Key expenditure and revenue measures, NWRN Budget Priority Statement 2012-13

****Proposed new expenditure:****

* Raise the level of payments for Newstart Allowance, Youth Allowance and other Allowance payments for single adults and young people living independently of their parents by $50 per week as recommended by the Henry Report ($600 million);
* Double the number of places in the new wage subsidy scheme for long term unemployed people and substantially boost the resources available to Job Service Australia providers to work intensively with disadvantaged job seekers ($100 m);
* Abolish the Liquid Assets Waiting Period, which strips retrenched workers of modest savings ($50 m); and
* Increase the maximum rate of Commonwealth Rent Assistance $15 per week to assist people on low incomes to meet rising rental costs ($1,000 m).

**Expenditure savings and revenue measures
(raising $4.8 billion in 2012-13):**

* Remove the private health insurance rebate from ancillary health cover ($500 million);
* Reform the tax treatment of private trusts to stem their use to avoid personal income tax obligations ($1,000 m);
* Fairer and more consistent tax treatment of lump sum termination payments such as ‘golden handshakes' ($300 m);
* Abolish poorly targeted tax rebates and deductions including the Senior Australians Tax Offset, the Mature Age Worker Tax Offset, the deduction for self-education expenses, recreational boating concessions, and the Medical Expenses Tax Offset ($2,000 m);
* Remove recently introduced Capital Gains Tax concessions for small business, which together enable individuals to permanently avoid tax on the capital gains from disposal of business assets ($1,000 m); and
* Tighten the ‘thin capitalisation rules' to reduce opportunities for international companies to shift profits offshore ($500 m).

**Replace the following poorly targeted tax concessions and direct expenditures with better-designed programs to improve assistance for those who need them most and to simplify them, at no cost to public revenue:**

* Tax concessions for superannuation contributions should be restructured to make the system fairer and simpler, in conjunction with the proposed increase in Superannuation Guarantee contributions, roughly doubling the gains in retirement incomes for low income earners from higher compulsory contributions and capping poorly targeted tax breaks for the top 20% of taxpayers.
* **The Child Care Rebate should be integrated within the better-targeted Child Care Benefit, so that benefits are based on child care needs, reasonable costs and capacity to pay, together with a minimum level of assistance for all. This would increase subsidies for low and middle income families facing the highest costs and reduce the regressivity of present subsidies for ‘gap fees'.**

**This NWRN submission of policy-related initiatives is complemented by a separate *NWRN 2012-13 Federal Budget Priorities Statement* which focuses on improving services and supports for Australians receiving income support from and who are in need of assistance when dealing with Centrelink or employment providers.**

**We urge the Federal Government to provide increased support for financially disadvantaged Australians by expanding access to Welfare Rights assistance to meet the growing and unmet need for this assistance.**

**This can be done by:**

* as a matter of priority substantially increasing access to Welfare Rights assistance across Australia, especially for people living in regional areas, by providing an extra $3 million a year;
* providing the National Welfare Rights Network with National Secretariat policy and advice funding of $325,000 per annum; and
* ensuring the continuity of the *Online Independent Social Security Handbook National Community Access Project* developed by the Welfare Rights Centre, Sydney for $75,000 per annum, or $225,000 over 3 years. This represents only part of the total cost of the project. Subscriptions provide the balance of the cost of the project.

# Social security or income insecurity

**People face unemployment for many reasons including, for example, retrenchment, insufficient work experience, illness or low levels of literacy. Jobseekers in Australia are subsisting for long periods of time on the Newstart Allowance or the Youth Allowance often in grinding poverty.**

**At October 2011 there were over 617,000 people in receipt of either Newstart Allowance (NSA) or Youth Allowance (YA). There were 540,910 adults on Newstart Allowance (NSA), with 76,091 on Youth Allowance (other), the social security payment for young unemployed people aged under 21 years of age.**[[1]](#footnote-1)

**Unemployment payments in Australia have traditionally been lower than, for instance, the Age Pension, because primarily NSA was seen as a short-term benefit to assist people during short spells of unemployment. However, this is no longer the case, with one in every two job seekers having been out of work for over 12 months. In addition, over 210,000 people in receipt of NSA have been unemployed for more than two years.**

**Large numbers of job seekers have disabilities but are on Newstart Allowance. A decade ago many of those people would have been on the Disability Support Pension (DSP). But as a result of the 2006 overhaul of the rules for income support by the former Coalition Government now 117,000 are on NSA “partial capacity”. These people must seek work of 15 hours a week and look for at least 3 jobs a week. On NSA, they receive $131 a week less than they would have received had they been eligible for the DSP.**

**Australia has a low success rate in the employment of people with disabilities, ranking 21 out of 29 countries in the OECD. Australia has an employment rate of 39.8% for people with disabilities, compared with 79.4% without a disability.**[[2]](#footnote-2)

