



**JESUIT SOCIAL SERVICES  
RESEARCH POLICY AND ADVOCACY UNIT**

**SUBMISSION**

**Education, Employment and Workplace Relations  
References Committee – The adequacy of the allowance  
payment system for jobseekers and others, the  
appropriateness of the allowance payment system as a  
support into work and the impact of the changing nature of  
the labour market**

## Introduction

Jesuit Social Services welcomes the opportunity to make a submission to the committee regarding the adequacy of the allowance payment system for jobseekers and others.

Jesuit Social Services works to build a just society by advocating for social change and promoting the health and wellbeing of disadvantaged people, families and communities. We work with many people who rely on the Commonwealth allowance payment system to meet their most basic needs. Amongst this group are individuals involved in the criminal justice system, young people with drug and alcohol or mental health issues, refugee and migrant communities, as well as residents of areas with high levels of public housing.

We work to build the capacity of these individuals through services such as the following:

- Brosnan Services – provides holistic support services for both young people and adults existing prisons, who face multiple and complex problems.
- Connexions – provides intensive outreach support and counselling programs to young people with a "dual diagnosis" of mental illness and substance misuse.
- Western Sydney Program – In partnership with the community in Mount Druitt we run projects including a community store and cafes which offer services as well as opportunities to members of the local community, especially in the areas of training and employment.
- The African Australian Inclusion Program – a professional work experience and training program for qualified African-Australians, providing six months paid workplace experience at the National Australia Bank.
- Jesuit Community College - provides an alternative training and educational pathway for young people and others across our community.

Our work with disadvantaged and socially excluded individuals and communities provides the basis for this submission. We believe that the allowance payment system needs to be reformed in order to better deliver for individuals with multiple and complex needs. In particular, we believe that the basic rate of payment for Newstart Allowance needs to be raised in line with the recommendations of the Henry Tax Review and the current campaign being led by the Australian Council of Social Services.

Through our experience and research we have come to understand the immense cost of living pressures being faced by vulnerable individuals and families, many of whom receive allowance payments. We have seen how the costs of food, energy, housing, drug and alcohol treatment, transportation, and infringements cannot be covered by the current rates of payment of allowances. We have also seen how many individuals with multiple and complex needs resort to high-interest short-term loans just to meet the basic costs of day to day living. These debts often combine cost of living pressures and a lack of financial management skills. The end result is, that instead of making progress to realise their aspirations, vulnerable individuals on allowance payments are stuck in a cycle of disadvantage and social exclusion.

We have also seen how the rules, processes and levels of support within the allowance payment system are not appropriate for individuals with multiple and complex needs. The system needs to be made fairer and more flexible so that these individuals can develop their skills and capacity in order to realise their aspirations and become more active members of the community. Bringing greater levels of flexibility into the system will also allow it to be more responsive to a contemporary labour market that is insecure and requires a greater level of high skilled labour.

## Who we are and what we do

Jesuit Social Services works to build a just society by advocating for social change and promoting the health and wellbeing of disadvantaged people, families and communities. Our service has its origins in work with disadvantaged young people involved with the justice system in Victoria.

We do this by intervening directly to address disadvantage and by influencing hearts and minds for social change. We strengthen and build respectful, constructive relationships for:

- Effective services - by partnering with people most in need and those who support them to address disadvantage
- Education - by providing access to life-long learning and development
- Capacity building - by refining and evaluating our practice and sharing and partnering for greater impact
- Advocacy - by building awareness of injustice and advocating for social change based on grounded experience and research
- Leadership development - by partnering across sectors to build expertise and commitment for justice

Jesuit Social Services values every person and seeks to engage with them in a respectful way, that acknowledges their experiences and skills and gives them the opportunity to harness their full potential. Jesuit Social Services works where the need is greatest and where it has the capacity, experience and skills to make the most difference.

The promotion of **education, lifelong learning and capacity building** is fundamental to all our activity. We believe this is the most effective means of helping people to reach their potential and exercise their full citizenship, and to strengthen the broader community.

