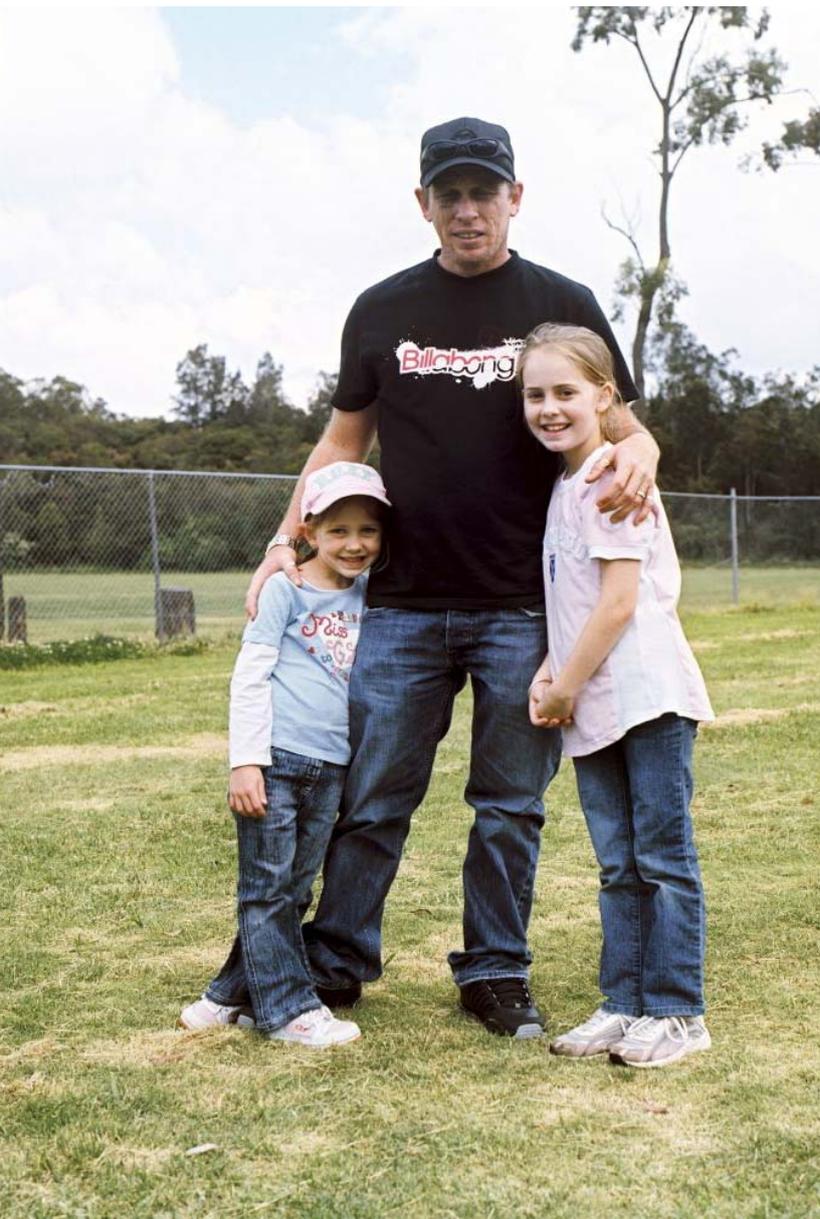


# Submission to the Senate Committee Inquiry into the adequacy of Newstart and other allowances

The Benevolent Society  
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The Benevolent Society

Level 1, 188 Oxford Street

Paddington NSW 2021

PO Box 171

Paddington NSW 2021

T 02 9339 8000

F 02 9360 2319

[www.bensoc.org.au](http://www.bensoc.org.au)

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## 1 Introduction

Thank you for the opportunity to contribute to the Education, Employment and Workplace Relations References Committee's Inquiry into 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.

As an organisation that has worked with vulnerable individuals, children and families for almost 200 years, our view is that the allowance payment system for jobseekers and others is inadequate and ineffective as a support into work. The meagre rates of payment force the most disadvantaged people in our society to live in poverty, and do not provide appropriate and adequate support for recipients to help them get back on their feet. This view is supported by research evidence.

Key points in our submission include:

- The low payment rate of Newstart and other allowances is inadequate for recipients to afford the basic costs of living during periods of unemployment. It also does not take into account additional expenses associated with looking for work.
- The demographic of the unemployed population in Australia has changed over time, with almost one-fifth of Newstart recipients classified as 'long-term unemployed', that is, out of work for more than a year.
- Long-term unemployed people are highly disadvantaged, tend to have complex needs and face multiple barriers in searching for work. However, this is neither recognised nor responded to appropriately by the social security system.
- The participation requirements for recipients of Newstart are onerous and overwhelming for long-term unemployed people.
- Long-term unemployed people require intensive and tailored support to assist them to become job-ready and to find work.

## 2 Recommendations

1. The Newstart Allowance and all other allowance payments be increased by a minimum of \$50 per week, and thereafter indexed to whichever is the higher of national minimum wages and changes in cost of living, in the same way that pensions are indexed.
2. There be a comprehensive inquiry into the allowance payment system similar to the Pension Review undertaken by Dr Jeff Harmer in 2009.
3. In line with the recommendations of the Henry Tax Review, the maximum rate of Commonwealth Rent Assistance be increased, and indexed in line with actual rents.
4. Less onerous participation requirements be placed on highly disadvantaged unemployed people who face multiple barriers to gaining employment, and holistic intensive and individual support provided to this group.
5. The amount that recipients of Newstart can earn from employment before their allowance reduces (the income test free area) be increased to the same as for pensioners.
6. Newstart Allowance and other allowance payments be increased prior to 1 January 2013 to minimise the negative impact on families who will be shifted from Parenting Payment onto Newstart Allowance from this date.

### 3 About The Benevolent Society

The Benevolent Society is Australia's first charity. We are a secular, non-profit organisation working to bring about positive social change in response to community needs. Since our earliest days in 1813, we have advocated for positive social change and progressive social policy, identified major social challenges and worked to meet them. We have a strong track record of pioneering social welfare reform over the past 200 years, including as a leading voice in the campaign for the old age pension scheme in NSW (which was introduced in 1900 and operated in NSW until it was superseded by the Commonwealth Age Pension in 1909).

