



NATIONAL
WELFARE RIGHTS
NETWORK

Making Welfare Work:

Submission on the Interim Report into Australia's Social Security system

National Welfare Rights Network

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Summary of Recommendations

1. That the Government introduce a “Participation Supplement” to assist with the costs of job search.
2. That the Government acknowledge that raising the single rate of Newstart and related allowances is fundamental to achieving genuine welfare reform.
3. That the Government extend the consultation period for at least a further six months.
4. That the Government undertake a public education initiative to inform people about the facts of the social security system and the people who receive assistance from it, and to challenge stigmatisation and prejudice.
5. That the Government establish a timetable for increasing the single rate of the Newstart Allowance and related allowance payments by \$50 per week. Consideration could be given to ‘phasing-in’ any payment increase.
6. That all social security payments be indexed six-monthly and linked both to the CPI and a wages formula. The Government should not proceed with Schedule 6 of Bill No 1 of the *Social Services legislation Amendment (and Other Measures Bill)* 2014. The Government should establish a working party, comprised of welfare representatives, academics and government representatives, to assess alternative measures and provide a report for further public discussion.
7. That the Department of Social Services and the Department of Employment engage with the AAT, the NWRN and Legal Aid solicitors on improvements needed to better meet the needs of people subject to the Program of Support rules.
8. That the Government establish targets for the employment of people with disabilities in the public service.
9. That the Government review existing “supplementary” payments, with a view to simplifying eligibility requirements and addressing anomalies and inconsistencies, subject to the stipulation that no-one will be disadvantaged.
10. That reform to the payments system ensure access to payments for people experiencing a crisis, such as domestic violence, or when leaving prison.
11. That supplements be flexibly designed to assist people with budgeting, but should avoid being intrusive.
12. That the Federal, State and Local Government establish a working party to rationalise and equalise the benefits attached to the Pensioner Concession Card and the Health Care Card. This should involve as a priority ensuring equitable access to transport and utility concessions. Consideration should be given to simplifying criteria for the Low Income Health Care Card.
13. That the Government increase the single rate of Newstart Allowance, Youth Allowance, and other Allowance payments for single adults and young people living independently of their parents by \$50 per week.
14. That the Commonwealth Government increase the maximum rate of Rent Assistance by 30%, and people paying the highest rents should receive the greatest increases in Rent Assistance.

15. That the Commonwealth Government link increases in Rent Assistance to movements in national rents instead of the Consumer Price Index.
16. That the Commonwealth Government abandon the 'sharers' Rent Assistance rules and link all payments of Rent Assistance to the level of rent paid rather than the nature of a person's accommodation arrangements.
17. That all levels of government collaborate to develop solutions to Australia's growing housing affordability problem. NWRN opposes the move to market-based rents.
18. That the various 'free areas' and 'taper rates' be simplified, so that they are easier to understand, and are less disruptive as people move between payments.
19. That Special Benefit policy be amended to use the Newstart Allowance 'income test' and 'free area'.
20. That consideration be given to incentives such as sign on bonuses, as recommended by the Productivity Commission, The Work Bonus for Age Pension recipients should be extended to other pension recipients and people on working age payments and consideration should be given to treating "earned" income more favourably than "investment" income.
21. That the Government take steps to simplify the family payments system and to minimise hardship caused by Family Tax Benefit overpayments.
22. That the Government take steps to simplify the family payments system and to minimise hardship caused by Family Tax Benefit overpayments.
23. That the Government revisit the recommendations from the 2010 Legal and Constitutional Affairs Committee inquiry into Government compensation payments, which unanimously found unfair and inconsistent outcomes for some people adversely impacted by inconsistent waiver provisions.
24. That consideration be given to a comprehensive means test for determining access to income support payments.
25. That the Government simplify waiting periods, and that the existing Ordinary Waiting Period rules should remain in place.
26. That the Budget Bills changing the Ordinary Waiting Period be withdrawn from Parliament and reform of Ordinary Working Periods be postponed until the Interim Report is concluded.
27. That income support payments not be reduced or restricted by reference to the National Disability Insurance Scheme, in recognition that these schemes serve discreet and separate purposes and functions.
28. That the Wage Subsidy Scheme for disadvantaged job seekers be expanded and wage subsidy schemes to young people be extended, as an alternative to expanding Work for The Dole programs.
29. That programs that support vulnerable young parents and young people should engage positively with participants and should be voluntary.
30. That participation requirements for people receiving income support be reasonable and be genuinely negotiated and tailored.
31. That temporary 'participation' exemptions be available if required.

32. That participation requirements be the subject of regular review.
33. That participation requirements be subject to a review and appeals system.
34. That participation requirements be limited only to activities that improve an individual's job prospects.
35. That participation requirements do not include the requirement to undertake medication or treatment, and do not include the regulation of social behaviour, or care of children.
36. That the Government not impose discriminatory or arbitrary rules on people reliant on income support.
37. That the Government maintain the core elements of the existing compliance arrangements and does not divest management of sanctions to employment service providers
38. That the Government abolish Compulsory Income Management and introduce a genuinely voluntary scheme of income management for people who believe they would benefit from this program.

1 Introduction

The National Welfare Rights Network (NWRN) represents a network of community legal centres and other community organisations which specialise in social security and family assistance law. Our public policy development is informed by the casework of our member centres. We are well placed to provide “on the ground” input to Government on welfare reform, informed by the casework of our member centres and the experiences of our clients.

2 Design principles

The design principles that should underpin Australia’s Social Security system should include the following:

- That the system be based on legislated, reviewable and transparent payments that are subject to parliamentary scrutiny.
- That the system be sufficiently flexible to take account of diverse individual and family needs and, in particular, the payment structure and payment levels should be flexible enough to meet individual needs, such as the costs of participation, study, training, disability, accommodation/housing, raising children and caring.
- That participation requirements recognise differences in individual capacity and individual circumstances (e.g. caring for children and others).
- The key characteristics that should underpin the income support system are adequacy, fairness, clarity, transparency and certainty, (i.e. a legislated basis). These principles should receive the highest priority and should not be compromised by any simplification agenda.
- That the system generally be based on individual, rather than household resources.
- Base rates of income support should not assume the sharing of income and/or expenses, or significant economies of scale, within non-couple households.
- That means testing of income and assets should protect, first and foremost, those in most need. Withdrawal or taper rates should not produce unfair high effective marginal tax rates or poverty traps and should always provide an incentive to earn.
- That all decisions in relation to rights and entitlements, responsibilities and obligations in the system be reviewable under a three tier system characterised by being internal and external review, at Authorised Review Officer level, the Social Security Appeals Tribunal and the Administrative Appeals Tribunal.
- That the system be administered by a government agency.

2.1 Australia’s income support system

Earlier this year, the Minister for Social Services, Kevin Andrews, commissioned a review of income support payments in Australia. The Minister is reported as saying that the system is too ad hoc, is comprised of too many payments which have been included in the absence of a holistic strategy and approach.¹ According to the Minister, our social security arrangements are “unsustainable”.²

The social security system in Australia plays an important role in assisting the most vulnerable in our community to afford a decent income to cover food, rent and the essentials of life, and, where possible, to support people into paid employment.

¹ Karvelas, P. *Single mums priority in welfare overhaul*, The Australian, 27 September 2013.

² Karvelas, P. *‘Welfare must be reined in’, says Kevin Andrews*, The Australian, 21 January 2014. See: <http://www.theaustralian.com.au/national-affairs/welfare-must-be-reined-in-says-kevin-andrews/story-fn59niix-1226806303830?nk=db0cfe968855720b79fd3cbe3f635a42>

Below we highlight a number of principles, which we believe should underpin any overhaul of our income support arrangements.

Our social security system must provide adequate income support for people who cannot support themselves. Inadequate income support entrenches poverty and acts to increase barriers to work. Many determinants for workforce participation are outside the social security system, and cannot be addressed by welfare reform. However we support targeted changes to the system, to the extent that they may better orient it towards those goals.

The single allowance rate is too low and the resulting poverty creates a further barrier to work. It is critical that the rate be raised and indexed to wages.³

Our system is predicated on the principle that people who will only need temporary income support should be paid at a lower allowance rate. This approach, however, is only acceptable if the rates of payments are themselves adequate. We support the principle that higher rates should be preserved for people who are going to be out of the workforce long term. Unfortunately, there are now cohorts of people who are forced to live on the allowance rate for very lengthy periods due to factors beyond their control.⁴ At September 2013, two-in-three Newstart Allowance recipients have been out of work for more than 12 months; 22% have been unemployed for between 2 and 5 years, and a further 28% or 186,500 job seekers out of work for over 5 years.⁵

2.2 What should our Social Security system look like?

Australia's system of income security should provide a basic level of financial support to cover the needs of people too old or infirm to work and to assist people with caring responsibilities for people with disabilities and children.

It should also provide an adequate standard of living for those out of work or studying.

It should not leave people in poverty, or discourage them from seeking employment or working extra hours. Income support arrangements should provide extra assistance to meet the additional costs of study, training or caring.

Life changes, such as a child turning 16, or when a person ceases caring because a loved one moves into a nursing home, should not result in a significant loss of income or leave people in severe financial difficulty.

Australia's welfare system should not be overly complex, should be simple to understand, and not based on outdated notions of "deserving" and "undeserving" recipients.

Payment rates should be based upon people's actual living costs and maintained over time. Activity requirements need to take account of individual needs and circumstances.

Employment assistance should be individually tailored, improve life skills and be supported by training, wage subsidies and paid work experience.

Compliance measures should be used as a last resort, and should not leave people in financial difficulties.

The system should be administered by a Government agency, be underpinned by legislation, and decisions should be reviewable by internal and external mechanisms.

³ This includes Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit, Crisis Payment, and Youth Allowance (Other) recipients living independently of their parents.

⁴ FlagPost, *Who is on Newstart?* Commonwealth Parliamentary Library, 27 August 2012.

⁵ Senate Community Affairs Committee, Answers to Questions on Notice, *Social Services Portfolio, 2012-13 Supplementary Estimates Hearings, Question No.210*.

Adequate support should be available to assist people who experience difficulties navigating the social security system. As activity testing becomes more widespread, complex and “risky” (in terms of the likelihood of sanctions, penalties or loss of payments), consideration should be given to the funding of an Employment Services Ombudsman, to ensure fair treatment for job seekers and increase awareness about their rights, responsibilities and obligations.

2.3 Challenges for Australia’s social security system

Since the Cass review in the 1980s, there have been periodic reviews examining aspects of our social security system. These include the initial McClure Review in 2000, the “simplification” review by Senator Jocelyn Newsman, the Harmer Pension Review in 2008, and in 2009, the Henry Tax Review. None of these key reviews found that our system was “broken”, however over the years there have been many calls for improvements to be made to various aspects of the system, including many by NWRN.