Our service delivery and advocacy focuses on the following key areas:

- **Justice and crime prevention** – people involved with the justice system
- **Mental health and wellbeing** – people with multiple and complex needs and those affected by suicide, trauma and complex bereavement
- **Settlement and community building** – recently arrived immigrants and refugees and disadvantaged communities
- **Education, training and employment** – people with barriers to sustainable employment

Currently our direct services and volunteer programs are located in: Victoria, New South Wales and Northern Territory. Services include:

- **Brosnan Support Services:** supporting young people and adults in the justice system, and assisting them to make a successful transition from custody back into the community. Within the suite of services are Perry House, Dillon House and Youth Justice Community Support Services.
- **Jesuit Community College:** increasing opportunities for people constrained by social and economic disadvantage to participate in education, work and community life and reach their full potential.
- **Community Programs:** working with people, including the African Australian and Vietnamese communities, on public housing estates across metropolitan Melbourne.
- **Community development:** delivering social enterprise and other activities in the area of Mount Druitt, Western Sydney.
- **Connexions:** delivering intensive support and counselling for young people with co-occurring mental health, substance and alcohol misuse problems.
- **Artful Dodgers Studios:** providing pathways to education, training and employment for young people with multiple and complex needs associated with mental health, substance abuse and homelessness.
- **Community Detention Services:** delivering case management support to asylum seekers, including unaccompanied minors, in community detention.
- **Support After Suicide:** supporting people bereaved by suicide, including children and young people.
- **The Outdoor Experience:** offering an alternative treatment service through a range of outdoor intervention programs for young people aged 15 – 25 years, who have or have had issues with alcohol and/or other drugs.
- **Capacity building:** activities in Alice Springs.
- **Just Leadership:** working in partnership with community and corporate enterprises to foster leadership for a just society.
- **Jesuit Social Services volunteers:** provides the opportunity for individuals to make a difference in the community through a range of opportunities.

Research, advocacy and policy are advanced through our Policy Unit, coordinating across all program and major interest areas of Jesuit Social Services.

## Detailed responses to the Inquiry's terms of reference

(a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care.

*Jesuit Social Services' Position:* The current allowance payments system must be reformed. In particular, the rate of payment of Newstart must be increased so that it can better meet the needs of the most vulnerable members of our community. Through our experience and research we have come to understand the immense cost of living pressures being faced by vulnerable individuals and families including the costs of food, housing, drug and alcohol treatment, transportation and infringements cannot be covered by the current rates of payment of allowances.

### ***The adequacy of Australia's allowance payment system***

The allowance payment system is one component of a broader framework of institutions and support services that promote a more inclusive society by providing a basic safety net for members of our community. From our experience working with disadvantaged individuals and communities we have seen the vital role that the allowance payment system plays in protecting vulnerable people from severe poverty and deprivation. Furthermore, Jesuit Social Services' research into locational disadvantage has allowed us to better understand how the allowance payment system interacts with disadvantaged communities. This research, undertaken in partnership with Professor Tony Vinson, revealed the complex and overlapping nature of deprivation and social exclusion in Australia's most disadvantaged communities.<sup>1</sup> This included high levels of long-term unemployment, low income levels,<sup>2</sup> higher levels of disability and sickness, child maltreatment and criminal convictions, as well as poor performance in educational attainment<sup>3</sup> and measures of early childhood development.<sup>4</sup> There are significant social and financial costs associated with the complex and entrenched disadvantage chronicled in our research. An example is recent analysis by Access Economics for the Victorian government which calculated (conservatively) that the lifetime costs of child abuse was likely to be somewhere in the order of \$293,000 per child.<sup>5</sup> This enormous cost emphasises the important role that the allowance payment system plays within a broader whole of government response to alleviating disadvantage.

Of immediate concern is whether the allowance payment system adequately fulfils its role in alleviating disadvantage and promoting social inclusion. The answer for the most part is yes; Australia's allowance payment system has, historically, directed income support to individuals and families with high levels of need. However, Jesuit Social Services believes that the system can be improved. We urge the committee to take as a starting point for reform the recommendations in the

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<sup>1</sup> Tony Vinson, 2007, *Dropping off the Edge*, pg 47

<sup>2</sup> Ibid, pg 47.

<sup>3</sup> Ibid.

<sup>4</sup> Julie Boffa, 2012, 'Recognising early triggers for action to improve outcomes for young people in the justice system', Presentation at the Connect Conference, Melbourne, 25 June 2012.

<sup>5</sup> Hon Philip Cummins, Prof Dorothy Scott, Bill Scales, 2012, 'Report of the Protecting Victoria's Vulnerable Children Inquiry' pg 51.

Henry report into the tax system regarding increases to the rates of payment for participation payments (Newstart and Youth Allowance) and indexation consistent with pension payments.<sup>6</sup> We fully support the campaigning of the Australian Council for Social Service (ACOSS) to have these recommendations acted upon. We are well aware of the significant research undertaken by the community sector that demonstrates the inadequacy of current rate of payment of Newstart Allowance.<sup>7</sup> Reforms to allowance system, on their own, will not provide a solution to disadvantage and social exclusion, as the Henry Tax Review acknowledged, ‘...if poverty has dimensions beyond income then an income support system will not be sufficient to eliminate it.’<sup>8</sup> This points to the need for effective services and support in areas such as disability, mental health and education, within a context of community capacity building and strengthened employment pathways.