**Despite a range of incentives to assist people with disability into employment, less than 2% move off DSP into employment each year. The proportion of DSP recipients with earnings fell from 9.9% in June 2007 to just 8.5% in June 2011.**[[3]](#footnote-3) **Welfare groups argue that there is little awareness of existing incentives and that the incentives are undermined by the existence of the $131 “payment gap”, where those with a capacity to undertake some part-time employment or related activities may be reluctant to do so as they fear that they will be moved onto the lower-paying NSA losing security and the ability to manage their health.**[[4]](#footnote-4)

**The people with disabilities on who are already on NSA will be joined by many more people with significant disabilities after 1 January 2012 when tougher impairment tables are introduced. Trials of these controversial new assessments suggest that 38% of people currently eligible for DSP won’t qualify in future under the tougher tests. The new rules will apply to all new claims and to the estimated 18,000 existing DSP recipients who will be medically reviewed in 2012. A recent Government report indicates that even before major changes to the DSP take effect, in 2010-11 the numbers of people whose claims for DSP was rejected had increased by 11.5 per cent, with just 59.8 per cent of DSP applicants’ claims being successful.**[[5]](#footnote-5)

****Characteristics of unemployed people****

**The typical unemployed person does not resemble the stereotypical ‘dole bludger’, ‘shirker’ and “welfare cheat” which is how they are often portrayed in the media. For example, of those currently unemployed:**

* one in seven has a disability that means they can only work part-time;
* one in three is aged over 45;
* one in 10 is Indigenous;
* one in 15 is a sole parent;
* one in 2 has been unemployed for over a year and a quarter unemployed for more than 3 years; and
* half have not completed year 12.

**As a result of the “Welfare to Work” changes there are now around 90,000 single parents on the NSA (principal carer rate). Stereotypes of single parents are also very prevalent, yet less than 3 per cent of single parents are young mothers aged under 20. Most arrive at single parenthood as a result of a relationship breakdown and with a third having experienced domestic violence.**

**Almost a third of single parents on Parenting Payment work part-time, compared to about 16% of NSA recipients.**

**Age discrimination and disability discrimination is rife in Australia, and is acknowledged as a major barrier to the employment of people in both of these groups. Once unemployed, older people find it extremely difficult to find work again. Their average time spent on NSA is 70 weeks, double that of their younger peers.**

**Long term unemployment is often associated with poor physical and mental health, social isolation and poverty. Those who remain out of the workforce for a period find it very difficult to break back into employment, as they lose their skills and employers tend to favour those with recent workforce experience.**

# Payment rates work incentives

**“Newstart Allowance for a single adult is just $243 a week, or just $35 a day. The NWRN agrees with the Government that the best solution is to help unemployed people obtain safe, secure and sustainable employment. However, this should not deny individuals sufficient financial assistance to meet surging costs of living that includes expenses related to jobsearch activities or undertaking study, training or re-skilling while they are unemployed.**

**In November 2008 the Organisation for Economic Cooperation and Development (OECD) found that single unemployed people in Australia were relatively the poorest of the 30 nations it studied. In 2010, the OECD warned that Australia’s unemployment benefit was so low as to “raise issues about its effectiveness” in providing the financial resources needed to assist Australians to find employment or participate in skills acquisition, study or training.**

**Opponents to increasing allowance rates cite concerns of reduced work incentives and relativities to minimum wages. Professor Peter Whiteford, formerly of the OECD and now an academic at the UNSW’s Social Policy Research Centre, points out that “since 1996 Newstart for a single person has fallen from around 54 per cent to 45 per cent of the after-tax minimum wage”, and that any increase is unlikely to undermine workforce incentives.**[[6]](#footnote-6)

**Whiteford expands his arguments rejecting claims of reduced work incentives as follows:**

**“Since 1996 the level of Newstart for a single person has fallen from around 54 per cent to 45 per cent of the after-tax minimum wage. If it were still 54 per cent of the net minimum wage, then benefits would be around 19 per cent higher. It is difficult to see that going back to the 1996 relativities between Newstart and the minimum wage would pose serious disincentives to work.”**[[7]](#footnote-7)

**More recently, the Centre for Independent Studies, coming from a very different perspective, also dismisses the validity of the work disincentive argument.**

**“Unemployment benefits must be designed with two competing objectives in mind: to provide an adequate level of support while still making certain that ‘work pays.’ Unemployment benefits are set well below the minimum wage to ensure there is a strong economic incentive to move from welfare to the workforce. Newstart Allowance is set at only 40% of the minimum wage. If the payment was increased by $50 a week, it would still only be worth half of the minimum wage – suggesting that an increase of this size would not dramatically undermine incentives.”**[[8]](#footnote-8)

# Hardship and Newstart Allowance – the evidence

**There is growing evidence that levels of financial assistance for people who are unable to find work are too low, and need adjusting, with a numbers of recent studies and reports highlighting the financial difficulties experienced by unemployed people.**[[9]](#footnote-9)

**The recent ABS 2009-10 Household Expenditure Survey on indicators of financial stress paints a bleak picture of life for someone trying to make do on a Newstart Allowance of just $35 a day. In the previous 12 months almost one in four people (78.7%) on Newstart Allowance reported three or more indicators of financial stress. For all people in households where the main source of income was pensions and allowances unemployed people on just $243 experience much higher levels of financial stress than others reliant on income support.**

**In unemployed households 48 per cent reported three or more instances of financial stress.**

**Financial stressors included:**

* sought financial help from family or friends (27%);
* being only able to afford second hand clothes most of the time (46.1%), or
* sought assistance from a welfare/community organisation (14%).