#### Snapshot

- The Benevolent Society is a secular non-profit organisation with 900 staff and 800 volunteers who, in 2010/11, supported more than 41,000 children and adults in New South Wales and Queensland.
- We deliver services from 63 locations with support from local, state and federal government, businesses, community partners, trusts and foundations.
- We support people across the lifespan – delivering services for children and families, older people, women and people with mental illness, and through community development and social leadership programs.
- Our revenue in 2011 was \$78 million. Approximately 85% is spent directly on our services. A further 4% is spent on our leadership programs, social initiatives and research.
- In 2011, 77% of our income came from government sources. Private fundraising, trust and foundation grants provided another 5%, client fees generated 8% and investment income contributed 9%.
- The Benevolent Society is a company limited by guarantee with an independent Board.

Our purpose is to create caring and inclusive communities and a just society. We deliver leading edge programs and services, find innovative solutions to complex social issues and advocate for a more just society. The Benevolent Society helps the most vulnerable people in society, and supports people from all backgrounds including Aboriginal and Torres Strait Islanders and people from culturally and linguistically diverse communities. We believe that building stronger communities will lead to a more inclusive Australia.

#### **3.1 Working with jobless individuals and families**

The Benevolent Society has a long history of supporting disadvantaged individuals, children and families experiencing multiple and complex problems, many of whom are jobless and rely on income support as their main source of income.

We work with long-term unemployed people who are amongst the most vulnerable people in the community, often facing entrenched intergenerational disadvantage and dealing with past trauma and complex personal issues. We work with families who lack parenting skills and are struggling to cope with raising their children; families affected by domestic violence

and/or substance abuse; individuals affected by mental illnesses or disabilities; people with limited education, low levels of literacy, no vocational training and few work skills. We also work with people who, for various reasons, struggle to cope with activities of daily living that most people don't need to think twice about, such as personal hygiene, shopping, cooking, cleaning and transporting children to school.

In 2011 The Benevolent Society commissioned a report to examine the barriers to employment for jobless families, current government initiatives and policies, and opportunities to better promote pathways to employment among parents in jobless families. The report, [\*Our clients are your clients: bringing services together to tackle family joblessness\*](#), was based on a review of relevant literature and government reports, and interviews with key industry experts, job services providers and staff within The Benevolent Society. We refer the Committee to our summary of the report [\*Family joblessness and pathways to employment\*](#), which is **attached** to this Submission.

We address the terms of reference of the Inquiry below.

## 4 Adequacy of the allowance payment system

The current payment rates for allowances are grossly inadequate to pay for recipients' essential expenses and may hinder, rather than encourage, their ability to find employment. The low payment rates mean that many of those whose only source of income is an allowance live below established poverty lines. The situation is most extreme for recipients of Newstart, Austudy, Abstudy and Youth Allowance, although people who are on the higher pension payments, such as the Disability Support Payment and Parenting Payments, may also struggle to afford the basic necessities of living.

People who rely on allowances for an extended period of time are at higher risk of multiple and compounding disadvantage in areas such as education, housing and health, and social exclusion, which in turn are barriers to employment.<sup>1</sup>

### 4.1 Allowance payment rates and poverty

There are a number of methods of measuring poverty and disadvantage in Australia. The Henderson Poverty Line, established in the 1970s, assesses income poverty based on the level of income necessary to provide the basic needs of a family. The Organisation for Economic Co-operation and Development (OECD) poverty line considers a person to be living in poverty if their income is below 50% of the median disposable income for all Australian households; and the poverty line used by the European Union and the UK is set at less than 60% of median income.

More recently, the Social Policy Research Centre (SPRC) at the University of New South Wales has measured poverty by looking at 'deprivation', that is, examining the essential items that people are unable to afford. Under this scale, people who are unable to afford at

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<sup>1</sup> Australian Social Inclusion Board (2011) *Addressing barriers for jobless families*, <http://www.socialinclusion.gov.au/sites/www.socialinclusion.gov.au/files/publications/pdf/addressing-barriers-for-jobless-families.pdf>

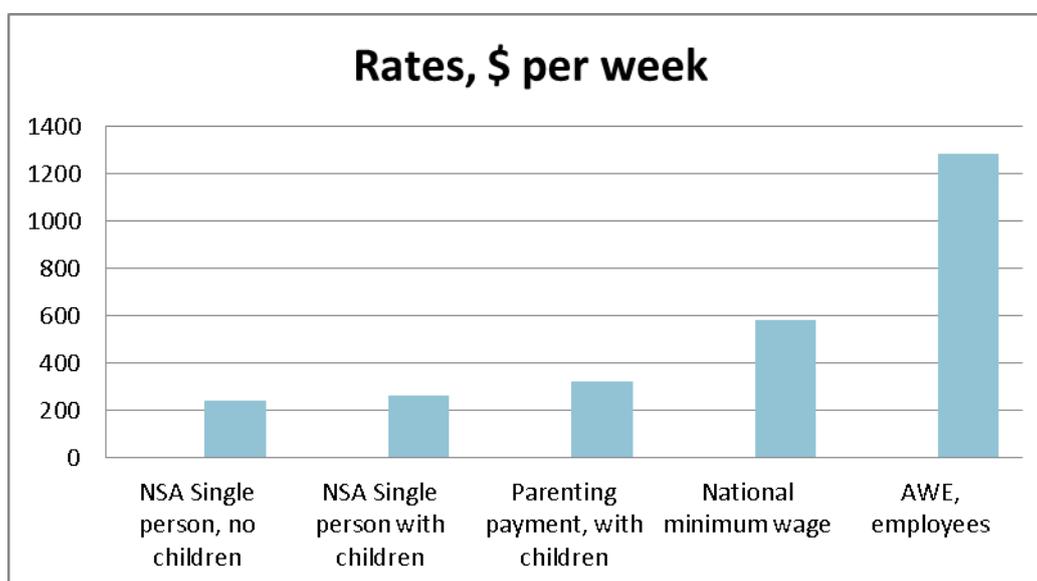
least three items from a list of twenty items considered essential by most people are considered to be experiencing 'multiple deprivation'.<sup>2</sup>

The ACOSS October 2011 Poverty Report Update estimated that 45% of unemployed people and 16% of lone parent families were living below the OECD 50% of median income poverty line. It further estimated that 54% of unemployed people and 49% of lone parent families were experiencing multiple deprivation.