The 2008 *Pension Review* (the “Harmer Review”) found that we were failing to meet the income needs of many older people, particularly single older people who were renting privately. Major pension changes in September 2009 saw a boost in incomes for many of the poorest single age pensioners, while the pension means test was tightened to ensure fairness and improve the financial sustainability of the system. A new benchmark for payment adequacy was developed, with payments for a single person was set at two-thirds of the rate paid to coupled pensioners.

Historic as these changes were, the financial needs of almost 2.5 million working age Australians, including around 240,000 single parents, were overlooked. People receiving Newstart Allowance – currently just \$255 a week – also missed out.

In 2006, 2012 and 2013, Governments made significant changes to the social security system. As a consequence, 125,000 parents are now only eligible for Newstart Allowance and about 130,000 people with disabilities are deemed ineligible for the Disability Support Pension (DSP) and have to struggle on the lower Newstart Allowance.

The gap between pensions and allowances now stands at almost \$170 a week. In 1980 the difference in payments was just \$6.45 per week. If nothing is done to address the flaws in the indexation arrangements by 2040 to difference in payments rates will be a \$1,043 per week.

By international standards, the level of income support for unemployed people is very low. The OECD found that Australia’s single unemployed are the poorest of all developed nations.

Payment adequacy has been a significant concern in recent years, as research suggests that unemployed adults, along with single parents experience significant difficulties making ends meet.

A recent paper, “*Struggling on the Newstart Unemployment Benefit in Australia*”, found that one in four people in Sydney’s inner west who had been unemployed on Newstart for more than 12 months had begged on the street for help. “Instead of spending their energy looking for a job these people are worried all the time by the very basics of survival,” commented one of the authors of the study, Dr Alan Morris.⁶

The study found that Newstart Allowance for a single person was equivalent to just 28% of the average wage compared with an OECD median of 57% in the initial stage of unemployment. Many people in the study found life unbearable, and were living in squalid conditions. About a third lived in tenuous housing arrangements, such

⁶ Morris, A, and Wilson S. *Struggling on the Newstart Unemployment Benefit in Australia*, *Economic and Labour Relations Review*, 2014. See: <http://elr.sagepub.com/content/early/2014/05/12/1035304614533462.abstract>

as shared housing, in boarding houses and in rooms in pubs. Some has no access to basic amenities such as electricity, a fridge and or hot water.

These stories follow previous research by Social Policy Research Centre which found that unemployed people and many single parents experienced multiple deprivations.⁷

3 The Interim McClure Report and reforming welfare

The National Welfare Rights Network welcomed the federal government review of Australia's income support arrangements, hoping that it could be an opportunity to plan for strong, resilient social security and social services system. The report proposes the most sweeping reform of the social security system since the Social Security Act was enacted in 1947.

Welfare Rights recognises that the most effective way out of poverty and disadvantage is through greater economic participation where this is possible. With so many people excluded from the labour market, it's time for policies and programs to help people into work. Job seekers need assistance to find their way into work, and must be provided with the financial resources to make the transition to employment.

The Government needs to respond to the Interim McClure Report with a blueprint for the reform of working age payments which takes into account issues such as adequate basic rates of payment, indexation arrangements, effective employment supports, access to supplementary payments and concessions, etc.

A failure to address both the inadequacy of payment rates and the punitive income tests will further entrench social exclusion and disadvantage for those reliant on income support whether on a short term or long term basis. In the past the gap between pensions and unemployment payments has been justified on the grounds that pensioners have to rely on income support for longer periods. However, the increasing duration of unemployment by many recipients makes this argument untenable.

NWRN has long argued for Government to introduce a "Participation Supplement", to assist with the costs of job search.⁸ If we are genuinely serious about re-skilling the nation we should be providing incentives across the range of working age payments with participation requirements.

The report, prepared by former Mission Australia chief executive Patrick McClure, rightly focuses on simplification, strengthening individual, family and community capacity, and on engaging with employers to increase opportunities for participation.

However, the continuing process of the review needs to be conducted in good faith by the government. It is critical, for example that the reform does not end up cutting income support for people. Unfortunately, the Interim McClure Report has to be examined in the light of this year's federal budget and the introduction of major bills that reduce income support for the most vulnerable.

In addition, the report has been released into a furore with some media outlets stigmatising people on the Disability Support Pension (DSP), which is hardly conducive to considered welfare reform.

There are many ideas in the Interim McClure Report worth pursuing. For example, the report highlights what welfare and community groups have been saying for some time: that children cost more as they get older and that payments for young people are too complicated. It also finds that rent assistance is inadequate and needs to be increased and better indexed to help meet the costs of renting privately. There are more than 500,000

⁷ ACOSS, 2008, *Who is Missing Out?* At: www.acoss.org.au

⁸ See NWRN, *Submission to a Simpler welfare system*, 2000, p. 2. A *Language, Literacy and Numeracy Supplement* and *Work for the Dole Supplement* of \$20.80 a fortnight are paid to some job seekers. These payments have fallen in real value because they are not indexed. A *Training Supplement* for Newstart Allowance and Parenting Payment (Single recipients of \$20.80 of fortnight ceased in March 2011).

people paying more than 30 per cent of their income in rent and 164,000 who spend 50% of their income on housing.

Significantly raising the inadequate single rate of Newstart allowance needs to be a threshold issue for welfare reform. This allowance has fallen to just 61.6 per cent of the pension rate. The last time the \$35-a-day Newstart allowance was increased in real terms was back in 1994, when it went up by only \$2.95. Payments for many young people are less, with Youth Allowance providing a meagre existence on just \$30 a day.

Newstart is now so low that governments face the overwhelming temptation to push people off other, more adequate social security payments onto the allowance.

Moving people with disabilities and carers onto lower payments is not genuine welfare reform. If people are taken off the DSP or the Carer Payment, it should only be into sustainable employment. It should not be into poverty.

In this regard, expanding wage subsidies and training assistance to Certificate III is sensible. Money spent here is much more effective than work-for-the-dole programs. While big business clearly has a role to play, the report should make explicit that government has the critical role as a major employer in the country.

The report proposes a system of "top up" supplement payments for some groups who currently miss out, such as the 130,000 people with disabilities on Newstart with a "partial capacity to work". Addressing high marginal tax rates will make participation worthwhile. We support higher payments for people with disabilities on NSA. However, other Government proposals are problematic. Handing over decision-making on potential compliance sanctions and financial penalties to individual employment providers is a recipe for unfairness, inconsistency, and for those job seekers left without income, a one-way ticket to hardship and possibly homelessness.

Denying access to the DSP for all except those with no capacity to work will inevitably result in extreme hardship and poverty. Australia must ensure that the experience of disability support reform in Britain is not replicated here.

The National Disability Insurance Scheme (NDIS) and the DSP perform different functions, therefore the Interim McClure Reports proposals in this regard will need careful consideration. The Productivity Commission noted that the DSP plays a different and critical role to the NDIS and that we should continue to provide income support separate from disability care and support.

While the Interim McClure Report sensibly talks about early intervention, genuine and effective welfare reform is being undermined by the government's budget proposals under which unemployed people under 30 will be denied income support for six months at a time. They will require crisis intervention and may become part of a new underclass.

NWRN has provided a detailed analysis of the Bills introducing the six-month exclusion period. This proposal is currently before a Senate Community Affairs Committee.⁹ It is incumbent on the Welfare Review Taskforce to consider whether repeatedly denying all income support for six month periods, and requiring participation in Work for the Dole activities during the other six months, will strengthen individual and family capacity, or erode it.

Like many in the community, NWRN believes that a simpler welfare system is a laudable goal. However, it should not be achieved at the cost of our most vulnerable citizens and primacy must be given to ensuring adequacy of the payments system is a higher priority than achieving a simpler system.

Recommendation: The Federal Government should introduce a "Participation Supplement" to assist with the costs of job search.

⁹ National Welfare Rights Network, Submission to the Standing Community Affairs Legislation Committee on the *Social Services and Other Legislation Amendment (Budget Measures Bill No 1 and 2) 2014*, July 2014.

4 The ‘Four Pillars’ of a better social security system

The Interim McClure Report presents four pillars for reform of the income support system. These are:

- Simpler and Sustainable Income Support System,
- Strengthening individual and family capacity
- Engaging employers, and
- Building community capacity.

While these are sound fundamental building blocks, NWRN considers that the pillars of **fairness** and **adequacy**, are critical elements which must be included in the architecture of any new social security system. In our view, adequacy and fairness are the structural “glue”, which provides strength and efficacy to the system.

The Interim McClure Report highlights some key problems with the current income support arrangements: the inadequacy of payments for single unemployed people, a large ‘disincentive’ gap between pensions and allowances, insufficient financial assistance for people renting privately, inadequate support for children as they grow older.

These problems are not new and have been with us for decades. NWRN has long championed measures to address these problems, along with what we consider are substantial gaps in the current social security safety net. A key problem is the growth in long term unemployment, with the latest figures on long-term unemployment revealing the share of unemployed who have been out of work for more than a year reached its greatest level since 2004.

Any reform of the system should, as a priority:

- focus on the Government’s own responsibilities of “mutual obligation” in providing decent levels of income support to people who, for whatever reason, need to seek assistance ;
- acknowledge current labour force realities, under which there are in the order of more than five unemployed people for every one job vacancy;
- recognize that many people have only a tenuous or marginal labour force attachment, that many people are working for far fewer hours than they would like to;
- reject the simplistic assertion that joblessness is seen primarily as an individual behavioural problem rather than as a product of persistent structural problems; and
- oppose dubious assumptions about the problems of “welfare dependency” and “inter-generational dependency”. The Interim McClure Report proposes expanding income management to young people, on the assumption that they are unable to manage their finances, although it provides little evidence of whether this is actually a problem.

Recommendation: That the Government agree that raising the single Newstart and related allowances is fundamental to achieving genuine welfare reform.
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4.1 Conduct of the Review

NWRN wishes to place on record our disappointment with the time allowed for input and the limited opportunity for interested organisations to participate in public consultations over the initial discussion paper.

Most organisations were only allowed one participant to attend a three and a half hour meeting. This was clearly inadequate, given the breadth and complexity of the issues involved.

We propose that the Government extend the consultation period for at least another six months, to allow greater community input and to enable direct feedback with unemployed people, single parents, people with disabilities, families and carers and age pensioners

Recommendation: That the Government extend the consultation period for at least a further six months.

4.2 Myths about the Australian social security system

In the recent period there has been a significant amount of coverage about our social security system. Unfortunately, much of what has been written is based on misinformation, and the true situation is often distorted. Some of the facts that are misrepresented include about people receiving the Disability Support Pension (DSP), and about the numbers of people reliant on social security payments. The Minister for Social Services recently noted a new website that includes data about who is receiving various payments. This is a welcome initiative, though other steps are needed to better inform the community about our social security system and how it works.