**More than half of all unemployed people (56.8%) were unable raise $2,000 in an emergency and two in five (40%) couldn’t pay an electricity, gas or telephone bill on time. One in eight (15%) failed to pay car registration or insurance on time.**[[10]](#footnote-10)

**Other evidence of hardship emerges from a recent survey that was undertaken by the NWRN.**[[11]](#footnote-11) **The NWRN commissioned a survey in September 2011, asking Australians what they would choose to go without if they found themselves having to live on the amount of weekly financial assistance paid to Australians on the single adult rate of Newstart Allowance.**

**More than 60 per cent would stop buying fresh food and almost half would not visit a doctor when sick. Seventy seven per cent would cut back on electricity or gas.**

**Nearly one in two (45 per cent) would stop studying or training. This finding confirms the unprecedented warning by the OECD in 2010 that Australia’s unemployment benefit is already so low as to “raise issues about its effectiveness” in providing the financial resources needed to assist Australians to find work or study.**

**Social Security payment rates for young people who are unemployed or are students are even lower than for those on NSA. The basic rate for young unemployed people living independently of their parents is $202 a week. Private renters may receive up to $60 a week extra if they are in receipt of the maximum rates of Rent Assistance. The single rate of Youth Allowance is $42 a week less than NSA and $173 a week less than the pension.**

**Payments for pensions and NSA are indexed each March and September, but the rate for young people is adjusted just once a year, in line with movements in the Consumer Price Index.**

**Youth Allowance is paid to students and people under 21 looking for work. The same rates are paid to young Aboriginal people students on ABSTUDY and to mature age students on the Austudy. Many young people are surviving on just $28 a day; some are trying to make do on considerably lesser amounts.**

**Over the past year there has been considerable discussion about the “allowance/pension” gap. The growing divergence between income support payments paid to Age Pension recipients, Carer Payment and Disability Support Pension recipients and the rates paid to people on Newstart Allowance (and Youth Allowance) arise because of two key issues: lower levels of payment and less generous indexation arrangements.**

****Table 1, below, highlights these different levels of payment****

|  |
| --- |
| **Table 1. Various social security payments rates, January, 2012** |
| **Payment (single)** | **Rate (pw) single** | **Difference between payments and rate of pension (pw)** | **Yearly income** | **Payment type as a** **% of pension**  |
| **Pension** |  $374.40  |  Nil  |  $19,469  | 100% |
| **Newstart Allowance (NSA)** |  $243.40  |  $131.00  |  $12,657  | 65% |
| **Parenting Payment (Single)** |  $320.75  |  $53.65  |  $16,679  | 86% |
| **NSA (Principal Carer)** |  $263.30  |  $111.10  |  $13,692  | 70% |
| **Youth Allowance at home under 18** | $110.20 | $264.20 | $5,730 | 29% |
| **Youth Allowance over 18 Independent** | $201.35 | $173.05 | $10,470 | 53% |

**Table 1, above, shows a $53 a week difference between the single rate of pension and that paid to those receiving Parenting Payment (Single). In June 2009 these payments were similar. Parents missed out on the September 2009 $32 a week pension increase and indexation since then has seen the difference increase to $53 today.**[[12]](#footnote-12)

**Table 2, below, further highlights the continuing unfairness of the existing income support arrangements in the broader context of a continuation of existing indexation arrangements. The current payment differentials and indexation arrangements become more unsustainable and difficult to defend each time the gap between these payments increases.**

****Table 2: Comparison of single Newstart Allowance and Pension rates****

|  |
| --- |
| **Comparison of single Newstart Allowance and Pension** **rates** |
| Year | Pension$ per f/n | Newstart Allowance$ per f/n | Newstart as share of the Pension % |
| 2012 | 729 | 475 | 65 |
| Projected 2020a | 1,036 | 593 | 57 |
| Projected 2040a | 2,271 | 972 | 43 |

****Source: Productivity Commission, Disability Support and Care, 2011 (updated).****

**The last time that NSA was increased more than the usual twice-yearly Consumer Price Index adjustments was in 1994 when the Hawke Labor Government increased the unemployment benefit rate by $2.95 per week.**

**The 2009 Henry Review of the tax and transfer system recommended that a new benchmark be established for allowance payments, based on the 2008 Harmer Review into pension adequacy, which resulted in welcome increase to the single age pension by $32 per week. The Henry Review suggested that single allowance payments be set at two thirds of the partnered rate of pension payments. Under current rates, this would require an increase to the Newstart Allowance of $50 per week.**