Recent financial hardship research has shown that sole parents and the unemployed are at much greater risk of experiencing hardship than other groups, with 57% of Parenting Payment recipients and 28% of Newstart Allowance recipients reporting that they were unable to afford to pay utility accounts on time compared with 12% of all Australians. Further, more than 40% of Parenting Payment and Newstart recipients were unable to afford necessary dental treatment.<sup>3</sup>

The level of income support for unemployed people is much lower in Australia than in other first world countries.

At present, the single payment rate<sup>4</sup> for Newstart for a person without children is \$244.95 per week, which is less than half Australia's national minimum wage of \$583.30 per week<sup>5</sup>, and only 20% of the average weekly wage of \$1,282.49 for Australian employees<sup>6</sup>. For single Newstart recipients who have dependent children the payment rate is higher, at \$264.90 per week, but this is still well short of the Parenting Payment which is currently \$324.25 per week.



<sup>2</sup> ACOSS, (2012) *Who is missing out? material deprivation and income support payments*, ACOSS Paper 187,

<sup>3</sup> ACOSS (2011) 2012-13 Budget Priority Statement Recommendations for the 2012-13 Federal Budget, | ACOSS Paper 179

<sup>4</sup> 'Single payment rate' refers to the payment to a single person, not a couple. A single person may have dependant children

<sup>5</sup> Australian Fair Work Ombudsman (2011), 'National Minimum Wage' <http://www.fairwork.gov.au/pay/national-minimum-wage/pages/default.aspx>, viewed 10 February 2012

<sup>6</sup> Australian Bureau of Statistics (2012) *Australian Economic Indicators, February 2012, Catalogue No. 1350.0*, [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/8D17625076100891CA2579950011E3C6/\\$File/13500\\_feb%202012.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/8D17625076100891CA2579950011E3C6/$File/13500_feb%202012.pdf)

After allowing for payment of modest housing costs, it is estimated that a single recipient of Newstart Allowance with no income from employment has just \$17 per day for all other expenses including food, clothing, utilities, personal care, transport, medical and school expenses, as well as the costs of job seeking.<sup>7</sup> In comparison, the average expenditure for a single person under 35 years of age, excluding housing costs, is \$84.00 per day and \$53.00 per day for a single person over the age of 65 years.<sup>8</sup>

The low payment rate of Newstart Allowance does not leave any money left over to allow recipients to save towards major expenses such as car registration and insurance, replacement of furniture or white goods, or major health and dental expenses. Nor does it allow a person to cope with emergency medical expenses, replacement of essential white goods such as refrigerators and washing machines, or car repairs. Subsequently, people rely on credit cards or high interest loans, which can rapidly culminate in a cycle of deepening debt.

Remaining on such a low income over an extended period of time, as many highly disadvantaged job seekers are forced to do, leads to worsening levels of debt, entrenched poverty and social exclusion.

In some cases, the inadequacy of Newstart Allowance makes people feel that they have no choice but to resort to unwise actions, as illustrated by the following example:

***Maree's<sup>9</sup> story***

*Maree, a mother of two children, was forced to leave her job to care for her young son when he became seriously ill and required multiple operations.*

*Maree's son made a full recovery. However, the stress of the situation and her caring role took its toll on Maree's health and she began to suffer from depression, making it difficult to search for work when she went onto the Newstart Allowance after her son had recovered.*

*Maree and her family were under considerable financial strain due to her unemployment and her son's medical bills. Her de facto partner had also given up work to help care for her son. To complicate her situation, she was notified by the Australian Tax Office that a tax refund that she had already spent on food and bills was incorrect and she was required to repay it.*

*The family came close to losing their home during Maree's son's illness and had been forced to take out a second mortgage.*

*Maree struggled to pay her bills and expenses, as well as the tax debt and her two mortgages. To make ends meet Maree approached community welfare organisations for emergency relief when necessary. All of the family's clothes and most of their household items were purchased at second-hand stores. They could not afford family outings, nor could the children participate in sport or school excursions.*

<sup>7</sup> Whiteford, Peter (2012) 'Paltry Newstart Allowance is fast becoming a poverty trap' in *The Conversation*, 20 April, <http://theconversation.edu.au/paltry-newstart-allowance-is-fast-becoming-a-poverty-trap-6218>

<sup>8</sup> Australian Bureau of Statistics (2011) Household Expenditure Survey, Australia: Summary of Results, 2009-10, Cat No. 6530.0

<sup>9</sup> All names have been changed to protect confidentiality.

*Although she prided herself on being an honest person, Maree did not declare to Centrelink that she was living in a de facto relationship, so that she could receive the single rate of Newstart and also claim Family Tax Benefit Part B. Maree suffered terrible guilt for this fraud, but felt that she was unable to find any other way of making ends meet and putting food on the table for her family while she continued to search for work.*

## **4.2 The impact on families and children**

Approximately 616,000 people in Australia live on Newstart Allowance. Of these, one in twelve is a sole parent with dependent children under the age of 16 years (but over 8 years). This equates to more than 40,000 families.

A lack of paid employment is the most important cause of child poverty. According to a 2007 report by UNICEF, between 12% and 15% of Australian children live in poverty. While Australia has a high overall level of employment compared to other OECD countries, it also has one of the highest levels of joblessness among families with children. 'Family joblessness' refers to families with dependent children under 16 who have had no reported income from employment in the previous 12 months.

In 2007, close to 15% of Australian children lived in a household where no one was working, compared with an 8.7% average across the OECD. This is the fourth highest in the OECD and is mainly attributed to the high prevalence of unemployment among sole parents. As at February 2011, there were 255,000 jobless families in Australia.