The reality, however, is that few of these claims are supported by the facts and evidence about people receiving these payments and the projected expenditure.

For example, the number of DSP recipients as a proportion of the working age population has remained relatively constant. In the decade to 2012 it increased from 5% of the working age population to 5.4%.

Contrary to claims by some, spending on the DSP is not 'out of control'. The latest *Intergenerational Report* projects that Australia will spend around 0.1% of GDP more on DSP in 2049-50 than was spent in 2009-10.

Since 2010, Government has made the DSP much harder to get, with tougher impairment tables and requirements that many find work while rehabilitating on Newstart first for up to 18 months. There has been a sharp fall in the growth of DSP recipients.

Medical reviews of people on the DSP show no evidence of 'rorting'. From 5,734 medical reviews in 2012-13, just 212 pensions were cancelled. This is less than 3.7% of those reviewed and just 0.03% of all DSP recipients.

Organisation for Economic Co-operation and Development (OECD) figures show Australia's spending on social welfare in 2013 accounted for 8.6% of national economic output, well below the OECD average of 13%.

Of 34 advanced nations studied, only Iceland, spending 7.3% of GDP on payments, spent a smaller proportion of economic output on social security than Australia.

Even the Productivity Commission pours cold water on claims that the DSP is available to people who are not medically qualified to receive it, noting that: "*It ...appears that most people on DSP have significant impairments that genuinely affect their employment prospects.*"¹⁰

4.3 'Blaming the victim': media stereotypes and welfare reform

There is a major distortion about how people receiving income support are portrayed in the mainstream media. According to popular misconceptions, unemployed people (especially young people) and single parents are lazy and don't want to work, and get a free ride from Centrelink.

¹⁰ Productivity Commission, *Disability Care and Support*, Appendix K, p. K16, 2011.

These negative stereotypes are reinforced in biased reporting in television current-affair programs. Shows that set "battlers" against "bludgers" in a search for "Australia's Dole Hotspots" reinforce these negative and incorrect assumptions.

Over the last nine months, there have been many derogatory, offensive and demeaning media stories painting young people, people with disabilities and young people as 'bludgers', with media headline urging a 'crackdown' to address an alleged a 'blowout' in this or that payment, so that the nation can address a 'welfare crisis'.

Often, the payment being talk discussed is the Disability Support Pension. These stories warn of widespread 'roting', of a payment which it's claimed is too easy to obtain and, of course, which is way too generous. Our income support system is 'unsustainable', and Australia is spending too much on welfare.

NWRN has assembled examples of some of the most extreme media articles, which can be found at Attachment 1. The people who are referred to in this type of media coverage find it distressing and demeaning and they are often offended that these stories do not mention the realities of the job market, or the existing obligations that job seekers have to look for and take up employment.

NWRN believes that there is a clear role for Government to ensure that it management of policy reform and its media management strategies does not contribute to, foster or actively promote negative and demeaning portrayals of people who receive income support, such as people with disabilities and unemployed people.

Recommendation: The Government should undertake a public education initiative to inform people about the facts of the social security system and the people who receive assistance from it, and to challenge stigmatisation and prejudice.

5 NWRN's Response to the Interim McClure Report

Given the short timeframe to respond to the Interim McClure Report and the absence of significant details, such as the rate of the 'base-rate' payment or the level of supplements to be provided, it is impossible to provide comprehensive responses to many of the key issues highlighted in the report. Therefore, in the following sections we suggest some key issues that need to underpin any reforms and highlight areas that should be addressed in any reformed system. We focus on critical "next steps" in community consultations needed to build a fairer and more effective social security system for the 21st century. Finally, we propose a series of short-term reforms that would provide an effective and immediate remedy for a number of the most pressing problems that confront our income support system.

We do not believe that the current system is "broken", so radical surgery is not required. In reforming the current system, we also need to ensure that positive elements of the existing income support system are not lost.

Australia has a targeted, means tested social security system. The OECD attests to the effectiveness of Australia's means-tested approach to sustainable welfare arrangements, with 42% of transfer spending going to the poorest 20% of the population, and only 3% to the richest 20%.¹¹ The OECD found in its analysis of the redistributive effects of OECD nations welfare systems that Australia was the second most effective in achieving this task.¹² Australia is ranked as the third lowest spending country when it comes to welfare expenditure, at just 8.3% of economic output on income support, far less than almost every other advanced countries, where the average spend was 13.2% in 2013.

¹¹ Grattan Institute, *Balancing Budgets: Tough Choices We Need*, p. 74.

¹² Ibid, p. 74.

The other point to note is that Australia has a very efficient and effective social security support system. Contrary to claims that Australia's social security system is "unsustainable", the Interim McClure Report notes that "favourable economic conditions over the past two decades...have led to a reduction in the extent to which the Australian working age population is in receipt of income support."

He continues: "The percentage of the working age population receiving income support peaked in 1997 at 24.9 per cent, before falling to 16.6 per cent in the 2008, rising to 17.6 in 2010 following the Global Financial Crisis and then **easing back to 16.7 per cent in 2013.**"¹³

5.1 \$35 a day – the key problem with our income support system

Much has been written about the problems with our income support system since the first Interim McClure Report on "welfare reform" back in 2000. But the key issue, which if solved would fix many of the interlocking problems, can be summarised in just a few words – *\$35 a day*. This is the rate that is paid to over 700,000 of the people on the single rate of Newstart Allowance, and the rate that hundreds of thousands of people with disabilities fear being moved to if they try employment and find that their health won't permit this, they get laid off due to business problems after two years, or they face a medical review by the Department of Human Services.

Addressing the inadequacy of the Newstart Allowance and Youth Allowance resolve a number of problems with the existing income support arrangements.

For example it would:

- increase job seekers work incentives
- improve physical and mental well-being of job seekers (e.g. less stress over money)
- improve capacity for successful job search (e.g. cares, new clothes,)
- reduce disincentives to claim higher payments
- reduce review and appeals at all stages of the appeals process.

It is NWRN's contention that many of the so-called "disincentives" in the social security system would be immediately addressed if steps were taken to increase this rate of payment. Indeed, NWRN and a range of other community groups would be far less concerned about changes to the DSP if the rate of Newstart were to be increased, and a structure put in place to, over time, to reduce the gap between the single pension and the allowance rate.

In their submissions to the Commonwealth government on the 2014-15 Budget, the Australian Council of Social Service (ACOSS) and the National Welfare Rights Network recommended that the level of payments for Newstart Allowance, Youth Allowance and other Allowance payments for single adults and young people living independently of their parents be raised by \$50 per week.

This recommendation is consistent with the findings of the *Australia's Future Tax System* Review Panel ('Henry report') in 2009. A \$50 per week increase has been widely supported by organisations like the Business Council of Australia and the Australian Industry Group. The cost of increase Newstart and related payments would cost \$1,800 million in 2015-2016.

Recommendation: That the Government establish a timetable for increasing the single rate of the Newstart Allowance and related allowance payments by \$50 per week. Consideration could be given to 'phasing-in' any increase.

¹³ McClure, P. *A New System for Employment and Social Outcomes: Interim report of the Reference Group on Welfare Reform*, 2014, pp. 163-4.

5.2 Indexation - Is there a better approach?

The Interim McClure Report asks some fundamental questions about our income support system. The most basic of these include questions like: how payment rates should be set and how should they be indexed? This important issue leads to other important questions that NWRN and the community sector more generally have been grappling with over many decades. Should an independent Commission set rates of income support? Is an independent Remuneration Tribunal, which sets rates for parliamentarians, a useful model? Catholic Social Services Australia (CSSA) proposed that an 'entitlements commission' set the rates of payment.¹⁴

In the past, work by the Social Policy Research Centre (SPRC) from the University of NSW investigated what a "Budget Standard" would look like, and it examined the spending patterns of low income Australians in an effort to better understand the issues around payment adequacy. The 2008 Harmer Review into the Age Pension also examined how payment rates should be set, and it looked at the relativities between singles and couples, and developed a new benchmark. It proposed a new method of indexing pension payments, but this was not adopted by the former Government.

The methods of indexation of social security payments is a critical feature of our social security system. Effective indexation is an important buffer against poverty. Fair indexation ensures that people who are primarily reliant on income support payments are able to maintain the purchasing power of their benefits, insufficient as they may be.

Historically, most primary income support payments have been indexed twice yearly to the Consumer Price Index (CPI). The Howard Government legislated an historic commitment to link pension payments to the better of the CPI or Male Total Average Weekly Earnings (MTAWE).

This welcome change meant that pensioners' living standards increased in line with increases in broader community living standards, ensuring that people out of the workforce also financially benefitted from wider community productivity increases. The Rudd Government introduced a further benefit by also linking pensions to a special Pensioner/Beneficiary Cost of Living Index.

The Harmer Pension Review notes that the single Age Pension has risen by 20% over the previous decade, whereas the Newstart Allowance – which is linked only to the CPI – rose by less than 0.5%.¹⁵

The NWRN notes out that indexation of all allowance payments to wage movements in addition to prices would assist in preventing the current \$170 per week gap between pensions and allowances from rising in an unsustainable manner.

The current Government has introduced legislation to alter the existing indexation arrangements. This Bill, which is currently before the Parliament, will reduce future indexation increases for many millions of pensioners and around 220,000 single parents who receive Parenting Payment Single. NWRN opposes this proposal, and is concerned that progress on this reform will undermine the consultation process being undertaken by Welfare Review Taskforce. The Schedule should be removed, to allow for genuine consultation on alternative indexation measures.

The Interim McClure Report argues that there "should be a common approach to adjusting payments to ensure a more coherent social support system over time".¹⁶ NWRN agrees. All income support payments should be indexed six-monthly. Currently, payments for young people are adjusted only once a year, in January. This means that people who are on the lowest social security payments also have to contend with an extended

¹⁴ Catholic Social Services Australia, *An Australian Entitlements, Commission, A proposal for an independent commission to inform decisions about the adequacy of pensions and other income support payments*, 22 September 2008.

¹⁵ Harmer, J. *Pension Review Background Paper*, Department of Families, Housing, Community Services and Indigenous Affairs, August 2008, p. 15.

¹⁶ McClure, P. *Interim Report*, p. 64.

“indexation lag”, which means that these young people must carry the burden of extra costs for up to 18 months.

As we noted earlier, regular indexation assists those on just maximum rates of income support to maintain their standard of living.

NWRN is not opposed to altering the reference point for indexation, and considering an alternative measure, for example, perhaps to median wages.