**Many job seekers face a range of barriers and have additional costs in health, housing, transport and other social services which cannot be met on the inadequate Newstart Allowance of just $243 a week. Government needs to consider the long-term benefits of boosting this payment.  Such a boost is likely to increase the employment prospects of unemployed people and eventually reduce reliance on income support Payments.**

**NWRN proposes that this increase should flow on to Austudy, Abstudy payments, Youth Allowance recipients living independently of their parents, and others receiving similar payments including Widows Allowance, Sickness Allowance and Special Benefit recipients.**

****NWRN proposes that the Government increase unemployment, student and related payments by $50 per week, from 1 January 2013. In the 2013-14 financial year this would cost an estimated $1,200 million.****

# Reducing employment poverty traps

**A major problem faced by some people on social security payments is that under the current arrangements Australia’s poorest pay very high effective marginal tax rates, leading to long-term work and participation disincentives for income support recipients. The complex interaction of Australia’s tax and welfare systems can result in the simultaneous tapering of multiple benefits when someone receiving a social security payment re-enters the workforce.**

**The existing tax and transfer system locks people out of work and traps them in poverty. Sole parents and unemployed people face punishingly high “effective marginal tax rates” far greater than wealthier Australians pay.**

**Some of the most severe poverty traps are those faced by people in public housing and the workforce disincentives embedded in public housing arrangements, particularly for those on waiting lists, require urgent attention.**

**These issues were the subject of submissions from a wide range of community and welfare organisations to the 2011 Tax Forum.**

**The Government has recognised that unfair withdrawal and harsh taper rates can cause negative work incentives on senior Australians and has provided a generous income limit before payments are withdrawn ($75 a week as opposed to just $31 a week for Newstart and Youth Allowance). The Government further relaxed income tests for age pensioners with significant employment income, allowing a person to keep all earned income up to $125 per week.**

**However, the income “free areas” for allowances (unlike pension free areas) are not indexed and have remained static for over 30 years. The result is a reduction in the financial returns from employment.**

**From 1 January 2013 the Federal Government plans to change to “earnings free” taper rates for Youth Allowees and for single parents on Newstart Allowance (principal carers). This change has been welcomed by the NWRN. These particular parents will benefit financially from the changes to payment conditions (unlike other Parenting Payment (single) recipients who may be moved onto Newstart Allowance and lose their grandfathered status).**

**Unfortunately, this beneficial change was not extended to partnered parents, nor to recipients on Newstart Allowance (partial capacity), who have a requirements to look for and accept part-time work.**

**Whilst the Government argues that the best and most effective way out of poverty and disadvantage is through greater economic participation, there is a fundamental problem with the income free area for Newstart Allowance which has remained virtually unchanged for 30 years at $31. This constitutes a serious work disincentive. Only around 16 per cent of Newstart Allowance recipients report any income. The income free threshold needs to be increased and indexed and the maximum withdrawal rates of 50 cents in the dollar should apply.**

****NWRN recommends that the Government relax the Allowance income test from 60 to 50 cents in the dollar, for partnered parents and people with disabilities on Newstart Allowance (partial capacity).****

****Consideration should also be given to more flexible responses to this problem, such as increasing and indexing the “income free” areas for Newstart Allowance, Youth Allowance and other beneficiaries/recipients; providing allowees with the option of averaging their income over a longer period or expanding the “working credit” system.****

# An employment services system that works for all

**One way to improve the position of people who are unemployed or marginally attached to the labor market is for them to have better levels of support and assistance to find work.**

**In 1998 the former Coalition Government privatised the employment services system and dramatically reduced funding for the system. The Labor Government kept the privatised arrangements in place, and a system of “for profit” and “not-for-profit” employment service providers called Job Services Australia has been in place since 2009.**

**This new system was in many respects better than the one it replaced, especially as it removed waiting lists for the most vulnerable job seekers and sought to target assistance to the most vulnerable, and reduce the practice of “creaming” off the job seekers most likely to succeed, and parking those with the most needs.**

**Access to effective and responsive employment assistance is critical for individual well-being and the overall prosperity of the nation. Sound investments which engage and motivate job seekers to take up opportunities for education or training, to build skills and overcome barriers and disadvantage can help improve people’s life experiences and opportunities. This can negate the harmful impacts often associated with prolonged unemployment.**

**NWRN notes and welcomes recent data from the Minister for Employment Participation that in the first month of the new $233 million wage subsidy scheme that started on 1 January 2012, the majority of those placed in work (179 of 341) were people with a disability. NWRN welcomes the response of the Minister to concerns that the scheme may be abused by unscrupulous employers.**[[13]](#footnote-13) **NWRN has long supported programs for job seekers that deliver real skills and opportunities, as opposed to schemes that stigmatise job seekers and keep them active in little but “busy work”. Recently, NWRN raised concerns over the Government’s focus on Work for The Dole.**[[14]](#footnote-14) **The evidence about the effectiveness of Work For the Dole is mixed.** **An independent research study on the program by Jeff Borland, Professor of Economics at the University of Melbourne found that far from improving outcomes for the unemployed, Work for the Dole caused participants to spend longer amounts of time on welfare payments.  It can work well in some regions.**