Family joblessness that persists for two years or more is of particular concern, not only because of the impact on the adults, but because of the potential negative impact on children. These negative effects take the form of higher rates of poor health and disability and lower educational attainment. Living in a jobless family is also estimated to increase the probability that a child will have behavioural or emotional problems by 13%, compared to living in a family with one or more employed parents.<sup>10</sup> Persistent family joblessness also raises the risk that the children will themselves grow up to be jobless.

The Benevolent Society is particularly concerned about the impact of the low rate of Newstart Allowance on children. Poor economic circumstances affect children's lives in a number of ways, including the quality of their family relationships and their educational, developmental and health outcomes.

Children in low income families have nearly five times less spent on their education each week than those in high income households, with implications for their future employment prospects.<sup>11</sup>

We are finding that more and more families we work with are experiencing financial hardship, which has significant effects on housing stability, health and education. In these families, it is common for children to go without up-to-date school books and uniforms, and to miss out on school excursions and leisure activities because their families simply cannot afford them.

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<sup>10</sup> Taylor, Matthew., Edwards, Ben., and Matthew Gray, (2010) *Background Paper: Unemployment and the wellbeing of children aged 5–10 years*, Australian Institute of Family Studies (AIFS) and The Benevolent Society, [www.bensoc.org.au](http://www.bensoc.org.au)

<sup>11</sup> The Benevolent Society (2009) Social Issues Paper 10: *Income and economic participation*

While The Benevolent Society does not provide emergency relief, we have a limited allocation of funds that can be spent on direct purchases of goods and services to support families (brokerage funds). This list of the most common items of brokerage expenditure provides a snapshot of the essential items and services that vulnerable low income families miss out on:

- clothing for children, including school uniforms and shoes;
- school excursions and other activities for children;
- specialist assessments and treatments for children (e.g. speech therapy);
- child care fees;
- essential furniture and household items, beds, mattresses, linen and blankets;
- nappies and personal hygiene products;
- medication;
- family outings;
- cleaning products;
- books and educational toys for children;
- home safety equipment (e.g. stair gates);
- transport;
- food and groceries (in emergencies only); and
- electricity bills (in emergencies only).

In addition, we refer an increasing number of families to services that do provide emergency financial relief for help with utility bills, rent and food.

### **4.3 Broad support for an increase to allowance rates**

Led by the Australian Council of Social Service (ACOSS), the social services sector has been campaigning for an increase to allowance rates for some time. However, broad support for a substantial increase to allowance rates is growing, including in the business community.

Jennifer Westacott, the Chief Executive of the Business Council of Australia (BCA), recently stated:

*“People can't live on \$35 a day. Entrenching them (unemployed people) into poverty is not a pathway back into employment.”<sup>12</sup>*

Similarly, self-described ‘hard-hearted economist’ Professor Judith Sloan declared the low payment rate of the Newstart Allowance to be ‘heartless’, and criticised the Liquid Assets Waiting Period. Writing in *The Drum* in October 2011:

*“Patently inadequate support may have some unintended consequences that actually work against the aim of the policy to encourage people into suitable work ... The Australian Council of Social Services (ACOSS) has recommended an immediate increase in the Newstart Allowance of \$50 per week ... such an increase to the Newstart Allowance would be a first step ... If we are to expect the unemployed to search for employment with confidence, there is no point pushing them into grinding poverty.”<sup>13</sup>*

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<sup>12</sup> ABC Radio National (2012) *Business thinks laterally on social welfare*.

<sup>13</sup> Sloan, Judith (2011) ‘Newstart needs a boost’ in *The Drum*, 31 October, <http://www.abc.net.au/unleashed/3609716.html>

Professor Ian Harper, the former Chair of the Fair Pay Commission established under the Howard Government's WorkChoices regime, agreed with Professor Sloan, stating that the Newstart Allowance is "too low now", and that "When your living standards are going down like that, people get desperate and depressed"<sup>14</sup>.

The 2009 Henry Tax Review also recommended increasing the single rate of Newstart by \$50 per week.

In 2009, in response to the recommendations of the Harmer Pension Review Report, the federal government introduced one of the largest ever pension increases in Australia to the single rate of the Age Pension by \$35 per week, in recognition that the previous rate was not adequate to meet basic living expenses. While this increase to the Age Pension was welcome, the Newstart Allowance remained unchanged.

### Recommendation

1. Newstart Allowance and all other allowance payments be increased by a minimum of \$50 per week, and thereafter indexed to whichever is the higher of national minimum wages and cost of living indexes, in the same way that pensions are indexed.

While The Benevolent Society supports the ACOSS campaign for an increase of at least \$50 per week to the Newstart Allowance, we recognise that the allowance payment system is complex and inconsistent and that these issues will not be solved by merely increasing the payment rates. A comprehensive review of eligibility requirements, participation requirements, income thresholds and other aspects of the allowance payment system should be undertaken by an independent body to ensure that Australia has a fairer social security system.

### Recommendation

2. There be a comprehensive inquiry into the allowance payment system similar to the Pension Review undertaken by Dr Jeff Harmer in 2009.

## 4.4 Housing stress and homelessness

The low rate of Newstart Allowance is further compounded for private renters by the inadequacy of Commonwealth Rent Assistance relative to market rents. This leads to an increased risk of homelessness as people struggle to pay rent, as illustrated by the case study below:

### ***Mike and Jill's story***

*Mike and Jill and their three children, Jason, 4, Chloe, 2 and Duncan, 8 months, lived in the outer suburbs of Sydney where they rented a modest,*

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<sup>14</sup> Quoted in Schubert, Misha (2011) 'Even conservatives say the dole is too low', *The Sydney Morning Herald*, 16 October <http://www.smh.com.au/national/even-conservatives-say-the-dole-is-too-low-20111015-1lqm6.html#ixzz22FqjkBsX>

*older-style three-bedroom house. Mike worked as a retail sales assistant while Jill stayed at home with their three children.*

*When Mike became chronically ill and unable to work he applied for Sickness Allowance. Although he suffered from a debilitating and ongoing illness, he was not eligible for the Disability Support Pension, and the family had to survive on Jill's Parenting Payment (Partnered) (\$442), Mike's Sickness Allowance (\$442), which is paid at the same rate as Newstart Allowance and Family Tax Benefit Part A.*