Recommendation: That all social security payments be indexed six-monthly and linked both to the CPI and a wages formula. The Government should not proceed with Schedule 6 of Bill No 1 of the *Social Services legislation Amendment (and Other Measures Bill) 2014*. The Government should establish a working party, comprised of welfare representatives, academics and government representatives, to assess alternative measures and provide a report for further public discussion.

5.3 Towards a simpler welfare system, ‘tiered’ payments and supplements?

Back in 2000 Patrick McClure delivered a report on simplifying the welfare system to the Government. *Participation Support for a More Equitable Society* recommended the introduction of one base rate payment for all working age people on income support, plus a supplement for other costs, such as caring, renting, the costs of disability and the costs of raising children. The proposal was not adopted by the then Howard Government.

The Interim McClure Report, released in late June 2014, traverses similar ground to the first report, however it was found that the idea of a “single” working age payment was now too difficult to achieve.

NWRN considers that a major problem to contend with today is the “gap” between payments. In 2000, the gap was around \$60 per week. By 2014, the gap between pensions and allowances had grown to around \$170 per week.

The Interim McClure Report of 2014 suggests a “tiered” approach, in which some groups would receive a higher payment, such as principal carers, people over 60 on NSA, and people with disabilities on NSA. Essentially, there would be four levels of payment: pensions, an intermediate payment, unemployment payments and student payments for those under 25 years of age. Many things about this proposed structure are unclear, making it extremely difficult to determine how it may impact upon people receiving payments.

For instance, it is not clear if existing payment recipients would be impacted. It is also not clear if single Newstart recipients would receive a higher payment, though the Interim McClure Report notes community and business concerns over the low rate of Newstart, and suggested that there is a need to review the rate of Newstart. Under the proposal, eligibility for the Disability Support Pension would be restricted to those with a “permanent” disability. It is most likely that new applicants who missed out on the DSP would be moved onto an “intermediate” payment, rather than the Newstart Allowance. This would be higher than the NSA, but lower than the pension. Given the Government’s long-standing focus on the numbers of people receiving the DSP for psychological or psychiatric conditions, it is very likely that people with “episodic” or mental illnesses are likely to be disproportionately impacted under the proposals under this approach.

The Interim McClure solution as proposed in 2014 raises more questions than it answers. Questions that arise include:

- Is the “tiered approach” really a step towards a simpler social security system?

- It appears to replicate the categorical system that allegedly bedevils the current approach. It placed groups into “deserving” (single parents, people with disabilities on Newstart, older unemployed) and those deemed to be “less deserving” (single adults on Newstart).
- How do the recent 2014 Budget proposals which deny income support for six months at a time for people under 30, and introduce a complex and cumbersome set of exemptions, fit within a framework of achieving a “simpler architecture?”¹⁷
- Will people with “permanent” disabilities be able to access employment supports through Disability Employment Services and assistance like wage subsidies, to engage in study or training?
- How is “permanence” defined, and what are the implications for the 400,000 people “grandfathered” DSP recipients who were granted prior to the 2006 DSP Budget changes?
- Isn’t the “tiered” approach simply creating more categories of people receiving disability payments?
- How can a system of limited supplementary payments be expected to adequately meet the diverse needs of income support recipients and their individual circumstances and will the supplement be sufficient make up for the significant financial losses that may be experienced by the loss of other payments?
- In the existing payments system, supplements are themselves essentially a targeting “tool”. Abolishing supplements will result in a less targeted application of existing funds. Is this realistic, or fair?

5.4 The Interim McClure Report and the Disability Support Pension

The “Disability Support Pension would be reserved only for people with a permanent impairment and no capacity to work,” according to Interim McClure Report.¹⁸

People receiving the DSP with a current or future capacity for work might qualify for a recommended new “tiered working age payment”, which would take into account their individual circumstances.

The interim report says: “To align Disability Support Pension with contemporary disability policy the payment needs to better differentiate between permanent and temporary incapacity”.¹⁹

“At present the definition of permanent incapacity used to assess eligibility for Disability Support Pension relies on a disability persisting for two years. This definition is outmoded as it disregards modern advances in working with people with disability to improve their employment capacity”.

According to the report, “an appropriate treatment or service plan can often extend beyond two years.”

It is claimed that “with appropriate interventions and flexible participation requirements” people with episodic mental conditions can be assisted into ongoing employment.

A “permanent” disability?

The proposal to restrict the Disability Support Pension (DSP) to people with “permanent” disability is complex.

¹⁷ McClure, P. *Interim Report*, p. 50.

¹⁸ McClure, P. *Interim Report*, p. 51.

¹⁹ Ibid, p. 47.

DSP is currently only for people with a “permanent” incapacity to work. However, “permanent” is defined as likely to last two years without significant functional improvement.

At the heart of the matter, as always, is the adequacy of the Newstart Allowance. If permanent meant “forever” then there will be people who have a total incapacity to work lasting many, many years forced to cope with the extra costs of living with a significant disability on just the Newstart Allowance rate, despite having zero capacity to work.

The question regarding “permanent” is how long should a person be expected to survive on Newstart Allowance with little or no capacity to work? We suggest two years strikes the right balance.

The proposal to make DSP available only to people with no capacity to work is similarly problematic. At present a person has no capacity to work if they can’t work less than two hours a week.²⁰

Once again adequacy of Newstart Allowance at the heart of the problem. A person with capacity to work of, say, five hours/week is unlikely to find work of those hours, which can also accommodate their disability. That is not to say they shouldn’t try, it is clear that they should be encouraged and supported to find such work. But such a person should be paid the Newstart rate, or a slightly higher rate of payment?

It is clear to NWRN that a person with inadequate income support will have even greater barriers to work.

2014-15 Budget DSP changes and people with episodic conditions

Community groups, including the NWRN and the National Mental Health Council have consistently highlighted the difficulties in finding suitable and sustainable employment for people experiencing psychiatric or illnesses. The difficulties for people experiencing mental illness were highlighted in submissions and evidence to Senate inquiries in changes to the DSP in 2011.²¹

The employment rate for people with disabilities is just 54%, compared to 83% for people without a disability. The workforce participation rate amongst people with psychosocial disability remains significantly lower than it is for people with other disability types, at less than 30%.²²

In March 2014, there were 832,533 people receiving the DSP. There were 821,738 people were on the DSP in June 2013, down from 827,460 in June 2012.

There is considerable interest in the numbers of people on the DSP who are medically reviewed, particularly in response to the 2014-15 Budget announcement that people under 35 may be medical reviewed. Over the period 1 July 2012 to 30 June 2013, a total of 5,734 current DSP recipients were medically reviewed. Of these, 212 resulted in cancellation.²³

The Government has indicated that around 28,000 people on the DSP aged under 35 will be reviewed under the May 2014-15 budget announcements. These reviews will be taken over the next 18 months.

It is estimated that approximately 5% (1,400) of DSP recipients reviewed under this measure will have their DSP cancelled. However, as recent estimates hearings, the Department advised that the numbers could be higher.

NWRN understands that people with psychological or psychiatric illnesses, including those experiencing episodic mental health conditions, are likely to account for almost half (48%) of those whose payments will be cancelled.

²⁰ As currently interpreted by Government, based on indefinite overseas portability rules.

²¹ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Completed_inquiries/2010-13/SocSecAmend/index

²² Australian Bureau of Statistics, Australian Social Trends – *Disability and Work*, Catalogue No. 4102.0, March Quarter 2012.

²³ Senate Community Affairs Committee, Answers to Estimates Questions on Notice Social Services Portfolio 2013-14, *Supplementary Estimates Hearings, Question No: 218*.

If a person's DSP is cancelled following a review, the date of effect of the decision is 42 days from the date of notification of cancellation.²⁴

Recently, the Royal Australian and New Zealand College of Psychiatrists has raised concerns about how the changes may impact on people with mental illness. "The fluctuating nature of mental illness makes it difficult to deal with episodes; meaning organisations like Centrelink are unable to adjust their program requirements to allow for this," claimed the College in a recent statement.²⁵

NWRN is concerned that imposing requirements, activity testing and subjecting people with episodic or mental health disabilities to the job seeker compliance system may exacerbate medical conditions. Calls to our members Centres from people with mental illness indicate high levels of anxiety among people who may be subject to changes to current welfare and job search arrangements.

Employment supports that work for people navigating Program of Support rules

NWRN's experience is that the employment services system is not well designed for many people with disabilities who will be forced to engage with the system.

The employment services system is designed for Newstart Allowance and, based on our casework experience, and feedback we have received from other advocates running DSP appeals, it is not working well for DSP applicants trying to meet Program of Support (POS) requirements.

Currently, if a person is assessed as having a work capacity of 8-14 hours per week, they attend Centrelink appointments quarterly. This means they fail the POS requirements as they are not considered "actively participating". People who have 20 or more points spread across multiple tables are often unable to qualify for DSP.

However employment services, including DES providers already struggle with clients with multiple disabilities who are assessed as having work capacity of over 15 hours per week. For many clients the employment services records advocates obtain (including DES records) are littered with file notes showing clients attending their provider appointments, talking about their sicknesses, with no evidence the provider even considers job search type questions or activities and telling the person to take medical reports to Centrelink. Then the client is back at their provider appointment the next month, resulting in the same type of file note. This occurs roughly two to five times, until a file note appears 'client has medical certificate exemption from Centrelink'.

On appeal against the rejection of their DSP claim at the AAT, the Department's case is that client has not actively participated in a POS and should not qualify for DSP. Yet nothing more was asked of them by the provider, possibly because it was obvious that the person could not benefit from a program of support. Based on current experience, inserting this POS requirement into a system that is not well designed for this group will lead to unfairness.

Recommendation: That the Department of Social Services and the Department of Employment engage with the AAT, the NWRN and Legal Aid solicitors on improvements needed to better meet the needs of people subject to the Program of Support rules.

²⁴ Ibid, Question No: 801.

²⁵ Royal Australian and New Zealand College of Psychiatrists, *Psychiatrists concerned McClure report could stigmatise people with mental illness*, Media release, 1 July 2014. See: <https://www.ranzcp.org/News-policy/News/Psychiatrists-concerned-McClure-report-could-stigm.aspx>

Disability Employment targets and the Australian Public Service

NWRN believes that the Government should set realistic and achievable targets for improving the employment of people with disabilities in the Australian Public Service.

The public sector cannot force the private sector to employ people with disability – but it can lead the way.

Over the last twenty years the employment of people with disabilities in the public service has almost halved, falling by 45%. Last year it fell to just 2.9%. The numbers of with disabilities in the public service is a 20-year low, and the service is losing three times as many people as it is hiring.

In 1994, there were 8,063 people with disabilities the Australian Public Service employed. However, by 2013 just 4,450 people with disabilities were employed.