### ***Inadequate rates of payment – the experience of individuals with multiple and complex needs***

Jesuit Social Services works with people involved in the justice system, individuals with drug and alcohol problems, those affected by mental illness, young people at risk of homelessness, as well as refugee and newly arrived migrants. Many of these individuals are recipients of allowance payments. The inadequacy of allowances often presents a barrier which hinders the ability of our clients to realise their aspirations and more fully participate in the life of the community. Below are some issues that illustrate the costs of living pressures for individual with multiple and complex needs who receive allowance payments:

- **Pharmacotherapy:** Many of the individuals we work with who are exiting prison struggle to deal with drug addiction. A key treatment for drug addiction is pharmacotherapy. There is compelling evidence that pharmacotherapy is one of the most effective treatment options for opioid dependence.<sup>9</sup> In Victoria, prisoners are able to access pharmacotherapy through the Prison Health Service and this treatment is funded for the first four weeks after release. After this period of time prisoners, like the rest of the community, can have access to this therapy, prescribed through community health centres or registered doctors, and dispensed by chemists. However, there are significant costs for pharmacotherapy. These costs impact upon our clients and other recipients of allowance payments. This is a significant proportion of users of pharmacotherapy with research estimating that two thirds of Victorian methadone clients are unemployed.<sup>10</sup> Around 80% of users pay for treatment, with payments ranging from \$15 to up to \$70 per week.<sup>11</sup> For a single person on Newstart Allowance this could range from 6% of their weekly income right up to a staggering 29%. This often requires therapy users to make difficult choices in order to meet the costs of treatment. A study found that, in order to meet the costs of treatment, pharmacotherapy

<sup>6</sup> Commonwealth of Australia, 2010, ‘Australia’s Future Tax System – Report to the Treasurer’, pg 487.

<sup>7</sup> See, Australian Council of Social Service (ACOSS), 2012, ‘Who is missing out? Material deprivation and income support payment’.

<sup>8</sup> Commonwealth of Australia, above n.6, pg 487.

<sup>9</sup> Victorian Alcohol and Drug Association (VAADA), 2011, ‘Pharmacotherapy’, pg 2. Alison Ritter and Jenny Chalmers, 2009, Polygon – the many sides to the Australian opioid pharmacotherapy maintenance system, pg ii.

<sup>10</sup> Alison Ritter and Jenny Chalmers, above n.9, pg 19.

<sup>11</sup> Ibid.

users often went without food, sought emergency services, committed crimes, or took out loans from Centrelink or their pharmacy.<sup>12</sup> A means to deal with the costs of pharmacotherapy would be to include it under the Pharmaceutical Benefits Scheme. Until this occurs, the cost pressures remain on individuals accessing this type of therapy. Increasing the rate of allowance payments would alleviate some of these pressures and may actually generate some net social benefit as the risk of re-incarceration is reduced by 70 % if inmates on (pharmacotherapy) treatment continue in treatment for eight months upon their release.<sup>13</sup>

- *Housing costs:* Jesuit Social Services supports individuals coming out of prison into transitional and public housing, we also work with public housing communities in Melbourne. From our work with these communities, we are aware that housing costs are a major issue for low income earners, and allowance payment recipients more particularly. In Victoria the average weekly cost of rental property has risen by 83% per year over the past 10 years<sup>14</sup> and can take up to 50% of household income.<sup>15</sup> Rises in rental costs have been coupled with a shortage of supply of affordable rental properties. At present in Victoria, a single Newstart Allowance recipient can afford only 2.8% of available rental properties.<sup>16</sup> Lack of affordability in the private market also has consequences for public housing with public housing tenants we work with in Melbourne noting that lack of affordability in the private market inhibited them from transitioning out of public housing. Increasing the rate of allowance payments will provide some alleviation for these costs. More importantly, major reform to Commonwealth Rental Assistance, as outlined in the Henry Review into taxation, should be considered. If implemented, these reforms would ease rental costs for allowance recipients, but would also help alleviate some of the supply and demand problems in state public housing systems.
- *Getting around:* The individuals that we work with often have multiple activities and commitments that they must meet in order to deal with the multiple and complex barriers to social inclusion that they face, let alone participate in the normal interactions of daily life. In any one week, a young person on one of our youth justice programs might be expected to attend sessions with their case worker, drug and alcohol counselling, appointments with Centrelink and the Office of Housing, and activities at a College. The cost of transport to these different commitments can be costly. Even with concession cards, public transport in a city like Melbourne can cost up to \$6.30 per day or \$27.70 for a weekly pass. Significantly, the costs of fares in Melbourne have risen at a significantly greater rate than the CPI over the past two decades, with research from the Victorian Public Transport Users Association showing that fares have risen at double the rate of inflation.<sup>17</sup> Research has confirmed the existence of 'transport disadvantage' in Australia with 9.9% of individuals in the lowest

<sup>12</sup> Ibid, pg 20.