*As the months went by and Mike's condition did not improve enough to allow him to work, the family fell into rental arrears. Despite receiving rental assistance from emergency relief services, they continued to fall behind with the rent. The family has now been evicted from their rental property and is staying in a motel paid for by Housing NSW. They must move out of their hotel room each week and reapply for temporary accommodation with Housing NSW.*

The Benevolent Society works with increasing numbers of families in situations similar to Mike and Jill's. While they are in some cases entitled to Commonwealth Rent Assistance, the maximum amount payable is only \$80 per week. This is not nearly enough given the high cost of rental properties and comprises only a small proportion (between 17% to 24%) of the cost of rents in capital cities. This situation is exacerbated by the current shortage of affordable<sup>15</sup> rental properties in the capital cities, especially in Sydney.<sup>16</sup>

### **Recommendation**

3. In line with the recommendations of the Henry Tax Review, the maximum rate of Commonwealth Rent Assistance be increased and indexed in line with actual rents.

## **5 The allowance payment system as a support and an incentive into work**

The majority of people who become unemployed remain so for less than a year, with more than a quarter of this group finding alternative employment within a period of four weeks.<sup>17</sup> However, approximately 19% of unemployed people are classified as 'long-term unemployed'; that is, they have been unemployed for more than a year.

Those who are unemployed for more than a year find it increasingly difficult to find work and are 50% more likely to remain unemployed for a further year.<sup>18</sup> Low education levels are a contributory factor, as almost half of those who are long-term unemployed did not complete secondary school. Other barriers faced by this group, as reported by the Australian Bureau

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<sup>15</sup> Housing costs are generally considered 'affordable' when they are less than 30% of disposable household income, and low income households that pay more than 30% of their disposable income in housing costs are considered to be in 'housing stress'.

<sup>16</sup> Anglicare Australia (2012) Rental Affordability Snapshot

<sup>17</sup> ABS (2012) *Long-term unemployment rises*, Media Release, 24 January, <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6222.0Media%20Release1Jul%202011?opendocument&tabname=Summary&prodno=6222.0&issue=Jul%202011&num=&view=>

<sup>18</sup> ACOSS (2012) 'Help to get paid work? \$500 a year is not enough!', Factsheet: Employment Participation

of Statistics (ABS), include ill health and disability; lack of skills and education; not enough or not recent enough work experience; age discrimination against older workers; and, simply, too many applicants for each available job.<sup>19</sup> Older people, people with disabilities and Aboriginal and Torres Strait Islander peoples are overrepresented amongst the long-term unemployed.<sup>20</sup>

There is no reliable evidence that people who are in receipt of allowances do not want to work, as appears to be implied by the term 'incentive into work'. On the contrary, the low level of payment, combined with the extremely low income test free area and stringent participation requirements, are frequently a hindrance to an individual's attempts to find work.

## **6 The effectiveness of the allowance payment system in helping or hindering recipients to overcome barriers to employment**

### **6.1 Entrenching people in poverty hinders job seeking**

Traditionally, unemployment benefits have provided a basic level of financial support to allow a newly unemployed worker to meet the costs of living for a short period of time between jobs. However, as discussed above, the current meagre amount of the allowance payment is now insufficient to cover even basic expenses for a short period of time, let alone long term.

This situation is compounded by the liquid assets waiting period, during which time an individual must all but exhaust their personal savings by serving a waiting period of up to 13 weeks, before becoming eligible for the Newstart Allowance. While we welcome the doubling of the liquid assets waiting period threshold announced in this year's federal budget, the new amounts allowed (\$5,000 for singles without dependent children and \$10,000 for couples or people with dependent children) will not take effect until 1 July 2013. Further, the thresholds are still low and insufficient to safeguard against unexpected multiple emergency expenses (for example, major car repairs, replacement of a refrigerator or washing machine, emergency dental expenses).

As previously discussed, it is estimated that after taking into account a modest amount for rent, a single person living on the Newstart Allowance is left with only \$17.00 per day on which to live.<sup>21</sup> Such financial disadvantage limits people's ability to participate in education or training activities which would increase their chances of obtaining a job. It also means that they are unable to afford dental and medical treatment, leading to health issues that further impede employment opportunities.

Jobseekers also have additional expenses that are incurred directly as a result of searching for work, such as transport to job search activities and interviews; purchasing clothes appropriate for interviews and the workplace; and telephone, computer, printing and internet expenses to contact prospective employers.

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<sup>19</sup> ABS (2012) Job Search Experience Australia, Jul 2011, Cat No. 6222.0

<sup>20</sup> Fowkes, Lisa (2011) 'Long-term unemployment in Australia', Topic Guide, Australian Policy Online, [http://apo.org.au/sites/default/files/Long\\_term\\_unemployed\\_APO\\_guide\\_Fowkes\\_2011.pdf](http://apo.org.au/sites/default/files/Long_term_unemployed_APO_guide_Fowkes_2011.pdf)

<sup>21</sup> Whiteford, Peter (2012) 'Paltry Newstart Allowance is fast becoming a poverty trap' in *The Conversation*, 20 April, <http://theconversation.edu.au/paltry-newstart-allowance-is-fast-becoming-a-poverty-trap-6218>

## **6.2 Barriers to employment among jobless families**

The Benevolent Society believes that encouraging economic participation and supporting people into secure, reasonably paid jobs is a critical step in breaking the cycle of poverty. However, many long-term unemployed people face a number of barriers to employment, and the evidence indicates that this group of jobseekers is becoming increasingly disadvantaged.

The Australian Social Inclusion Board categorises barriers to work for jobless families into internal and external factors. Structural or external factors include:

- tax and transfer systems that may provide a disincentive to employment (income support is withdrawn as recipients enter paid work)
- lack of affordable child care
- lack of affordable transport to education or employment
- work places not suitable for combining with child caring role
- lack of internet/computer access.

The individual or internal factors include:

- health problems (mental and physical)
- disability
- poor education, literacy, and numeracy skills
- children with health or behavioural problems
- domestic violence (ongoing and/or while escaping and re-establishing a new household)
- housing instability/homelessness.