Australia's performance in employing people with disabilities is "well behind other international jurisdictions", with the proportion of civil service employees with a disability in the United Kingdom at 8% in March 2011 and 5.6% in the Canadian Public Service.²⁶

NWRN notes that the Department of Human Services, the agency which delivers income support payments, refuses to adopt targets for the employment of people with disabilities, though it has accepted a target of 5% for employment of Indigenous Australians by 2015. Arguably, the higher level of engagement of Canadians with disability in its civil service is due to its adoption of targets, which are not currently used in the Australian context, despite increasing calls for their adoption on the APS by disability advocates and the Human Rights Commission and welfare and community organisations.

Recommendation: That Government establish targets for the employment of people with disabilities in the public service.

5.5 Simplicity, adequacy and targeting – are "supplements" the answer?

The NWRN supports simplification and is not opposed to a simpler, tiered payment system, subject to the principle that no person should be worse off under a simplified system than under the current arrangements. However, as we understand the model being proposed, this is not likely to be the case. We also agree with the principle that our social security system needs to be highly targeted to ensure adequate support for those most in need. Simplification is somewhat at odds with a highly targeted system as it is the targeting that creates the complexity.

Our concern is that a single payment system that is as highly targeted as our current system would ultimately result in a new equally complex array of supplements designed (quite properly) to target those in need.

NWRN considers that there is scope to rationalise and simplify the system of supplements: e.g. a single participation supplement, rather than separate supplements for Greencorps, Work for the Dole, Language Literacy and Numeracy Program and CDEP participation. It would also be (relatively) straightforward to replace sickness allowance with Newstart allowance with rolling incapacity exemptions. Special Benefit is a critical "safety net" discretionary payment, but once a decision is made to make the payment it could (and should) be paid using Newstart income test. Youth Allowance rates could be simplified, but must not be reduced. Theoretically Austudy could be replaced by Newstart with full-time study as the activity requirement, however the activity test would be extremely complicated (satisfactory progress, meaning of full time student etc.) and would need to continue to be administered by DHS, not employment services providers. As is the case for many simplification proposals, in the end, it might not be worth it since the complexity would likely just shift elsewhere in the system.

²⁶ Australian Public Service Commission, *As One, Australian Public Service Disability Employment Strategy*, 2012.

The current social security system is as highly targeted as possible, so it must be a guiding principle of reform that simplification should not result in any reduction in entitlements as they stand today. It is also critical that, in any new system where supplements are used to provide income support, those supplements be annually indexed the CPI.

Our response to the introduction of supplementary payments related particularly to the question of the adequacy of payments. Any new supplementary payments would need to be substantial and widely available, to cover for the loss of existing benefits. The current system, which imposes strict eligibility requirements on many payments, may need to be relaxed. The cost could be substantial, moreover, the trade-off for achieving simplicity is greater outlays. It is difficult to entertain the prospect of the current administration investing substantial more revenue to achieve both a simpler and fairer system, which also addresses the critical issue for NWRN and many others: adequacy.

At this stage, NWRN is not convinced that the introduction of a few ‘core supplements’ is the answer to the complexity and other challenges facing our social security system. Below we explore some issues related to rationalising supplements, and how this could be achieved, without leaving some groups worse off.

The NWRN supports simplification and is not opposed to a simpler, tiered payment system, subject to the principle that no person should be worse off under a simplified system than under the current arrangements.

Recommendation: NWRN supports simplification and is not opposed to a simpler, tiered payment system, subject to the principle that no person should be worse off under a simplified system than under the current arrangements. Simplification is somewhat at odds with a highly targeted system as it is the targeting that creates the complexity.

NWRN is not convinced that the introduction of a few ‘core supplements’ is the answer to the complexity and other challenges facing our social security system.

5.6 Supplements and anomalies, Crisis Payment and ‘end-of-year’ supplements

This does not mean, however, that we do not see the need for reviewing, simplifying and improving the coherence of the existing supplementary payments. From our 30 years of casework experience, NWRN understands that access to supplements and supports is critical to allow people on low incomes to engage in activities and take part in community life. Anomalies and different eligibility criteria can cause hardship, and there is often no coherence regarding who is eligible for support and who is not. It may be helpful to use an example. For instance, JET Child Care Fee Assistance is not available to people receiving the DSP. This denial of support cause one of our clients to recently cease their university studies.

Recent Budget cuts to the Pensioner Education Supplement and the Education Entry Payment are a concerning development, and recipients are understandably apprehensive that further “reforms” could simply mean that valuable assistance is either removed or reduced.

It is not clear how, for instance, Crisis Payment, would remain in any reformed, simplified welfare system. This is a critical payment, and provides valuable assistance for people escaping family violence or those released from prison.

Another key and important supplement is the annual “one-off” supplement, which is essential for single parents and carers. These end-of year supplements are factored into household budgets, enabling carers and single parents to meet large costs that they simply cannot meet within the weekly budget. Items purchased with these payments can include car registration, the replacement of household goods or insurance costs.

Government's offer some flexibility to enable the Pension Supplement to be paid on a quarterly basis. Payment Advances, which are heavily used by Age Pensioners, those on the DSP and Single Payments and allowance payments, recognise the need for flexibility about how payments are delivered.

Recommendation: That the Government review existing "supplementary" payments, with a view to simplifying eligibility requirements and addressing anomalies and inconsistencies, subject to the stipulation that no-one will be disadvantaged.

That reform to the payments system ensure access to payments for people experiencing a crisis, such a domestic violence, or when leaving prison.

That supplements be flexibly designed to assist people with budgeting, but should avoid being intrusive.

5.7 Simplifying concessions arrangements

One area that the Interim McClure Report could address, that would deliver on the objective of simplifying the system and improving individual capacity, is reform to the ad-hoc and complex system of concessions. Extending Pensioner Concession card benefits to single Newstart and Youth Allowance recipients would go some way to increasing the adequacy of these payments.

For people living on low and modest or inadequate weekly payments, existing concession that are attached to the Pensioner Concession Card (PCC) are vital supports. Pension recipients receive a higher level of concessions attached to the Pensioner Concession Card. Studies have put the value of these benefits of at around \$1,600 per annum, or about \$30 per week.

Many people mistakenly believe that recipients of Newstart Allowance are eligible for many other supplementary payments. However, a single, childless Newstart recipient is most likely to be eligible only for Rent Assistance, the maximum rate of which is \$62 a week. Unlike pension recipients, Newstart Allowance recipients are not able to receive payments such as the Pension Supplements. Many other payments, such as Telephone Allowance and Pharmaceutical Allowance, are available only to some Allowance recipients over the age of 60 or who are on Newstart Allowance with a "partial capacity" or are a "principal carer".

Newstart Allowance recipients are eligible for Health Care Cards, but this enables them only to receive concessional medicine prices and some transport concessions. Some states also offer limited assistance with utilities. There are some small supplements available for participation in programs such as the Work for the Dole supplement worth \$20.80 per fortnight, but there is no access to major supplements such as the Pension Supplement.

National Welfare Rights Network (NWRN) estimate that a little over one-in-four people on Allowances have access to a broad range of supplements and concessions that are widely available to Age, Carer and Disability Support Pensioners.

Recent Budget cuts of \$1.2 billion over four years have placed future eligibility for certain concessions attached to the PCC under a cloud.

Recommendation: NWRN recommends that the Federal, State and Local Government establish a working party to rationalise and equalise the benefits attached to the Pensioner Concession Card and the Health Care Card. This should involve as a priority ensuring equitable access to transport and utility concessions. Consideration should be given to simplifying criteria for the Low Income Health Care Card.

5.8 Improving Rent Assistance

The Interim McClure Report asks “How could Rent Assistance be better targeted to meet the needs of people in public or private rental housing?”

The Interim McClure Report makes a case for an inequity between low income tenants in social housing and those in the private rental market using this as an argument for moving to market rents for all with a possible increase in Commonwealth Rent Assistance. It also notes the varied rents of different regions, suburbs and cities whilst levels of CRA are paid at fixed flat rates regardless of location.²⁷

The facts on housing affordability in Australia are alarming:

- average rents have increased by 32% in the five years to 2012;
- it takes an average of 5.7 years to save for a deposit in Sydney, according to a 2011 study by the recently abolished National Housing Supply Council;
- rental increases have outstripped earnings growth in recent years;
- renters make up 24% of households compared with 18% 15 years ago; and
- home-ownership is declining significantly across most groups in the population. The National Housing Supply Council *Housing Supply and Affordability Issues 2012-13* noted that housing supply difficulties “is likely to continue to be felt by the more vulnerable in our population ages.

The Interim McClure Report highlights the inadequacies of Rent Assistance, and suggests that better indexation would address some of the problems people are facing. In 2014, the NWRN released a major report into the adequacy of Rent Assistance.²⁸

The key facts from our report are highlighted below:

- At June 2013, 1,267,979 Rent Assistance recipients receive a payment from Centrelink.
- Over 843,000 social-security renters are in housing stress, paying over 30% of income on rent, before getting Rent Assistance.
- The proportion of Rent Assistance recipients receiving the maximum payment has increased from less than two-thirds of the total to more than three-quarters of the total over the last decade.
- In 2012-13, the Commonwealth’s \$3.6 billion Rent Assistance program reduced the proportion of social security renters in housing stress by 27%, down from 67% to 40%. Forty per cent of all recipients of Rent Assistance are still in housing stress, after getting Rent Assistance.
- In June 2013, 164,835 households, or 13.1% of all Rent Assistance recipients were paying more than 50% of their income on rent. Of these households 38% or 63,606 were on the lower Newstart Allowance.
- Unemployed adults are four times more likely than Age Pension recipients to be paying half their income to meet high rental costs. The proportion of pension recipients in *severe housing stress* was much smaller, with 6.2% of all Disability Support Pension recipients, 6% of Age Pensioners, 5.8% of Carer Payment recipients and 6% of those receiving Parenting Payment (Single) paying half of their weekly income on rent.
- Three-in-four students on the Youth Allowance are living in housing stress, paying in excess of 30% of income in rent. Sixty nine per cent of young job seekers on Youth Allowance are under housing stress; an increase of six percentage points since September 2012.
- Unemployed people and students are more than twice as likely to face housing stress as are Age, Carer and Disability Support Pensioners.
- One-in-seven people receiving Rent Assistance are affected by the ‘sharers’ rules, which reduce the amount of rental support by a third, or \$19 per week.

²⁷ McClure, P. *Interim Report*, pp. 68-70.

²⁸ National Welfare Rights Network, *The impact of Rent Assistance on housing affordability for low income renters: Australia*, March 2014.

- A very high proportion of young students on Youth Allowance paying excessively high rents, with 29,939 people, or two-in-five students paying more than half of their income on rent.
- Almost 45% of those living in capital cities are experiencing rental stress, after Rent Assistance, while just a third of those living outside of a capital city are in rental stress.