**At best, the evidence is that the scheme can give some people a sense of purpose, but other job seekers are reluctant to inform prospective employers that they have been enrolled in Work for the Dole because of the stigma attached to the program.  Critics claim that Work for the Dole can reduce job search effort.**

**Historically, Work for the Dole has been criticised because it fails to offer any real training or to develop job skills that are transferable.   Activity which has no purpose is not going to assist people get the skills needed to find sustainable employment.**

**NWRN considers that a far better option is paid work experience via wage subsidies. The Government has made a welcome start with 35,000 wage subsidies over four years from January 2011.  Doubling these subsidies in the next Budget would offer unemployed people a greater chance of finding sustainable employment.**

**Many job seekers have significant vocational and non-vocational barriers to finding and maintaining employment.  It is critical that substantial, individually tailored assistance is made available for disadvantaged job seekers - well beyond the assistance currently provided in ‘Stream 4’ services.**

**Assistance to improve employment outcomes for disadvantaged job seekers requires a greater investment in intensive case management, basic skills training and work experience.  It also requires better integration between support programs and health, housing and social services generally.**

**Inadequate resourcing for disadvantaged job seekers is a major weakness of the Job Network and makes it difficult for these job seekers to overcome a lifetime of disadvantage or a series of setbacks such as illness and redundancy.**

**Considering the multiple problems faced by this group, the existing $500 provided for employment support is patently inadequate and is unlikely to move these job seekers closer to economic opportunities and financial independence.**

**At August 2011 there were 158,083 job seekers, out of 724,822 job seekers, on the JCA caseload at Stream 4 (this is around 22%).**

**Almost three quarters (74%) of Stream 4 job seekers have been looking for work for more than 12 months: 32,365 (20%) have been unemployed for 12-24 months; 85,380 (54%) have been out of work for over 2 years.**

**Casework experience across the NWRN points to significant levels of people with complex problems across all levels of employment services. We see long term and complex problems for many people across a range of regions.  One out of every two Newstart Allowance recipients have been unemployed for over 12 months and one in three are aged over 45. Thirty seven per cent of the Job Service Australia caseload on Newstart Allowance are people with a disability, around 130,000.**

**Employment services should have a sharp focus on those who are most vulnerable and in need of assistance and support them in moving to sustainable employment. Under the existing arrangements just $500 in funds is available for the most disadvantaged job seekers.**

**High levels of staff turnover in employment consultants, which is currently about 30 per cent, has a flow-on effect on how job seekers experience the system, resulting in disruption, loss of familiarity with staff and frustration at having to keep re-telling their story again and again.**

**Job seekers also need to be better engaged and able to participate in exercising choices around providers, activities and employment pathway plans.**

**Under existing rules job seekers have extremely limited opportunities to exercise real and effective choices. An employment services provider must be chosen within two working days, and this time-frame is not conducive to informed or effective choices.**

**It is unrealistic to expect an unemployed person to have to demonstrate that they will be better served by a different provider. As they stand, the current rules are weighed heavily against unemployed people exercising free choice. The current policy settings that require job seekers to make quick and uninformed decisions about the selection of their provider are counterproductive.**

**Very limited information is available about choice of providers, with no specific mention of it in a job seeker’s Service Guarantee. At the very early stage of unemployment job seekers are getting over the shock of a sudden retrenchment and are naturally focussed on securing income support. This is probably not the best time to have a conversation about choosing your employment service provider.**

**The Government, community organisations and providers too are realising that the more engaged and involved job seekers are in making decisions about their engagement with providers, the better the participation outcomes.**

**As part of the DEEWR Connections For Quality initiative in the not too distant future job seekers will be able to find local information in a comparative website about the success of a provider in finding sustainable jobs, the special skills and services it offers, and how the service will help them if they chose the provider. This information should empower job seekers to find a provider that works for them.**

**NWRN believes that across the entire employment services system there is a need for a greater focus on job seekers’ rights, in addition to their responsibilities and obligations. In our experience, increased attention to quality and complaints handling, and improving job seekers’ understanding of basic processes (e.g. JCA, JSCI, service guarantees, EPP, EPF, compliance rules, etc.) would be beneficial for individuals and the system.**

**Assistance for job seekers – 2012-13 Federal Budget Recommendations**

****In the 2012-13 Federal Budget NWRN calls on the Federal Government to significantly expand the assistance and supports for the most disadvantaged job seekers, to help overcome their extensive work barriers.****

****NWRN supports the following package of measures as a way of getting disadvantaged job seekers actively engaged and supported appropriately as they move to overcome employment and participation barriers. We urge the Federal Government to:****

****Reform existing funds allocated in service fees and annual Employment Pathway funds credits and provide an annual credit to assist Stream 3 and 4 job seekers Employment Pathway Fund;****

****Increase the level of resources for long term unemployed people that is available under the Employment Pathway Fund credit in the Work Experience Phase;****