For the unemployed people we work with, rather than helping people obtain employment, Centrelink participation requirements can be a major hindrance to overcoming the barriers to employment. For these people, participation requirements can be an added and overwhelming burden on top of everything else. In many instances people with complex needs have their Newstart payments suspended for non-compliance but they do not understand why. Suspending a person's payment for non-compliance does not help them overcome barriers to employment, it simply pushes them further into poverty and creates additional stressors, such as not being able to feed their families and pay bills, mental distress, and the incredibly distressing risk of homelessness. The hardship caused by suspension of payment impedes people's capacity to search for work as the immediate financial challenges must be resolved in priority to searching for work.

## **6.3 Difficulties dealing with Centrelink and Job Services Australia (JSA) providers**

Many of the unemployed people we work with report great difficulty in dealing with Centrelink. They find that Centrelink's requirements are difficult to understand and some have told us that they felt Centrelink staff did not understand their situations and were not helpful. Some have described Centrelink customer service officers as 'rude', and 'judgemental'.

Our clients also report regularly being kept on hold on the telephone for long periods of time, in some cases for up to two and a half hours. Although calls to Centrelink are free from a fixed home phone, calls from mobile phones are charged at standard mobile rates.<sup>22</sup> For

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<sup>22</sup> Department of Human Services (2012) 'Cost of calls to "13" numbers, FreeCALL™ 1800 numbers and using VOIP', <http://www.humanservices.gov.au/customer/contact-us/#a9>, last updated 27 July 2012

people on a tight budget and who use mobile phones to look for work but cannot afford a landline as well, these phone calls can deplete all of their mobile phone credit at once, putting further pressure on their budgets and limiting their ability to contact prospective employers.

Some of our staff who attend Centrelink with clients to advocate on their behalf, report that Centrelink staff do not always appear to be adequately trained to appropriately respond to unemployed people with complex needs. Such clients then experience stress and anxiety about meeting Centrelink's or job service providers' requirements as they feel that they feel are unrealistic and impossible for them to comply with.

The following case studies illustrate some of the difficulties faced by the people we work with when dealing with Centrelink:

***Nadia's story***

*Nadia is a single mother of two children receiving parenting support from The Benevolent Society. She has never been in the workforce. Nadia is now on Newstart Allowance but has difficulty meeting the participation requirements as she has no qualifications or work experience and does not know where to start. She says has not found her Job Services Australia agency to be helpful or supportive.*

*Nadia does not drive and public transport is limited and expensive in her area. She also lacks general living skills such as keeping her home clean and preparing nutritious meals for her family. One of her sons has entered his teens and now exhibits challenging behaviours, which Nadia has difficulty coping with.*

*Her case worker suspects Nadia may be suffering from undiagnosed depression. To further complicate matters, the father of Nadia's children, although no longer her partner, has a terminal illness, which is distressing for both Nadia and her children.*

*Nadia's Newstart Allowance was recently suspended because she failed to satisfy participation requirements to look for work. The suspension caused significant financial difficulty for the family, adding to already extremely stressful circumstances. The suspension had no effect on Nadia's job search activities, and served only to place the family in greater financial difficulty and emotional distress.*

***Kevin's story***

*Kevin is a single, homeless man in his 50s receiving support with living skills from The Benevolent Society. He is on Newstart Allowance and required to search for work. However, Kevin faces several barriers to employment including his homelessness, a past criminal record and self-harming behaviour. Kevin feels that he is unable to look for work until he has found stable accommodation and received counselling and treatment in relation to his self-harming behaviour. He is afraid that employers will be hesitant to employ him*

*because of his criminal record, even though it has been many years since he committed an offence.*

*Kevin has been sleeping on the couch in a studio apartment rented by his adult son for the past eight months, but the cramped conditions have led to tensions in his relationship with his son and he feels that he will need to move on soon.*

*Kevin recently missed an appointment with Centrelink and, as a result, had his Newstart Allowance suspended for a period. He has subsequently attended appointments with Centrelink but said that he felt that the staff do not seem to have any sensitivity towards or understanding of the multiple difficulties that he faces.*

Our experience is that there is too big a gap between the needs of the most disadvantaged, long-term unemployed people and the services provided by Centrelink and JSA providers. Job seekers are assessed to determine if they are in Stream 1, 2, 3, or 4, based on their participation barriers and current capacity to work. Stream 4 job seekers are the most disadvantaged and have complex and/or multiple non-vocational barriers that may prevent them from obtaining employment. These include mental illness; issues such as domestic violence, family and relationship issues; torture or trauma; drug, alcohol or gambling addictions; or homelessness or unstable accommodation. At March 2011 about one fifth of all clients were in Stream 4.

However, participation requirements seem to assume that everyone in receipt of Newstart, even those in Stream 4, are either job-ready or need only attend some vocational and/or job search training in order to be able to find employment.

Such an assumption fails to acknowledge that many people require more intensive and holistic assistance and support with their family and personal circumstances before they can even begin to consider searching for a job.

The following case study demonstrates the implications of the lack of holistic support for vulnerable disadvantaged people:

#### ***Kylie's story***

*Kylie is an Aboriginal single parent with two children. She has low literacy skills, having left school at an early age, and also appears to be affected by mental illness, although this has not been formally diagnosed. Her youngest child, Tom, exhibits challenging behaviours and is currently in the process of being assessed for autism.*

*When Tom recently turned 8 years old Kylie received a letter from Centrelink advising her that she would be moved from Parenting Payment to Newstart Allowance, and that she would be required to search for employment. Kylie did not respond to the letter, as she did not understand it nor its requirement that she contact Centrelink. As a result, her payment was completely cut off. This situation caused acute distress for Kylie, who suddenly found herself with no income and unable to pay for rent, food, and an electricity bill that she had been carefully budgeting for. The stress of the situation manifested in anxiety, depression and self-harming behaviour.*

*Kylie had not worked for 13 years and had no idea where to begin. She did not have any vocational skills and was also limited in her employment options by her mental illness, her low literacy and her caring responsibilities for Tom.*

*Kylie also had serious dental hygiene problems which affected her confidence in her appearance.*

*Kylie's case worker from The Benevolent Society attended Centrelink with her and advocated on her behalf. Kylie was referred to a Centrelink psychologist who recommended that Kylie be given a nine month exemption from participation requirements to enable her to address her mental health condition. Her Newstart payments were reinstated.*

*Although Kylie now has an exemption, no supports have been put in place for her which means that the same scenario will most likely recur at the end of the nine month exemption. Kylie must also submit paperwork to Centrelink on a monthly basis during the exemption period, which she doesn't understand and doesn't know how to do.*

#### **6.4 Collaborative approaches to resolving family joblessness**

Among clients of child and family services, there is a high prevalence of factors associated with family joblessness such as domestic violence, social isolation, low educational attainment and housing instability. Some of the families living in the ten socio-economically disadvantaged areas where the Federal Government is now trialling a number of initiatives targeting young parents and jobless families, will also be clients of child and family services.