<sup>13</sup> Ibid, 60.

<sup>14</sup> Department of Human Services (Victoria), 2012, Pathways to a Fair and Sustainable Social Housing System – Discussion Paper, pg 20.

<sup>15</sup> Ibid, pg 19.

<sup>16</sup> Department of Human Services (Victoria), Current Rental Report - March Quarter 2012, Table 9.

<sup>17</sup> Public Transport Users Association (Victoria), 2012, '[Fares rising at almost double the rate of inflation](#)'.

income quintile experience difficulty in getting to places they need to visit.<sup>18</sup> Evidence suggests that these problems are more acute in outer urban areas which have concentrations of lower income households and inadequate public transport services.<sup>19</sup> The inability of individuals with multiple and complex needs to meet the costs of transport can result in them failing to access support services and runs the risk of entrenching their social exclusion.

- *Debt repayments/payday lending:* An inability to meet the basic costs of living often leads individuals who we work with to take out small loans with high levels of interest repayments. Our clients are part of the 39% of the population who do not have access to mainstream credit products from financial institutions.<sup>20</sup> Their low rate of income, combined with often chaotic lives and low financial management skills often result in them becoming trapped in cycles of debt related to small loans. Their experiences are supported by research which estimates that 46% to 50% of small loan customers are in receipt of government benefits.<sup>21</sup> The Federal Government has recognised some of the problems associated with payday lending, most notably the fact that a reciprocal relationship between low incomes and financial exclusion can contribute to ongoing and reinforcing social exclusion. The Government has outlined a range of initiatives to address the problem of small loans. Already a great deal of research, advocacy and innovation through microfinance has been undertaken in this area by GoodShepherd Youth and Family Services. However, raising the rate of allowance payments would provide a comprehensive way to alleviate some of the cost of living pressures that often lead people to small loan vendors. Indeed, in a survey of users of small loan customers, 43% expressed the view that increasing Centrelink payments would help people on low incomes avoid the small loan market.<sup>22</sup>
- *Fines and infringement notices:* Some of the individuals we work with have significant histories of involvement in the criminal justice system. These individuals often have outstanding fines and infringement notices. Research suggests that disadvantaged people are more vulnerable to receiving fines and accruing multiple fines.<sup>23</sup> We have seen this in practice with individuals we work with receiving fines for not being able to pay tickets on public transport. The misdemeanours that lead to fines should not be excused, however fines have a disproportionate impact upon the recipients of allowance payments.<sup>24</sup> In Victoria, fines include driving unlicensed \$352.10, cycling without a helmet \$176.05, failing to hold a valid ticket on public transport \$207.00, and possessing an open container of liquor on public transport \$207.00. There are mechanisms by which individuals can have fines withdrawn if they meet special circumstances. However, the criteria and processes required to have fines withdrawn is often quite restrictive as illustrated by the fact that, in 2010-11

<sup>18</sup> Ibid.

<sup>19</sup> Ibid, pg 3.

<sup>20</sup> Centre for Social Impact, 2012, 'Measuring financial exclusion in Australia', National Australia Bank, Pg 30.

<sup>21</sup> The Treasury, 2012, 'Strategies for reducing reliance on high-cost, short term, loan amount lending – Discussion paper', Pg ix.

<sup>22</sup> Marcus Banks, 2011, 'Caught Short: Exploring the role of small, short term loans in the lives of Australian 0-interim report', RMIT & University of Queensland, Pg 22.

<sup>23</sup> Ibid.

<sup>24</sup> Law and Justice Foundation of New South Wales, 2008, 'Fine but not fair: Fines and disadvantage', pg 1.



only 0.15% of fines in Victoria were withdrawn due to special circumstances.<sup>25</sup> Low income individuals present a challenge the integrity of infringement systems as their inability to pay undermines the system.