The Interim McClure Report correctly highlights the need for improved indexation of Rent Assistance. It is important that benchmarks for the adequacy of housing affordability be adopted, so that the Government can measure the effectiveness of efforts to improve housing affordability. This could be done by adopting a benchmark the widely used standards for measuring housing stress, where 30% of income on rent indicates “housing stress” and where “severe housing stress” is when a person is paying in excess of 50% of their income on rent.

Another key finding of NWRN’s research into Rent Assistance was that the “sharers” rule, which reduces rates of Rent Assistance by a third affects and 1-in-7 receiving Rent Assistance, was having an increasingly adverse financial impact on many people living on very low incomes, with an increase in people so affected of 15%, or over 15,400 in just nine months.

Policies around “economies of scale”, for people sharing, are a relevant consideration here. Government policy, since 1997, has reduced the level of Rent Assistance for people sharing, based on so-called economies of scale. Those impacted most by this reduction to Rent Assistance are also those who are living on the lowest rates of income support. The end result is extreme levels of poverty and financial hardship – and NWRN’s data on housing stress confirms this. The reduction in Rent Assistance limits any alleged benefits flowing from the sharing of accommodation

ACOSS and NWRN also recommended that the maximum rate of Rent Assistance be increased by 30% (around \$19 per week), to assist people on low incomes to meet rising rental costs. This expenditure would cost \$920 million a year.

Between 2001 and 2013, median rents for some groups have almost doubled, and for some groups have increased at least one and a half times faster than Rent Assistance.

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. Increases in rent assistance are linked to the CPI. The problem is that there is a significant statistical disconnect between CPI data collection and the sum of rent payable by Rent Assistance recipients — as noted by the Henry report. This problem arises because rent comprises some 6% of the CPI basket, however, rent consumes around 35% of income received by RA recipients. A much fairer and equitable approach would be to index RA to increases in national rents paid by income support recipients.

Recommendations: The Commonwealth Government increase the single rate of Newstart Allowance, Youth Allowance, and other Allowance payments for single adults and young people living independently of their parents by \$50 per week.

That the Commonwealth Government increase the maximum rate of Rent Assistance by 30%, and people paying the highest rents should receive the greatest increases in Rent Assistance.

That the Commonwealth Government link increases in Rent Assistance to movements in national rents instead of the Consumer Price Index.

That the Commonwealth Government abandon the ‘sharers’ Rent Assistance rules and link all payments of Rent Assistance to the level of rent paid rather than the nature of a person’s accommodation arrangements.

5.9 Public Housing – moving to market rents?

Significant numbers of people dependent on income support payments rely on public housing as a way of being able to afford secure accommodation. McClure notes that tenants have a “perverse” attraction to public housing. When you consider increases in rentals over the past decade, it is not too difficult to see why public housing is so “attractive”. As the Harmer Pension Review noted in 2008, 6% of age pensioners live in public housing and 11% receive Rent Assistance. For Disability Support Pension recipients, the proportions are 18% and 27% and for carers 15% and 21%.

Tenancy policies of state and territory housing authorities have meant that increasing numbers of public housing tenants are highly vulnerable. Many would be unable to work significant amounts, even if the jobs were available.

McClure proposes moving away from moving away from income-based rents to the use of Rent Assistance as a “subsidy” across both public and private tenures.²⁹

NWRN has serious reservations about this approach. While we recognise inequities in the levels of assistance that are given to private and public renters, a move to ‘market-based rents’ would leave almost all tenants unable to meet their housing costs, and would leave them homeless. This would also have the adverse consequence of entrenching areas of disadvantage as former public-housing tenants have to move to find the cheapest market rentals.

Lack of investment in adequate and affordable housing options by all governments has resulted in a system at breaking point.

Recommendation: That all levels of government collaborate to develop solutions to Australia’s growing housing affordability problem. NWRN opposes the move to market-based rents.

5.10 Rewards for work

While NWRN supports means testing, it can cause conflicts with the objectives of encouraging workforce participation and ensuring that people are better off by working than not working. Marginal tax rates can, for some people, be a major disincentive to work. The Interim McClure Report notes that different groups face different means tests, and these can cause loss of income when a person moves from one payment to another, say from the DSP to the NSA. Some groups are provided with greater incentives to work, such as the Work Bonus, which is eligible only for Age Pension recipients.

Unemployed people face a withdrawal of income after they earn more than \$50 per week. This increased from just \$31 a week, following an extended community-based campaign to increase the “free area”. Single parents who were moved onto the lower allowance again in 2006, 2012 and 2013, were major beneficiaries of this change.

As well as reducing the taper rate, we consider the generous and sensible Work Bonus that applies to Age Pension should be applied to all benefits (both existing benefits paid at the Newstart rate and the PCs theoretical disability benefit) to increase incentives to work. While the take up rate for Age Pensioners has not been high, it is likely to be more effective among working age recipients.

The Interim McClure Report notes that means testing has consequences for people’s behaviour. Withdrawing income support payments reduces the net gain from work. If too much income support is withdrawn, people may not gain enough income from their earnings to have an incentive to work.³⁰

²⁹ McClure, P. *Interim Report*, p. 71

³⁰ McClure, P. *Op Cit*, p. 71

Special mention is made of Special Benefit, “which means that these recipients are in some circumstances financially worse off when working”.

Means testing differences can have unintended impacts and cause significant problems to people who move between payments. Other rules create incentives (or disincentives) to start work after a period on income support, or allow recipients to average their income over longer periods than the standard fortnightly entitlement period.

In addition, various income banking rules can assist some people, but not others.

The Interim McClure Report says means testing should assist those most in need and provide an appropriate return from work. Income, assets free areas, taper rates, income banking arrangements and waiting periods should be more consistent. Means testing and tax rules must not be a disincentive to work.³¹

NWRN supports changes that will increase the incentive to take up employment, where this is possible.

Reducing marginal tax rates can be expensive, so this needs to be done carefully. Priority should be given to addressing the most extreme poverty traps in the current arrangements. These include reform of means testing arrangements for Special Benefit. This payment has no free area and recipients face a 100% withdrawal rate, with a dollar for dollar loss. More details about the problems with this payment, and proposals for reform, are included in our submission.³²

Recommendation: NWRN supports simplifying the various ‘free areas’ and ‘taper rates’, so that they are easier to understand, and are less disruptive as people move between payments.

Recommendation: Special Benefit use the Newstart Allowance ‘income test’ and ‘free area’.

Recommendation: Consideration be given to incentives such as sign on bonuses, as recommended by the Productivity Commission. The Work Bonus for Age Pension recipients be extended to other pension recipients and people on working age payments. Consideration be given to treating “earned” income more favourably than “investment” income.

The Interim McClure Report notes the family payments system is complicated by two income tests which have different definitions of income and different periods of assessment, one fortnightly and one annually. This leads to major problems, to which NWRN casework can attest, resulting in both under and overpayments. The design of the system can also mean that families have less disposable income to meet their day-to-day needs.

This complexity is the cause of significant numbers of overpayments, and NWRN members have witnessed significant numbers of overpayments which arise through no fault of the parent. The waiver rules are very strict, and a person needs to be in extreme financial hardship to have the debt waived. This leads to significant distress. In extreme cases, the financial stress from having an overpayment can lead to marriage breakdown and divorce.

In 2011-12, 8% of families were found to have an FTB debt, with almost 160,000 children affected. The average amount of the debt was \$1,428, and the total amount of debts was \$227m.³³

Legislation is currently before the Parliament which seeks to reduce, and freeze, the FTB end of year supplements. FTBA is to reduce by \$124.10 to \$602.25 and FTB Part B is to reduce by \$51.10 to \$302.95 (Part B).

³¹ McClure, P. *Ibid*, p. 78.

³² National Welfare Rights Network, *Special Benefit: Addressing social exclusion and poverty traps*, 2011. See: <https://www.welfarerights.org.au/nwrn-special-benefit-social-exclusion-and-poverty-traps>

³³ Department of Families, Housing, Community Services and Indigenous Affairs, *Annual Report 2012-13*, p. 355.

In our experience, the end-of-year supplements play two critical roles:

- it is an essential income component for low income families trying to meet the annual expenses they are unable to meet with their fortnightly income. In the experience of our caseworkers, people on low incomes, budgeting carefully, use the annual lump sums to pay one off annual costs, e.g. car registration and insurance, school related payments, dental appointments and so on and
- the supplements were created as part of a government's strategy to reduce FTB debts. FTB is based on a person's estimate of their annual income so inevitably debts occur. The idea behind the supplement was that it is an amount withheld until the person's entitlement is reconciled at the end of the year. A person's supplement is paid directly toward any debt that might be raised. Reducing the supplements will have flow-on effects for recovery of FTB debts.

Overpayments are a cause of substantial complexity, and they also trigger a significant number of appeals all levels of the appeals system.

Recommendation: That the Government take steps to simplify the family payments system and to minimise hardship caused by Family Tax Benefit overpayments.

That the Government revisit the recommendations from the 2010 Legal and Constitutional Affairs Committee inquiry into Government compensation payments, which unanimously found unfair and inconsistent outcomes for some people adversely impacted by inconsistent waiver provisions.³⁴

5.11 Simultaneous income tests

The Interim McClure Report notes that problems can occur when “recipients are simultaneously subject to a number of different income tests at the same time”.³⁵ One issue highlighted is where public housing tenants are impacted by income-based rent setting policies.³⁶ This “stacking” of income tests can have negative consequences for families’ financial situations, and on work incentives. The Taskforce should note that the problem identified in the report will be exacerbated if the Bills before Parliament become law.

Below we provide an example of the “stacking” of income tests and the impacts upon multiple family members. This case demonstrates at how the proposed changes in the two social security bills before Parliament will impact upon this single parent and their family.

The Taskforce should note that the problem identified in the report will be exacerbated if the Bills before Parliament become law.

Consider a single parent on Newstart Allowance (NSA) with an eight year old, a teenager and a 22 year old. She will have her overall social security benefits, and the overall family income, reduced a number of times by the numerous income tests which all apply to her situation (often referred to as “stacking” of income tests).

For every dollar of income over the relevant thresholds that these Bills will freeze, she will lose:

- 50 cents under the NSA income test (increases to 60 cents after higher free area),
- 20 cents under the Family Tax Benefit (FTB) income test (increasing to 30 cents after higher free area),

³⁴http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Legal_and_Constitutional_Affairs/Completed_inquiries/2010-13/govtcomp/report/index

³⁵ McClure, P. Op Cit, p. 75.

³⁶ McClure, P. *Interim Report*, p. 75.

- 50 cents under the Maintenance Income Test (until base rate is reached), and
- 40 cents under the Child Care Benefit (CCB) income test for their younger children.