****Double the number of wage subsidies for very-long term unemployed job seekers, to 20,000 per annum; and****

****Establish a 6 month paid work experience program that targets 10,000 job-ready unemployed people in 2013-14.****

# Savings stripped by harsh social security rules

**Claimants of Newstart Allowance, Youth Allowance, Parenting Payment and Sickness Allowance can be subject to the Liquid Assets Waiting Period (LAWP) for up to 13 weeks if their liquid assets (which includes savings) are above a low threshold amount. The LAWP operates in addition to the ordinary means-testing by way of an assets test and an income test. In the face of the looming global financial crisis in 2008 the Government, with the support of the Australian Greens, doubled the amount that a person could have in savings before they were affected by the Liquid Asset Waiting Period.**[[15]](#footnote-15) **Unfortunately the previous low thresholds were restored in 2011, at $2,500 for singles and $5,000 for couples or singles who have a dependent child. The waiting period is one week for each $500 over the threshold amounts.**[[16]](#footnote-16)

**These liquid assets waiting periods are a flawed policy that is unfairly stripping people of modest savings before being eligible for social security payments. Waiting periods fail to take account of the low replacement rates of benefits. Social Security payments allow very little capacity (if any) to meet unexpected, emergency or infrastructure costs and deny employment assistance in the early stages of unemployment.**

**According to the analysis of the liquid assets waiting periods in the 2009 Report to the Treasurer, waiting period “can result in inconsistent and inequitable treatment of some people with relatively small amounts of savings. It can act as a disincentive to save, especially for people who expect to need income support in the near future. It can also encourage people to run down their savings more quickly in order to qualify for income support”.**[[17]](#footnote-17)

**Organisations representing people with cancer and who must claim Sickness Allowance have also been critical of the LAWP as they effectively rob seriously ill people and their families from limited financial buffer as they face enormous stress and anxiety.**

**An additional problem faced by people with limited savings who are retrenched and have a mortgage is that newly unemployed people can find themselves unable to meet mortgage costs as a direct result of waiting periods. This is disturbing, especially in light of the growing problems of housing affordability, and research that indicates that most people lose their homes because of unemployment as opposed to rising interest rates.**

****NWRN believes that the most sensible approach for these unfair liquid assets waiting periods is that proposed by the report from the former Secretary to the Treasurer, which recommended abolishing the Liquid Assets Waiting Period. This would cost $50 million per year.****

# Improving the adequacy and design of Rent Assistance

**Rent Assistance plays an important role in assisting disadvantaged and low income Australians to meet high housing costs and it targets those in need of greater assistance.**

**A person is in ‘housing stress’ if they are paying more than 30 per cent of their income in rent. The data shows that without Rent Assistance payments almost two in three private renters on income support (68 per cent) 860,000 recipients would be in ‘housing stress’. After Rent Assistance is taken into account, the numbers of recipients in housing stress falls by 28 per cent, to just 40 per cent, or 446,000 households. NWRN considers that these figures prove that the $3.1 billion expenditure by the Commonwealth in Rent Assistance in 2010-11 is a good investment, but more must be done to assist people struggling in the private rental market.**

**There were 1,130,532 households receiving Rent Assistance in March 2011. A quarter of those receiving Rent Assistance were couples (26%), 46 per cent were single women, with 28 per cent being single men. Almost three in four people (840,000) paid enough rent to be paid at the maximum rate of Rent Assistance.**

**NWRN supports improved targeting of Rent Assistance as one way of providing extra financial assistance to vulnerable families and individuals, Housing affordability is, therefore, a significant issue for many income support recipients.**

**Some 60 per cent of single Newstart Allowance recipients and 44 per cent of couples are renting privately, compared with 18 per cent of single age pensioners and 8 per cent of couples.**

**Low income tenants are increasingly finding it difficult to keep a roof over their head. Median rents in capital cities have increased by 41 per cent between 1995 and 2009 and Rent Assistance rates have failed to keep pace with increasing rental costs. Over the last three years rents have risen by an average of 10 per cent while the maximum rates of Rent Assistance have increased by only 2.7 per cent.**

**NWRN urges the Government to make a number of improvements to the current Rent Assistance arrangements to help those struggling in the private rental market. These measures would complement the significant and welcome program of ongoing assistance to halve the number of Australians experiencing homelessness by 2020.**

**The method by which Rent Assistance is currently indexed places the recipients at a significant financial disadvantage because it is continually shrinking as a proportion of real increases in rental costs. This is because rent comprises six per cent of the Consumer Price Index basket, yet rent represents around 35 per cent of income for Rent Assistance recipients.**

**A much fairer and equitable approach would be to index Rent Assistance by increases in national rents paid by income support recipients.**

# Helping Australians in housing stress

**Data shows that three in four students are officially living in ‘housing stress’, and that unemployed people are twice as likely as age or disability pensioners to experience difficulties meeting their rents.**

**Almost 450,000 Australian’s are paying more than 30 per cent of their weekly income in rent, and a significant number paying in 50, 60 and even 80 per cent of their weekly payments to keep a roof over their head.**[[18]](#footnote-18)