### ***The cost of food – Research by Jesuit Social Services***

Jesuit Social Services works to improve the health and wellbeing of individuals and communities we work with and are aware of the importance of nutrition. We have become increasingly concerned with the affordability and accessibility of nutritious food for marginalised individuals and communities. Our concern about this issue led us to partner with Dr Claire Palermo of Monash University, Prof Tony Vinson of Sydney University, and students from Monash University to complete a research project into the cost of nutritious food in Victoria.<sup>26</sup> This study built on our earlier work with Professor Vinson on locational disadvantage in Australia. Using the Victorian Healthy Foodbasket, a tool developed by Dr Palermo to assess the affordability of a healthy diet over time, we explored whether the cost of nutritious food varied between areas of advantage and disadvantage. Our researchers visited a sample of grocery stores across Victoria and calculated the cost of a Victorian Healthy Foodbasket at each location. The findings of this research are summarised in table 1.

**Table 1**

<b>Average fortnightly cost of a Victorian Healthy Food Basket</b>	<b>Family of 2 adults and 2 children</b>	<b>Single parent family with 2 Children aged 5-12 years)</b>	<b>Single Adult</b>	<b>Elderly adult</b>
Disadvantaged areas (mean cost)	\$448.5	\$307.5	\$141	\$108
Comparatively advantaged areas (mean cost)	\$429.5	\$295	\$135	\$103.5
Disadvantaged areas - Major City	\$422.5	\$289.5	\$133.5	\$101.5
Disadvantaged areas - Inner Regional	\$457.5	\$313	\$144.5	\$110
Disadvantaged areas - Outer Regional	\$484.5	\$333	\$151	\$117.5

The average costs of a Victorian Healthy Foodbasket will take up a significant proportion of the fortnightly payments for allowance recipients. The rate of payment and percentage taken up are represented in table 2.

<sup>25</sup> Victorian Attorney General's Department, 2011, 'Annual Report on the Infringements System', Pg 21.

<sup>26</sup> Alvina Christanti, Marisa Nastasi, Lisa Huyen-Lan Nguyen-Manh, Claire Palermo, Tony Vinson, 2012, 'Access to adequate nutrition: The costs of a standardised basket of food in socially disadvantaged and comparatively advantaged localities in Victoria', Jesuit Social Services.

**Table 2**

<b>Percentage of fortnightly income support to afford VHFB</b>	<b>Family of 2 adults and 2 children aged 5-12 years</b>	<b>Single parent family with 2 Children aged 5 -12 years</b>	<b>Single Adult</b>	<b>Single person receiving aged pension</b>
Weekly income from allowance payments (net of Rent Assistance)	<b>\$1,418</b>	<b>\$1022.76</b>	<b>\$489.70</b>	<b>\$695.30</b>
Disadvantaged areas (mean cost)	31.6%	30%	28.7%	15.5%
Comparatively advantaged areas (mean cost)	30.3%	28.8%	27.6%	14.9%
Disadvantaged areas - Major City	29.8%	28.3%	27.3%	14.6%
Disadvantaged areas - Inner Regional	32.3%	30.6%	29.5%	15.8%
Disadvantaged areas - Outer Regional	34.1%	32.6%	30.8%	16.9%

The research demonstrated that the mean cost of a Victorian Healthy Foodbasket in disadvantaged areas was consistently higher than in the relatively advantaged areas that were surveyed.<sup>27</sup> When our researchers considered the results of the survey in more detail, three further findings became clear:

1. The costs of a healthy foodbasket varied within particular areas and this variation is usually dependent on whether or not there is a major chain supermarket in the area. Areas without major chain supermarkets had higher average prices.<sup>28</sup>
2. Regional and remote areas had higher food costs than urban areas, and for the most part, the cost of food in rural disadvantaged locations contributed to the higher average costs for disadvantaged people.<sup>29</sup> In metro or large regional areas with access to large chain supermarkets, food costs were often cheaper than in more advantaged areas. Regardless, when the cost of food is considered as a proportion of income (Table 2), nutritious food is a far less affordable commodity in disadvantaged than advantaged areas. The combination of remoteness and the absence of a 'major supermarket chain store' resulted in much higher than average food prices. Higher food prices in regional and remote areas are particularly concerning as accessing more affordable food can be both costly and difficult.
3. There was a select number of disadvantaged postcodes where the cost of food baskets was highest (Postcodes: 3984, 3177, 3713, 3472, 3595).<sup>30</sup> The average across these areas was \$47 per fortnight higher than the overall average for disadvantaged areas. Notably, four of the five (excluding 3177) were in regional and remote Victoria and do not have a major chain

<sup>27</sup> Ibid, pg 7.

<sup>28</sup> Ibid, pg 9.