Further, the overall family income will reduce:

- her teenager will lose 20 cents under the Youth Allowance parental means test
- her eldest child will now receive Youth Allowance, rather than Newstart Allowance (roughly \$237 less per fortnight)
- if the either of the older children obtain work, that child's Youth Allowance will also be further by 50 cents for every dollar over the Youth Allowance free areas (to be frozen from January 2015)
- she will also be affected by the freeze on the Rent Assistance threshold
- she will also be affected by the freeze on indexation of the Clean Energy Supplement
- she will no longer be able to receive Pensioner Education Supplement or the Education Entry Payment
- she may lose some of the benefit of her Pensioner Concession Card (PCC) as a result of more restricted concessions (due to the termination of funding to the States for concessions available via the PCC).

Finally and worst of all, if either of her oldest children is required to serve a six month exclusion period, she will have to support that child, or both, for six months without Youth Allowance or family assistance to help cover basic costs like food and medicine. Her children may be without Youth Allowance for six months out of every year until they turn 30.

5.12 Assets Test

The Australia's Future Tax System report recommended combining the income and assets tests. In principle, the NWRN supports a comprehensive means test that determines access to all income support payments, including Newstart and the Age Pension, to replace the current two part income and assets test, to the extent that it would simplify the means test, but would not adversely impact on people with low incomes. However we note that a move to a system where deemed income, rather than asset value, is the primary means test for assets will require careful consideration and an expansion of the exceptions to deeming and asset hardship rules.

Recommendation: NWRN supports a comprehensive means test for determining access to income support payments.

5.13 Waiting Periods

McClure suggests a "consistent approach to waiting periods before people could access income support".³⁷ The McClure Report suggests a one week waiting period for all income support payments, unless they are facing hardship.

NWRN agrees with this proposal. We note that the Government has proposed changes in the recent Budget which are claimed would "simplify" existing arrangements. The changes proposed to the Ordinary Waiting Period (OWP) are not really about simplification. Actually, the Bill extends the waiting period to new payment types and introduces new evidentiary requirements and thereby effectively sets a higher bar for waiver of the waiting period. The obvious simplification measure has been overlooked: A true simplification measure would be to abolish this waiting period, which is not necessary, given the existence of the Liquid Assets Waiting Period.

Recommendation: That the Government simplify waiting periods, and that the existing Ordinary Waiting Period rules should remain in place.

³⁷ McClure. Op Cit, p. 77.

Recommendation: that the Budget Bills changing the Ordinary Waiting Period be withdrawn from Parliament and reform of Ordinary Working Periods be postponed until the Interim Report is concluded.

5.14 Income support payments and the NDIS

The McClure report is largely silent about Carer Payment and Carer Allowance, though it does make a number of references to the NDIS, and suggests that the NDIS may enable significant number of carers and people with a disability to return to (or take up) work.

Whether or not this proves to be true is as yet unknown. Only the further roll out and monitoring of the NDIS can inform this question.

The issue for this review, then, is that NDIS packages will only cover a proportion of people with a severe or profound disability (460,000 when fully rolled out). It has been estimated that there were 730,000 people with a profound or severe core activity limitation under the age of 65. The Australian Bureau of Statistics (ABS) 2012 survey identified that there were 140,000 formal carers of people with a severe or profound core activity limitation aged 0 to 64 years.³⁸

It also needs to be clearly understood that the NDIS does not cover either medical expenses or provide income support.

The NDIS is designed exclusively to provide people with a disability (regardless of their level of finances and whether they are working) with the ability to purchase supports and services which will help them to achieve goals of their own choosing – including, if they wish, to increase their participation in community and economic life. The NDIS is not a substitute for various kinds of financial support made available to people with a disability and their carers under the social security system. Nor does the NDIS provide a basis for assessing eligibility for different levels of social security payments to people with disability or their carers.

Support through the NDIS cannot be assumed to replace or reduce the need for pensions or allowances required to cover the extra costs of disability and family/friend carer.

Carer Payment and Carer Allowance, like DSP, are critical income support payments that must remain outside the NDIS. These payments are already well set up to align with the goals of the NDIS:

- some carers will be able to return to the workforce when replacement care is purchased by their carees as part of their care package;
- some carers will continue to provide full time care as their carees will be purchasing additional, not replacement, care; and
- the *Social Security Act 1991* already contains provisions which prevent a carer from claiming hours of care for periods when a paid carer (e.g. home care) is also providing care. That is, the carer must independently meet the constant care requirement.

Recommendation: That income support payments not be reduced or restricted by reference to the National Disability Insurance Scheme, in recognition that these schemes serve discreet and separate purposes and functions.

³⁸ Australian Bureau of Statistics, *Survey of Disability, Ageing and Care, 2012*,

6 Strengthening individual and family capability

Pillar Two of the Interim McClure Report focuses on “strengthening individual and family capability”.

Essentially, this section focuses on: mutual obligation, early intervention to reduce ‘welfare dependency’, supports to encourage education, and support for people with complex needs.

The Interim McClure Report asks about how employment support can be improved to assist people into work. NWRN will respond only to matters within our area of expertise.

The Interim McClure Report seeks feedback on steps the Government can take to assist people into sustainable jobs.

The Interim McClure Report seeks feedback on steps that the Government can take to assist people in sustainable jobs. Improvements are needed to strengthen employment assistance for people who have been looking for work, with a focus on the most disadvantaged job seekers.

The existing employment services system could be improved if the following changes were adopted:

- increase payments to allow providers to improve training and work experience options for people at risk of becoming long term unemployed;
- wage subsidy schemes for young people;
- doubling the Wage Connect wage subsidy scheme to 20,000 places per annum ;
- greater investment in the Local Connections To Work program;
- introducing measures to reduce “churn” of disadvantaged job seekers;
- greater flexibility for young people, including increased options for job search;
- face-to-face career counselling for single parents and young people at risk, and
- improved opportunities to engage job seekers re: choice and flexibility.

Recommendation: that the Wage Subsidy Scheme for disadvantaged job seekers be expanded and wage subsidy schemes to young people be extended, as an alternative to expanding Work for The Dole programs.

6.1 Employment Assistance That Works

Job seekers who undertook vocational training during 2011-12 had a 32% chance of being employed three months later, compared with 22% of Work for the Dole participants. It is clear that vocational training generates better client outcomes. It is hard to justify an expansion of work for the dole when other strategies are more successful.

Wage subsidy programs provide unemployed people with the chance to gain real skills and on-the-job experience. NWRN is an enthusiastic supporter of wage subsidy programs, because evidence shows that people with recent experience are much more likely to be considered by a future employer.

A period of paid work experience in regular employment can significantly improve the job prospects of long-term unemployed people and this type of program could be extended to young people generally. This type of program also reassures employers that the jobseeker is capable of undertaking work. It also provides incentives for them to engage the long-term unemployed. Equally important for a jobseeker, these schemes boosted the confidence of people who had been previously overlooked.

The Post Program Monitoring Survey from the Department of Employment, Education and Workplace Relations (DEEWR) reveals far better outcomes for job seekers who have accessed the Wage subsidy compared to WFTD programs.³⁹

The job outcomes were extremely disappointing for the very long term unemployed who had spent three months in Work for The Dole programs. Just 20.8% of work for the dole participants were in employment.⁴⁰

Another issue that needs to be addressed is the high level of “churning” in the system, which has the greatest impact on disadvantaged job seekers.

Figures released through Senate estimates reveal almost 30% of disadvantaged jobseekers who are on the highest level of support in finding employment return to income support payments within six months of having completed a six months subsidised employment placement through their local employment service provider. This stands in contrast to ‘work ready’ job seekers who had completed 26-weeks of employment. Only 15% of this latter group were unemployed six months after this.

Twenty per cent of all unemployed people return to the Newstart Allowance after they have completed a successful 26-week employment program, highlighting a problem of excessive ‘churn’ in the nation’s \$5.4 billion privatised employment services.

NWRN has first-hand experience of programs that work in engaging disadvantaged people.

We recommend:

- expanding the successful Local Connection To Work scheme operating in selected DHS sits across Australia;
- continuing the Young Mothers Program and Disadvantaged Families Pilots;
- ongoing support for the Youth Connections program;
- expansion of the wrap around services / case co-ordination programs which have been trialled in Centrelink offices around the country;
- an increase in the number of Community Engagement Officers, Indigenous Liaison Officers (and a return to Disability Service Officers);
- increase in the wage subsidies program, for very long term unemployed, young people and people with disabilities, and
- significant investment in specialist employment services for people with disabilities, carers, youth and indigenous people.

6.4 Help for Young Parents

There are currently very low numbers of young, single parents in Australia, with parents aged under 21 comprising just around 2% of the population of parents in Australia. Policies and programs supporting young parents are of interest to many people in the community.

The Interim McClure Report, at page 83, provides a summary of the *Young Parents Trials*, which are operating until June 2015. NWRN has had a long-standing interest in the 2011 “Young Parents” and the “Disadvantaged Families” programs, and we have received very positive feedback on these programs from the Department of Human Services.⁴¹

³⁹ In 2011-12, 27.2% of unemployed people who have been out of work for 24 months or more were in employment three months after starting in the employment services system. By contrast 47% of participants in the wage connect scheme (or 3,779 of the total of 8,084) were in employment after the end of the 26 week wage subsidy period.

⁴⁰ Department of Education, Employment and Workplace Relations, *Labour Market Assistance Outcomes*, June 2012.

⁴¹ National Welfare Rights Network/Department of Human Services, *Briefing on Young Parent’s Trial*, Biannual Delegation Meeting, March 2013.

Since January 2012, the Government has trialled a Young Parents initiative, in 10 “disadvantaged” locations. These include the five sites where income management operates. The ten locations are Rockhampton (QLD), Logan (QLD), Wyong (NSW), Bankstown (NSW), Burnie (TAS), Shellharbour (NSW), Greater Shepparton (VIC), Playford (SA) and Kwinana (WA).

Information provided at Senate Estimates indicates that at June 2013, 1,669 parents had commenced in the Helping Young Mothers Program. Over 1,000 parents have developed a plan. Around one-in-eight parents (250) have attained a year 12 or equivalent qualification (Certificate 11) or above. Others have attained a Year 10 or 11, or Certificate 1 qualifications and are working towards year 12 equivalent qualification.

Specific activities are jointly developed, in cooperation between the parents and the Department of Human Services. To date, 505 young single mothers have incurred income support suspensions for non-compliance, mostly for missing appointments.

It is unclear if the payment suspensions had a negative or detrimental impact on the young mothers and their babies, and NWRN would be deeply concerned if these families were left without essentials or unable to afford rent, food or medicines.

Our casework experience is that many people experiencing difficulties are unsure of what supports are available, or where to find help, so these types of programs have been invaluable, especially when they are voluntary.