**Housing costs are particularly problematic for unemployed people, many of whom pay more than 30 per cent of their income in rent, and are considered to be facing extreme “housing stress”.**

**The likelihood of an individual experiencing housing stress depends upon where a person lives and what type of Centrelink payment they receive. Age (31 per cent) and Disability Support Pensioners and Carers (29 per cent) are much less likely to be experiencing housing stress than unemployed people on Newstart Allowance, 62 per cent of whom pay more than 30 per cent of their income in rent. Three quarters of young people studying spend more than 30 per cent of their income in rent, as do 71 per cent of young unemployed people and young Indigenous students receiving Abstudy. Thirty eight per cent of single parents are in housing stress.**

**Over half of those renting privately in the ACT are in ‘housing stress’, but in numerical terms, those most affected live in NSW, where 154,000 households, or two in five households that receive Rent Assistance, have trouble paying their rent.**

**It is hardly surprising to find that unemployed people and students are more than twice as likely to face housing stress as Age, Carer and Disability Support Pensioners. The $131 per week difference between pensions and Newstart Allowance is the most likely explanation for the high proportion of people on Newstart Allowance living in housing stress. Additionally, rates of Youth Allowance as low as just $202 a week for young people under 20 and the impact of the ‘sharers’ rules which can reduce the rate of Rent Assistance by a third help to explain why a massive 75 per cent of students are struggling to keep a roof over their head. (See details of ‘sharers’ rent rules, below).**

**Analysis of data provided at Senate Estimates by NWRN reveals that an increase of $25 a week to those receiving Rent Assistance would reduce the numbers of people in ‘housing stress’ by 100,000. Increasing the rate of Rent Assistance by $25 per week will cost $932 million per annum. This would reduce the number of people experiencing housing stress by a fifth, or to 346,000. An increase of $15 a week to those receiving Rent Assistance would reduce the numbers of people in ‘housing stress’ to 396,000 people. A $15 a week increase will cost $596 million.**

****NWRN proposes two-step approach to address rental unaffordability with the maximum rate of Rent Assistance increased by $15 a week from 20 March 2013, followed by an additional $10 increase the following year, in March 2014.****

# Abolish unfair “sharers” Rent Assistance rules

**Some people receiving Social Security payments are also disadvantaged by arbitrary and discriminatory regulations that have an impact on the level of Rent Assistance reducing the rate by a third. Unfair rules for age pensioners and unemployed people sharing were introduced in 1997. The rules reduce the amount of Rent Assistance by a third if a single person is sharing accommodation. These rules are counterproductive and undermine the benefit of any increase in Rent Assistance rates for those who need it most. The maximum rate of Rent Assistance for sharers is $39.80 a week. The “sharers” rule therefore reduces the maximum amount of Rent Assistance available by $19 a week. The rate reduction implies imaginary economies of scale at savings which are both unrealisable and illusory.**

**We note the cost of single accommodation is out of reach for most single people, and RA increasingly constitutes a smaller and smaller proportion of a person’s total rent.**

**When the changes were introduced it was estimated that 80,000 people receiving income support payments would be affected. However, at June 2010 there were 161,220 income support recipients subject to the ‘sharers’ rules.**

**The record of debate from the Australian Parliament reveals that the current Minister for FaHCSIA, Jenny Macklin, spoke vigorously in opposition to the unfair rules**[[19]](#footnote-19)**.**

**“These are generally people who are the most disadvantaged in our community. A large proportion of them are young people, many of them between the ages of 15 and 19. The figure is 65 per cent, in fact. These get lower social security benefits than everybody else and they will be very seriously affected by this change.**

**“The same applies to a considerable number of elderly people who do not own their own homes and are totally dependent on the age pension. These are very disadvantaged people in our community. They are often sharing with other elderly people in similar circumstances. These are very callous moves.”**

**To get the maximum amount of Rent Assistance a person must be paying more than $265.40 a fortnight in rent. Maximum rate of Rent Assistance is $119.40 a fortnight. The ‘sharers’ rent rules reduce this amount by a third, or about $39.80 a fortnight.**

****NWRN proposes that the Government should remove the rules for renters sharing accommodation affecting Age Pension, Austudy, Newstart and Youth Allowance recipients. Further, the level of Rent Assistance should be indexed to a national rental index.****

# Reform unfair Centrelink debt rules

**Apart from the low rates of social security payments, Centrelink debts are the biggest problem facing people receiving income support, with** 1,965,994 **debts raised in 2010-11, worth $1.747 billion. This problem was the subject of a 2010 Senate Legal and Constitutional Affairs Committee report, Government Compensation Payments.**

**NWRN submitted that the existing debt waiver provisions in social security legislation were 'unbalanced and unfair' and, in some cases, led to 'perverse and unintended onerous outcomes'. We highlighted a number of specific instances such as situations where Centrelink was the sole or primary cause of a debt or where a person owes a debt 'but they are in that position due to domestic violence or acting under duress, usually from an ex-partner'.**