<sup>29</sup> Ibid, pg 11.

<sup>30</sup> Ibid, pg 7.

supermarket within 20kms. These are amongst the most disadvantaged postcodes in Victoria on a range of factors, with earlier research by Jesuit Social Services and Professor Vinson finding that they were in the 2.4% most disadvantaged postcodes in Victoria. The unemployment rate in these areas is high, with data from the 2006 census showing unemployment in these areas ranged between 7% and 13% at a time when the unemployment rate in Victoria was 5.4%. For unemployed individuals and families in these areas there would be major challenges to access affordable food and without incurring transport costs.

The findings illustrate the choices that individuals and families who receive allowance payments are required to make regarding how best to utilise the limited income that they have. The relatively high percentage of income required just to meet their basic nutritional needs is concerning, as this is only one of several regular areas of expenditure. The decision as to what food to purchase will be balanced with expenditure on housing, transport, utilities, healthcare, children, and other items.<sup>31</sup> Our concern is that limited funds will result in sacrifices to expenditure on nutritious food. This raises the risk of health issues resulting from poor diet and nutrition.<sup>32</sup> There are ways in which more affordable food can be provided to individuals on low incomes. In Mount Druitt, Western Sydney, Jesuit Social Services runs a community store which provides low cost food and groceries to members of the local community as well as operating as a retail training centre for local residents. Independent research has demonstrated that the community store has the lowest price of a basket of groceries in the local area. Social Enterprise, like Jesuit Social Services Mount Druitt store offers one way to ease cost of living pressures, however increases to allowance payments will have the capacity to ease pressures for a wider range of individuals and families who may not have access to low cost alternatives.

### ***Research into the cost of energy for disadvantaged households***

Jesuit Social Services is currently in the early stages of a research project looking at how energy pricing structures impact upon disadvantaged households. From our review of literature in this area we know that on average, electricity prices in Australia rose by approximately 35% over the past 3 years.<sup>33</sup> Data from New South Wales and Queensland confirm that households in the lowest income quintile spend a greater portion of their income on energy prices (see Figure 1 below).

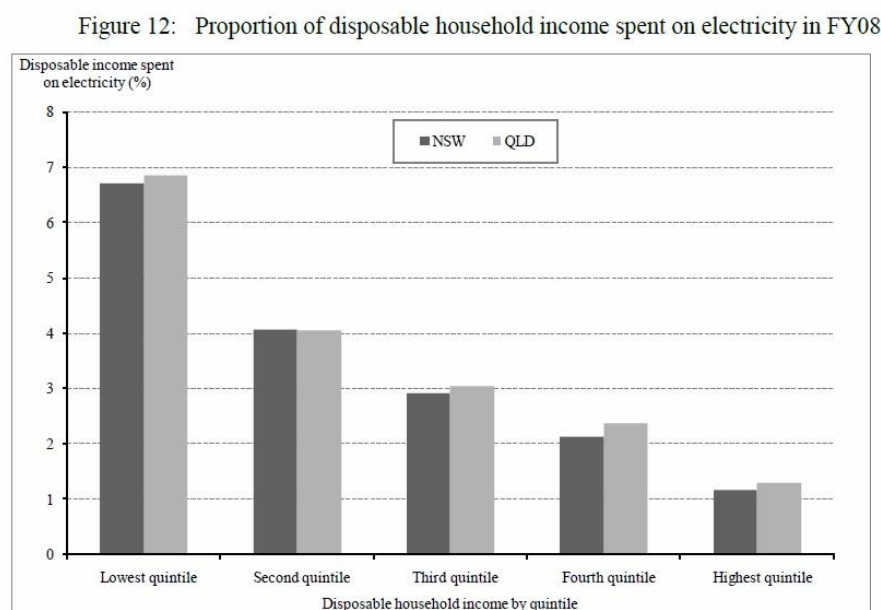
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<sup>31</sup> Ibid, pg 12.

<sup>32</sup> Ibid.

<sup>33</sup> The Treasury, 2011, 'Strong growth low pollution: modelling a carbon price', pg 114 (chart 4.17).

**Figure 1 Differential impacts of electricity expenditure on disposable income<sup>34</sup>**



The adverse and disproportional impacts of energy usage and pricing on disadvantaged households is well documented.<sup>35</sup> While the government has taken steps to offset the introduction of the price on carbon, there are inherent imbalances that pre-exist in the use and pricing of electricity that have cumulatively detrimental impacts for the poorest in our community. This includes minimal capacity to take action to insulate homes, or implement other energy efficient measures, in largely rental accommodation; and lack of capacity to purchase, frequently more expensive, energy efficient appliances, in particular, household necessities such as white-goods. Broadly this cumulative drain on disposable income is known as ‘fuel poverty’ and is increasingly linked to health impacts, even death, of the most vulnerable in our community, the frail and elderly, at times of climate extremes – whether this be cold or heat.