This overlap provides many opportunities for child and family services and job services providers to better support jobless families into employment both indirectly through tackling the identified barriers, as well as directly through linking clients with job services and training providers. For instance, there may be opportunities for child and family services to extend the work already being done to address vulnerabilities such as domestic violence or social isolation which are known to act as barriers to employment.

Within The Benevolent Society, for example, all programs work to reduce social isolation experienced by families. While employment is not the primary objective of addressing social isolation it has the potential to contribute to this outcome.

For example, anecdotal evidence suggests that many mothers in jobless families need to build their self-esteem if they are to compete successfully in the labour market. An example of a initiative that unemployed mothers found helpful is described below:

##### ***A pilot program***

*The Benevolent Society ran an eight week pilot program with unemployed women who we were also supporting through our child and family services. It focused on some of the underlying barriers and psychological factors faced by participants and aimed to build their confidence and self-esteem.*

*The program was aimed at people who were not yet 'job-ready' but who were prepared to consider looking for work at some time in the future. The program covered topics such as stress management, conflict resolution, communication skills (especially for when dealing with government agencies) and steps that participants would need to take to become job-ready. It provided individual counselling sessions and linked participants to Dressed for Success which enabled them to get two sets of suitable work outfits each.*

*Feedback from the seven program participants indicated that the majority felt more 'job-ready' than before, were more confident about being able to get a job and had a better idea of what type of jobs would be suitable for them. They also reported that the one-on-one support was extremely helpful. Some reported that, at the beginning of the course, they couldn't imagine that they would be able to juggle both work and motherhood, but by the end of the course they were able to see how they could make it work and were more motivated to look for work. At the time of writing, two of the participants, who had not previously been looking for work, are now actively looking for work, and a third has already secured employment.*

Child and family services can and do work collaboratively with programs that offer integrated employment services to jobless families. There is, however, considerable scope for greater integration and better linkages between the two types of services in order to better address the needs of these families and promote seamless service delivery.

The Federal Government has funded a small number of initiatives aimed at providing holistic services to jobless families in five locations. Significant resources have been invested in providing individualised case management to such families, with low numbers of cases (around 15-20) per support worker. The initiatives include Family Centred Employment Projects in Broadmeadows in Victoria, Goodna in Queensland, Mansfield Park/Angle Park in South Australia; the Kwinana Jobless Family Project in Kwinana, Western Australia and PATHS (Providing Assistance Through Holistic Servicing) in Bundaberg, Queensland.

While evaluation results from these projects are not yet available, some trends are emerging:

- Caseloads need to be low, no more than 15-20 families, in order to address the complex and multiple barriers to employment.
- Engagement needs to occur through 'soft entry points' such as the local church, rather than through mainstream JSA providers who struggle to engage successfully with such families.
- It is necessary to address the issues in the whole family, not just the unemployed adult, as they may be acting as powerful barriers to employment.
- Social isolation is a significant barrier to employment.
- A long term commitment is needed as it takes time to build trust between service providers and with clients.
- The pathway to employment tends not to be linear, but rather is stop-start with additional supports needed along the way.
- The quality of Vocational Education and Training is inconsistent and some employers do not recognise Certificate III courses delivered by some providers.
- Aboriginal and Torres Strait Islander families require specialist services.

Governments have an important role in supporting jobless families through increased and better targeted investment to address barriers to employment and by changes in program design. For example, there are currently only a small number of programs for jobless families which provide an integrated service for the entire family.

These suggestions are further discussed in The Benevolent Society's **attached** Social Policy Snapshot [Family joblessness and pathways to employment](#).

The following case study illustrates how outcomes can be more positive when people are provided with appropriate support:

### **Cheryl's story**

*Cheryl is a young Aboriginal single mother with a four year old daughter. She is currently on Parenting Payment and is not yet required to look for work. However, she is keen to work and wants to undertake training to help her get a job in the beauty industry. Cheryl has experienced multiple disadvantage including trauma and abuse while growing up in foster care. She did not complete school as she had learning difficulties that were not addressed and now has a low level of literacy and low self-esteem. She also has a mild intellectual impairment. Cheryl wanted to do a beauty course at a private college but was unable to afford the \$2,000 fee. She engaged with a JSA provider who enrolled her in a TAFE course. Unfortunately, Cheryl did not feel able to disclose her learning difficulty and so was not provided with any educational support during the course. She was unable to cope with the more academic requirements and dropped out after a few weeks.*

*Cheryl's case worker from The Benevolent Society attended Centrelink with her to advocate on her behalf. As a result Cheryl was referred to a disability employment services provider who was able to provide Cheryl with much more tailored support and who successfully linked her with supported employment. Cheryl would not have been able to achieve this outcome, and would not have been linked with the disability employment service, had she not had the support of her Benevolent Society case worker who understood and was responsive to her needs and was able to advocate for her at Centrelink.*

### **Recommendation**

4. Less onerous participation requirements be placed on highly disadvantaged unemployed people who face multiple barriers to gaining employment, and holistic intensive and individual support be provided to this group.

## **6.5 Disparity between allowance rates and pension rates**

There is a significant gap between the payment rates of allowances (Newstart, Youth Allowance, Sickness Allowance, Austudy and Abstudy) and pensions (Age Pension, Disability Support Pension, Parenting Payment). This is a result of allowance payments being indexed only to the Consumer Price Index (CPI), whereas other payments are indexed to whichever is higher of Male Total Average Weekly Earnings or the CPI.<sup>23</sup> While the Age Pension has always been paid at a higher rate than the Newstart Allowance, the gap between the two payments has gradually widened over the years due to this difference in indexation, introduced in 1997.