**NWRN has proposed a number of legislative amendments to the Social Security Act 1991 (SSA) and the Family Assistance (Administration) Act 1999 to improve the position of welfare recipients in relation to debt waiver. These amendments included removing the word 'solely' from section 1237A of the SSA, which currently requires a person to prove that their debt was 'solely' caused by administrative error in order to have it waived. Welfare Rights argued that this provision means that Centrelink can be 99 per cent responsible for a debt but it will not be waived because of a one per cent contributory error of the relevant individual. Similarly, Welfare Rights proposed an amendment to section 1237AAD of the SSA to make allowance for situations where women have been pressured by an abusive partner to claim a social security payment as a single person or not to declare the correct amounts of their earnings.**

**NWRN believes that such an 'unbalanced' position between Centrelink and its clients could encourage poor public administration. The risks in receiving payments are borne totally by social security recipients and there is very little risk to Centrelink. Due to the way the legislative provisions are drafted and have been tightened over the years, there is essentially little incentive for Centrelink staff or Centrelink in general to get a decision right and to prevent debts, because ultimately, if someone owes Centrelink money, most of the time they are going to have to pay it back.**

**The Senate Committee concluded that “the recovery of debts from persons who receive welfare payments where Commonwealth agencies are predominantly at fault, or where debts have been caused by the duress of another person, can clearly create unfair and unjust outcomes.”**

**The committee recommended that the Australian Government review 'waiver of debt' provisions contained in social security legislation and consider amendments to that legislation where current provisions could cause unfair and unjust outcomes for welfare recipients. In December 2011 the Government agreed with the Senate Committee’s recommendations. NWRN looks forward to working with Government to minimise social security and Family Tax Benefit overpayments.**

****NWRN proposes a coordinated, whole of Government response to these problems and urges the development and implementation of a comprehensive debt prevention strategy across all relevant government departments and for the Government to make a timely response to the Senate inquiries suggestions.****

# Appendix: ACOSS 2012-13 Budget Priority Statement

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1. Department of Education, Employment and Workplace Relations, *Labor Market and Related Payments – a monthly profile*, 23 November 2011. [↑](#footnote-ref-1)
2. *Disability Expectations – Investing In A Better Life, A Stronger Australia*, 2011, p. [↑](#footnote-ref-2)
3. Department of Families, Housing, Community Services and Indigenous Affairs, *Characteristics of Disability Support Pension Recipients*, 2010-11. [↑](#footnote-ref-3)
4. National Welfare Rights Network, *Submission to 2011 Tax Summit*. [↑](#footnote-ref-4)
5. Department of Families, Housing, Community Services and Indigenous Affairs, *Characteristics of Disability Support Pension Recipients*, 2010-11. [↑](#footnote-ref-5)
6. Peter Whiteford, *Why Newstart Allowance needs to be increased*, Inside Story, 5 December 2010. [↑](#footnote-ref-6)
7. Peter Whiteford, op cit. [↑](#footnote-ref-7)
8. Jessica Brown, Centre for Independent Studies, CIS notes, Newstart, 13 January 2012. [↑](#footnote-ref-8)
9. See: Australian Council of Social Service, *Who is missing out*? *Hardship among low income Australians*, 2008. [↑](#footnote-ref-9)
10. Australian Bureau of Statistics, *Household Expenditure Survey, Australia*, Cat. No. 6530.0, 23 November 2011. [↑](#footnote-ref-10)
11. National Welfare Rights Network, Media Release, Life is no picnic on just $243 a week:

poll reveals poverty and despair on Newstart, 21 October 2011. [↑](#footnote-ref-11)
12. The difference between pensions and parents on Newstart Allowance (Principal Carer) is now $111 per week. This arises from the compounding impacts of the 2006 “Welfare to Work” changes and the 2009 historic pension increases. [↑](#footnote-ref-12)
13. Karvelas, P. *Wage subsidy scheme pays off*, The Weekend Australian, 28-29 January 2012, p. 2. [↑](#footnote-ref-13)
14. Karvelas, P, *Howard dole plan up 30pc, despite ALP*, The Australian, 17 January, 2012, p. 2. [↑](#footnote-ref-14)
15. Daniels, D, *Social Security Amendment (Liquid Assets Waiting Period) Bill*, Social Policy Section, Bills Digest, Parliamentary Library, 7 May 2009, no. 117, 2008–09. [↑](#footnote-ref-15)
16. The LAWP thresholds have never been indexed since their introduction. Had they been, the single rate would be $8,000 and $16,000 for couples and single people with dependent children. [↑](#footnote-ref-16)
17. Henry, K. Report to the Treasurer, *Australia’s future taxation system*, 2009, p. 551. [↑](#footnote-ref-17)
18. For a single person with no children the maximum rate of Rent Assistance of $58.20 a week is paid if the weekly rent is more than $129.40. The rate varies according to the number of children and marital status. There is no entitlement to Rent Assistance if the weekly rent is less than $51.80. [↑](#footnote-ref-18)
19. Hansard, *House of Representatives*, 5 December 1996. [↑](#footnote-ref-19)