Given the essential nature of electricity, government recognises this burden and has in place a range of concessions and payments to assist the most disadvantaged. In Victoria, the list is long and includes through the department of Human Services (DHS), several concessions for holder of health care cards, pensioner concession cards and Department of Veterans Affairs gold cards. The long list of payments include annual electricity concessions, winter energy concession, service to property charge concession, the medical cooling concession, and the life support machine electricity concession. There are also arrangements in place at a national level requiring energy retailers to implement hardship repayment plans. However, there is evidence from the community sector that repayment hardship programs not used.<sup>36</sup> This evidence, combined with the complex concession and

<sup>34</sup> Simshauser P, Nelson T and Doan T, 2010, ‘The Boomerang Paradox: how a nation’s wealth is creating fuel poverty - and how to defuse the cycle’. AGL Applied Economic & Policy Research, Working Paper No.17 – Boomerang Paradox , pgp.21.

<sup>35</sup> See work by the Brotherhood of St Laurence , <http://www.bsl.org.au/Equity-and-climate-change>; and St Vincent de Paul Society, <http://www.vinnies.org.au/social-justice-national?link=55>.

<sup>36</sup> The Treasury, 2012, ‘Strategies for reducing reliance on high-cost, short term, loan amount lending – Discussion paper’, pg 13.

payments system which has differing eligibility criteria, means that there are risks that not all of the additional costs borne by households on lower incomes will be offset.

**(b) the appropriateness of the allowance payment system as a support into work, with particular reference to:**

- (i) the effectiveness of the payment as an incentive into work,**
- (ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and**
- (iii) the impact of the differences between pensions and allowances on the transition between working and other activities**

*Jesuit Social Services' Position:* Whilst the allowance payment system provides a basic level of support that supports most recipients whilst they are out of work, the rules and processes of the system are often not appropriate for the people that Jesuit Social Services work with. These individuals often face complex barriers to employment. The allowance payment system needs to be made fairer and more flexible so that they are able realise their aspirations and become more active members of the community.

The allowance payment system provides most recipients with a basic level of support and incentives so that they can enter or return to work. This conclusion is supported by statistics showing that most individuals who receive Newstart Allowance do so for a relatively short period of time.<sup>37</sup> The successful role played by the allowance system should be recognised; without it is likely that many individuals and families in difficult circumstances would not have the means move forward with their lives. However, the allowance payment system is less successful in supporting individuals with multiple and complex needs to realise their aspirations and enter into work. Jesuit Social Services works with many of these individuals, and they are often part of the 24% of Newstart Allowance recipients who remain on income support for over two years.<sup>38</sup> It is important to note that while the system does not effectively support this group of people into work, it has a broader value as their primary source of income support. Without the safety net of allowance payments, these individuals would be at risk of chaotic and unsettled lives.

For individuals with multiple and complex needs, the allowance payment system is just one structural factor amongst a range of other individual and structural factors that affect their ability to work. Other factors that impact upon their ability to work include mental illness, drug and alcohol problems, low educational attainment as well as the stigma attached to the issues that they face. Despite these complex barriers and the slow nature of progress, many of the people we work with aspire to be able to enter employment and to participate more fully in the life of the community. However, progress towards realising these aspirations can take time and requires a great deal of resources. The current structure of the allowance system can inhibit these individuals as they seek to realise their goals and aspirations. One hindrance, noted above, are the low rates of payment which can limit important factors such as mobility and access to support services. Other issues that we have identified in our practice include:

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<sup>37</sup> Commonwealth of Australia, above n.6, pg 502.

<sup>38</sup> Ibid, pg 502.