The way that the trials were run, and their positive approach to the young parents (e.g., the scheme was re-named from “teenage mothers” to “young parents” may have been a key to its success, as it appears to have been positively engaging with young parents as opposed to demonising them. DHS has advised that many young people are unaware of the help available, and this scheme has had success in linking vulnerable young people to services and supports. NWRN looks forward to reading the evaluation of this program.

Recommendation: Programs that support vulnerable young parents and young people should engage positively with participants and should be voluntary.
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6.5 Mutual Obligation: opportunities and limits

Government has talked a lot about mutual obligation recently, in terms of requiring job seekers to look for 40 jobs per fortnight and to undertake Work for the Dole (WFTD) in certain circumstances. Over \$900 million is being spent on WFTD, which appears to be the main employment program to be rolled out by the Government.

Mutual obligation is a two-way street. Government and business – both large and small – have an obligation to provide income support, access to housing for disadvantaged people, sufficient training, work experience and wage subsidy programs to ensure people are ready and able to enter employment.

Government and business also has an obligation to adopt employment targets for employing vulnerable job seekers and people with disabilities. The Forrest Review suggests the adoption of employment targets for people from Indigenous backgrounds; this is positive. Some business organisations have undertaken specific programs to help disadvantaged job seekers. While these are welcome, unless there is massive expansion of such schemes, they will unfortunately not solve the significant problems of unemployment and under-employment. Small business needs to be better engaged in providing employment opportunities.

Government itself needs to lift its game on a number of fronts. It is counterproductive to dismiss job seekers on the whole as lazy ‘bludgers’ or ‘job snobs’ then expect employers to offer them employment.

The Federal Government also needs to lift its game by setting measurable targets for the employment of people with disabilities in the public service.

Employment and people with disabilities

Many people with disabilities want to work, but are not offered the right assistance and cannot overcome workplace discrimination. More effective assistance is needed to get people with disabilities working.

The labour force participation rate for people with disability in 2009 was only 54%, significantly lower when compared to people without a disability, which stood at 83%. Since that time it is estimated to have fallen further, to just 53%. People with disability who do participate in the labour force are more likely to be unemployed. In a recent comparison with other OECD countries, Australia ranks 21st out of 29 in employment participation rates for people with a disability.

The lack of employment opportunities for people with disability is the major reason why almost half of all people with disability in this country are living near or below the poverty line.

Very few people in receipt of the DSP are aware of, and seek assistance from mainstream employment services that are provided across the country by Job Services Australia.

At September 2013, there was just 2,669 Disability Support Pensioners accessing employment assistance through Job Services Australia, from a total caseload of 758,970 people.⁴²

6.7 The limits of ‘mutual obligation’

The Interim McClure Report talks about obligations that influence ‘particular behaviours’ and supports that require people to ‘change behaviours’. NWRN believes that there should be clear limits and rules in relation to participation and mutual obligation requirements, and that participation requirements must only be required if they will enhance a person’s employment prospects.

Recommendations:

That participation requirements for people receiving income support be reasonable and be genuinely negotiated and tailored.

That temporary ‘participation’ exemptions be available if required.

That participation requirements be the subject of regular review.

That participation requirements be subject to a review and appeals system.

That participation requirements be limited only to activities that improve an individual’s job prospects.

That participation requirements do not include the requirement to undertake medication or treatment, and do not include the regulation of social behaviour, or care of children.

That the Government does not impose discriminatory or arbitrary rules on people reliant on income support.

⁴² Source: Senate Standing Committee on Education and Employment, Questions on Notice, Supplementary Budget Estimates 2013-2014, Question No. EM0103_14

7 Job seeker compliance and financial penalties

NWRN notes with a degree of concern the suggestion in the *Interim report of the Reference Group on Welfare Reform* that consideration be given to allow employment service providers “greater management of sanctions, including suspension penalties.”⁴³ The application of a consistent approach by the Department of Human Services, with transparent, open and accountable processes and decision-making is an important, long-standing feature of all compliance regimes.

Any moves to divest decision-making about an individual’s access to income support to the network of 2000 employment service providers is risky and fraught with complexity. The key issue is that of the availability of the necessary skillsets and that the Department of Human Service employees are best-trained and most knowledgeable for making important decisions affecting income support.

Turning employment service providers into decision-makers who will be responsible for making decisions that deny people income support will necessitate their involvement in quasi-legal disputes, appearing at appeal hearings, etc, and it will also undermine the positive nature of their engagement with job seekers which is critical to finding employment. Off-loading decision-making may also reduce the consistency of decisions.

Recommendation: That the Government maintain the core elements of the existing compliance arrangements and does not divest management of sanctions to employment service providers.

Income Management – an expensive & non-essential program

Under income management a half or more of a person’s Centrelink payments can only be used to purchase a prescribed list of goods and services that are authorised by Centrelink. Compulsory income management is on most occasions imposed on the basis of the type of payment the person receives, as opposed to any objective assessment of financial hardship or an inability to manage their financial affairs.

At November 2013, there were 23,996 people subject to income management Australia-wide. Almost three-quarters were mandatory participants, with 26% voluntary participants in the scheme.⁴⁴

There were 18,892 people are under income management at October 2013 in the Northern Territory.

Six years into the intervention, and three years after the *Racial Discrimination Act* was restored, nine out of every ten people subject to the welfare quarantine are Indigenous income support recipients, while the number of people on ‘voluntary’ income management’ continues to decline. Voluntary participation fell from 4,560 in April 2011 to 3,770 in October 2013, a fall of 18%. Just 34 people have managed to achieve the maximum \$500 in savings to qualify for the ‘matched savings’ scheme.

Nationally, hundreds of millions of dollars has been spent on income management to date without hard evidence that income management is having a positive impact on people’s lives. The cost of income managing some people is over 60% of the basic yearly rate of the Newstart Allowance. At July 2014, Income Management will have cost \$1 billion according to estimates by the Parliamentary Library.⁴⁵

Critically, no evidence has been presented that quarantining half of a person’s income support reduces unemployment or long term reliance on social security payments.

⁴³ McClure, P. *A New System for Employment and Social Outcomes: Interim report of the Reference Group on Welfare Reform*, 2014, p. 81.

⁴⁴ Senate Community Affairs Committee, Op Cit, 2013-14 Supplementary Estimates Hearings, Question No. 228.

⁴⁵ Buckmaster, L. Ey, C and Klapdor, M. *Income management: an overview, Background Note*, Parliamentary Library, June 2012, p. 40.

The lack of evidence regarding the effectiveness of income management and the high cost of administration – of up to \$7,900 per person each year – should act as a constraint on moves to expand the scheme more widely.⁴⁶

Recommendation: That the Government abolish Compulsory Income Management and introduce a genuinely voluntary scheme of income management for people who believe they would benefit from this program.

Concluding Remarks: Urgent priorities for social security reform

Through this submission we have argued that by addressing the issue of adequacy of payments, other problems with our income support system, including some aspects of complexity, can be fixed. While there are no quick fixes, there are, some urgent steps that the Government can take now, to simplify the system and, in the process, improve the living standards and improve opportunities for people to find employment.

1. Steps must be taken to address extreme poverty and reduce the gap between pensions and allowances. The single rates of Newstart and Allowances, including payments for student and payments for young people living independently, need to be increased by \$50 per week.
2. Payments for single parents with older school age children should be increased to allow parents to meet the costs of raising older children.
3. Maximum rates of Rent Assistance should be increased by 30% (\$20 per week for a single person living alone) and indexed to national movements in median rents. The “sharers” rules, which cut the rate of Rent Assistance by a third, should be abolished.
4. The Government must consider visionary, bold and radical approaches to addressing the growth in long term unemployment. Instead of schemes like Work For The Dole, should be abandoned and replaced by a Jobs Guarantee for every Australian who has been out of work for 24 months. Within years, a Jobs Guarantee should be offered to every job seeker who has been out of work for more than 12 months
5. The Government should establish a Welfare Improvement Network to drive a comprehensive simplification review of eligibility requirements for current income support and supplementary payments over the next 12 months, in consultation with community stakeholders, academics, other experts and, most importantly, people who actually receive these payments.

⁴⁶ Australian National Audit Office, ANAO Audit Report No. 19 2012–13, *Administration of New Income Management in the Northern Territory*, 2013, p. 94.

Attachment 1: Examples of recent media coverage on ‘welfare reform’

Name of article	Publication	Link to article
Dole bludgers sleep through job interviews as work ‘doesn’t pay enough’	The Courier Mail 25 July 2014 Renee Viellaris	http://www.couriermail.com.au/news/queensland/dole-bludgers-sleep-through-job-interviews-as-work-doesnt-pay-enough/story-fnihsrf2-1227000756715 <i>“BLUDGERS are refusing jobs and staying on the dole because they can’t be bothered getting out of bed for interviews or work they are offered does not suit their lifestyle.”</i>
Newstart jobless benefits started in 1991 and some Queenslanders have been pocketing it ever since	The Courier-Mail Christopher Gillett June 04, 2014	http://m.theaustralian.com.au/news/newstart-jobless-benefits-started-in-1991-and-some-queenslanders-have-been-pocketing-it-ever-since/story-e6frg6n6-1226942191166
Welfare bludgers	ACA Video 6 June 2014	http://aca.ninemsn.com.au/article/8479513/welfare-bludgers
Australia's worst welfare cheats	ACA Video 2 June 2014	http://aca.ninemsn.com.au/article/8853874/australias-worst-welfare-cheats
Left would rather wreck than work	The Telegraph Miranda Devine 20 May 2014	http://blogs.news.com.au/dailytelegraph/mirandadevine/index.php/dailytelegraph/comments/left_would_rather_wreck_than_work/
Has the government gone soft on welfare cheats?	ACA Video 22 April 2014	http://aca.ninemsn.com.au/article/8833606/has-the-government-gone-soft-on-welfare-cheats
Job snobs who refuse work because it’s too far to travel are in the sights of the Federal Government as they look to overhaul system	Samantha Maiden The Sunday Telegraph March 01, 2014	http://www.dailytelegraph.com.au/news/nsw/job-snobs-who-refuse-work-because-its-too-far-to-travel-are-in-the-sights-of-the-federal-government-as-they-look-to-overhaul-system/story-fni0cx12-1226842226339
Jobless face no dole if they ditch work	The Cairns Post 27 January 2014 Natasha Bitra	http://www.cairnspost.com.au/news/cairns/jobless-face-no-dole-if-they-ditch-work/story-fnjpusyw-1226811087270
Major overhaul for our disability support pension scheme to crack down on cheats	Samantha Maiden The Sunday Telegraph December 22, 2013	http://www.dailytelegraph.com.au/news/nsw/major-overhaul-for-our-disability-support-pension-scheme-to-crack-down-on-cheats/story-fni0cx12-1226788092542