The gap was further widened in 2009 when, in response to the recommendations of the Harmer Pension Review Report, the federal government introduced one of the largest pension increases in Australia to the single rate of the Age Pension by \$35 per week, in recognition of income poverty amongst older Australians. While we welcomed this increase to the Age Pension, the Newstart Allowance remained unchanged.

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<sup>23</sup> Denniss, Richard and Baker, David (2012), 'Are unemployment benefits adequate in Australia?', The Australia Institute, Policy Brief No. 39

In 1997 the Newstart Allowance amounted to more than 90% of the Age Pension. However, it currently amounts to approximately 65%. The following case study illustrates the impact of this difference:

### **Robert's story**

*Robert is a person with a mental illness who, until recently, was struggling to survive on Newstart. He had difficulty paying for his prescribed medications, some of which were not available under the Pharmaceutical Benefits Scheme and were expensive, his physical health was suffering because he was not able to afford food that provided appropriate nutrition and he had developed Type 2 diabetes. He attempted to undertake volunteer work but was unable to afford the associated transport costs. He was also embarrassed about not having enough food for lunch and not having appropriate clothing. He also had difficulty with personal hygiene because his washing machine had broken and he could not afford to have it fixed or to replace it. The constant pressure to search for work was also taking a toll on his mental health. He also tried to study but found this to be financially unviable due to the high cost of fees, study materials required and the need for internet access at home for the online learning component of the course.*

*Robert was fortunate that, eventually, with the support of The Benevolent Society, his application for the Disability Support Pension (DSP) was successful. The higher rate of payment meant that he was able to eat properly, thereby easing the symptoms of his diabetes, and that he was able to afford transport to his volunteer job. He now presents much better as he can afford clothing and to get his hair cut. This in turn has boosted his self-esteem and confidence, meaning that searching for part-time work is not so overwhelming for him. Since receiving the DSP he has now completed vocational training, a community leadership program and a community project with a local disability services provider. He considers that the higher payment rates and the less onerous participation requirements of the DSP have enabled him to take the necessary steps, with support, to become job-ready. His mental health has also improved as a result of his improved circumstances.*

The following case study illustrates how, for some people, being in receipt of a pension rather than an allowance can mean the difference between remaining in an abusive relationship and being able to leave:

### **Casey's story**

*Casey, who was unemployed, lived in a situation where she experienced domestic violence at the hands of her partner. She was unable to work due to multiple medical conditions, both mental and physical. However, she was not deemed eligible for the DSP and her only income was Newstart. Casey experienced heightened anxiety whenever her partner was at home but was too scared to move out because she was afraid that she would not be able to survive alone on Newstart.*

*With the assistance of The Benevolent Society, Casey successfully appealed the decision that disallowed her claim for the DSP, a process that took about 12 months. Now that Casey is on the higher paying DSP she feels that she is ready to explore leaving the abusive relationship. Her support worker reports that Casey feels more empowered and that she now has a choice, which she didn't have before. 'Although it's really difficult, I feel now that I have the right to do what I want to do, and I can leave him now if I want to'.*

## **6.6 Sole parent families in receipt of Newstart Allowance**

The Benevolent Society is particularly concerned about the hardship faced by sole parents on Newstart, especially those who have been, or will be from 1 January 2013, shifted to Newstart from the higher Parenting Payment as a result of removal of the grandfathering provision of the 2006 Welfare to Work legislation.

There is a difference of \$118.70 per fortnight between the Parenting Payment and the Newstart Allowance for a sole parent. However, this is only half the story. In terms of total income, those in receipt of Newstart Allowance who work part-time can be even worse off because of the difference in the income thresholds before which the payments start to taper out. A sole parent in receipt of Parenting Payment can earn up to \$87.30 per week, plus an additional \$12.30 for each child, before their payment starts to reduce at the rate of 40 cents per dollar earned up to the weekly cut-off point of \$897.50 plus \$12.30 for each child.

In contrast, a sole parent family in receipt of Newstart can only earn \$31 per week before their payment is reduced, and the reduction is 50 cents per dollar earned up to \$125, 60 cents per dollar for amounts earned above \$125, with the payment cutting out completely once weekly earnings reach \$454.50 for single people and \$488 for single people with dependent children.

In addition, those in receipt of Parenting Payment are entitled to a Pensioner Concession Card, which delivers additional benefits. Although those in receipt of the Newstart Allowance who have dependants are also entitled to the Pensioner Concession Card, there are many sole parent families who are not entitled to the card or who may lose it when their youngest child turns 8 years old and they are shifted from Parenting Payment to Newstart Allowance. This is because of the lower maximum income-free threshold for the Newstart Allowance. Those who earn above this threshold will lose their entitlement to Newstart and its associated benefits.

We know that approximately half of the sole parents in receipt of Parenting Payment are already engaged in part-time employment. Shifting these parents onto the Newstart Allowance does not further encourage them to work, it simply reduces their total income and further entrenches them in poverty.

The current system is grossly inequitable, and The Benevolent Society supports implementation of a fairer system that allows recipients of allowances to earn at least the same amount from employment as those in receipt of Parenting Payment before their payment is reduced.

### **Recommendations**

5. The amount that recipients of Newstart can earn from employment before their allowance reduces be increased to the same thresholds as pensions.
6. Newstart Allowance and other allowance payments be increased prior to 1 January 2013 to minimise the negative impact on families who will be shifted from Parenting Payment onto Newstart Allowance from this date.

## **7 Concluding comments**

As discussed above, unemployment is the greatest cause of child poverty in Australia. As an organisation that works with disadvantaged families, The Benevolent Society recognises the pressing need to help disadvantaged people overcome the multiple barriers they face and develop and maximise opportunities and pathways to education and employment.

Please do not hesitate to contact us if the Committee would like us to expand on the information contained in this submission or to provide any further information.

The Benevolent Society would also welcome the opportunity to participate in the hearing process.