- Procedural and participation requirements in the allowance system – The Henry Tax review noted the difference in payment rates between pension payments and allowances and the potential disincentive this might have for people to go on Newstart.<sup>39</sup> From our experience, another issue that arises from the difference between Newstart Allowance and the Disability Support Pension is the more onerous participation requirements and procedures that need to be complied with when on Newstart. The Henry Tax review noted that large numbers of transfers between benefits suggested a large group of people with a similar capacity to work on different types of benefits.<sup>40</sup> This is problematic, as an individual with multiple and complex needs may have a similar capacity for work as someone on payments where there are less stringent procedural requirements and activity tests. Another consequence of this is to make benefits with less stringent participation requirements more attractive. The procedural and activity requirements for Newstart Allowance recipients with multiple and complex needs to be reviewed and there must be greater levels of support to ensure that these individuals build their capacity to meet procedural and participation requirements.
- Transitions into and out of work – despite efforts to make the transition into and out of the allowance system more efficient and seamless, transition periods can still be problematic for individuals with multiple and complex needs. The waiting times to get back onto allowances are problematic for individuals who enter insecure work, this can act as a disincentive to work.<sup>41</sup> Furthermore, the tapering of benefits, unsettles many individuals on allowance payments who worry they will be left short once payments of income support cease. We acknowledge that efforts to ease the effects of tapering have been made by Centrelink. However, we believe that greater consideration needs to be accorded to making transition period more flexible. It can take time for individuals to settle in the labour market, and often there are setbacks, the allowance system needs to be responsive to this reality.
- Relationship to other payments and support services – the support and service system for individuals with multiple and complex needs is fragmented. These individuals often are involved with a range of agencies including Centrelink, State Housing Authorities, Job Services Australia Providers, and Health Services. Changes to employment status can affect levels of payments and support services precisely at a point in time where stability and support is required. Jesuit Social Services believes that greater integration of payments and support services is necessary and that individuals with histories of multiple and complex need to be transitioned out of support and service systems in a gradual manner.

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<sup>39</sup> Ibid, pg 507.

<sup>40</sup> Ibid, pg 504.

<sup>41</sup> Australian Social Inclusion Board, 2011, 'Breaking cycles of disadvantage', pg 36.

- (c) the impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the:
- (i) nature and frequency of individual interaction with the allowance payment system, and
  - (ii) over and underpayment of allowances to recipients.

*Jesuit Social Services' Position:* Changes to the labour market over the past 30 years make finding and sustaining work a greater challenge for individuals with multiple and complex needs. The allowance system needs to change to reflect the realities of today's labour market. The system also must interact more effectively with government services, the community sector, and the private sector on common initiatives that help individuals gain and sustain employment.

Over the past generation, the nature of the labour market in Australia has changed. The transition to a service based economy has resulted in less demand for unskilled labour.<sup>42</sup> Unsecure, temporary, and seasonal work has become more common.

These changes are particularly problematic for many of the individuals and groups that Jesuit Social Services works with. Competing in a labour market that values high skill levels is a major challenge for individuals who have been in prison with only 6.5% of male prisoners have completed secondary, trade or tertiary education.<sup>43</sup> Likewise, for the communities of refugees and migrants that we work with, the lack of fluency in English presents a barrier to employment. In the past, first generation migrants may have been able to find work in industries where english language fluency was not required. However, in the modern Australian labour market, english language fluency is a requirement for nearly all jobs.

The challenge in dealing with changes to the labour market is two fold. Clearly, the allowance system needs to change to reflect the nature of the labour market. More flexibility needs to be built into the system so as to make it possible for individual who are engaged in insecure and temporary work to undertake that work without being punished for it. There also needs to be a recognition that individuals often need to develop their skills before they are able to move into work. The allowance payment system should support individuals as they learn skills that will lead to employment.

Jesuit Social Services is aware of the challenge in building the skills of individuals with multiple and complex barriers. The Jesuit Community College works with low job skills facing barriers to participating in education, training and employment. For many of the College target group, the formal and structured requirements of even entry level programs within the education, training and employment sectors pose barriers to secure participation. The College provides foundational skills programs in a caring and supportive environment. This level of support is resource intensive and progress takes time. The allowance payment system needs to be more responsive to the needs of disadvantaged individuals and more effectively support them to engage with learning and skill development opportunities.

<sup>42</sup> Australian Social Inclusion Board, 2010, 'Addressing Barriers for Jobless Families', pg 15.

<sup>43</sup> Department of Justice Victoria, 2010, 'Statistical profile of the Victorian Prison System 2005-06 to 2009-10', pg 38.

Today's labour market requires innovative approaches to build the skills of individual through practical experience and training. Jesuit Social Services believes that private sector employers have a role to play in this, and that the allowance system must be flexible enough to offer some support individuals undertaking paid employment and training programs with private sector employers. One initiative is the award winning African Australian Inclusion Program, run by Jesuit Social Services in partnership with the National Australia Bank. This program links members of Melbourne's African communities with training and work experience opportunities within the NAB and has resulted in ongoing employment for 72 (90%) of participants. The allowance system needs to be flexible enough to support individuals undertaking this type of initiative and not act as a barrier to participation.