

Senator Chris Back, Chair
Education, Employment and Workplace Relations – References Committee
By email: eewr.sen@aph.gov.au



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Western Australian
Council of Social Service Inc.
ABN 32 201 266 289

City West Lotteries House
2 Delhi Street
West Perth
Western Australia 6005

Phone (08) 9420 7222
Fax (08) 9486 7966
Email info@wacoss.org.au
www.wacoss.org.au

Submission regarding

“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.” (Newstart inquiry)

1.0 Introduction

The Western Australian Council of Social Service (the Council) is the leading peak organisation for the community sector in WA, and represents around 300 member organisations and individuals, and over 800 organisations involved in the provision of services to individuals, families and children in the community. The Council has strong relationships with the community services sector and represents the interests of the sector and the communities they serve. The Council therefore is in a unique position to comment on critical social issues that affect members of the WA community — particularly those members who are disadvantaged and vulnerable.

The Council refers the Senate Inquiry to the submission by the Australian Council of Social Service (ACOSS), which provides a comprehensive account of the community sector concerns relevant to this inquiry.

In supporting the ACOSS submission, the Council would like to draw the Committee’s attention to a number of matters that are particularly relevant to the situation of recipients of allowances in Western Australia.

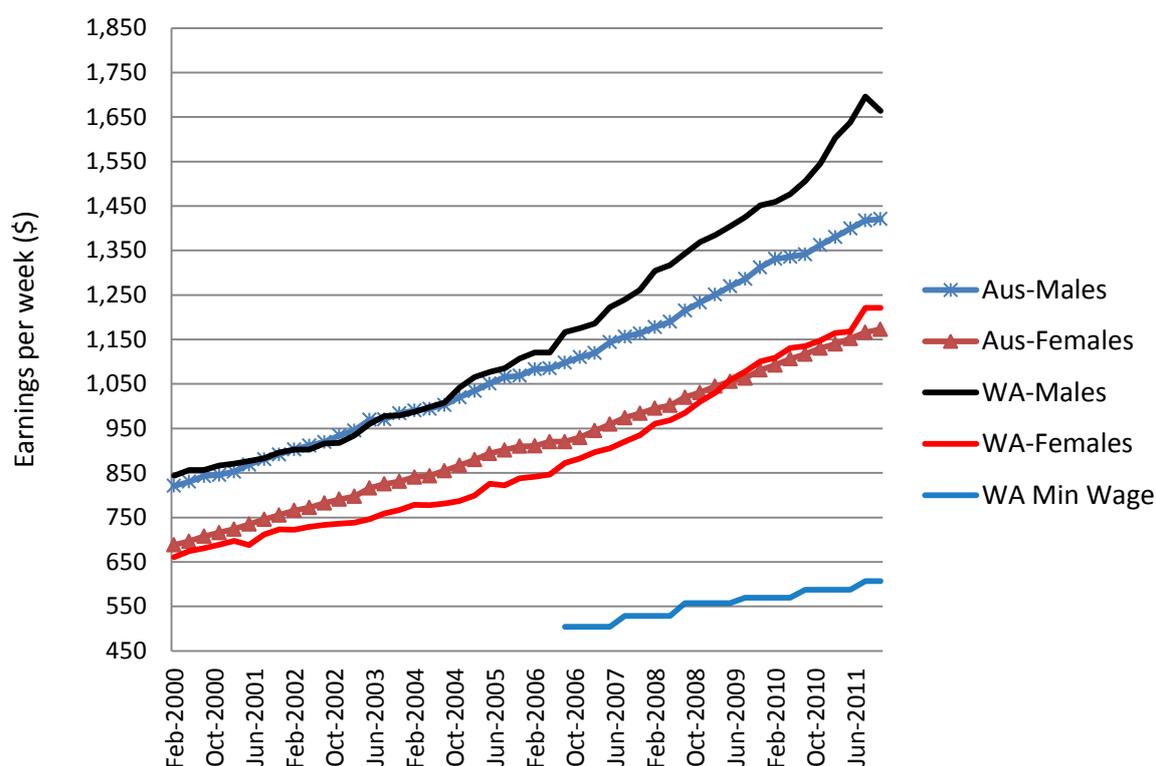
The Council believes that due to the particular conditions facing Western Australians, the inadequacy of the allowance payment system for jobseekers is exacerbated in our state. The Council contends that factors affecting the current Western Australian experience — particularly

the high rates of income inequality and cost of living — should be considered in this Inquiry, as should the matter of insecure work.

2.0 Income inequality

According to the Australian Bureau of Statistics' *Household Income and Income Distribution Survey 2009-10*, WA has the highest level of income inequality in the country¹, and the gap between those on fixed incomes and minimum incomes, compared with average weekly incomes, is growing.

**Average Weekly Ordinary Time Earnings (AWOTE), Adults Employed Full-Time;
& State Minimum Wage, 2011^{2,3}**



	WA Weekly Minimum Wage	% increase on previous year	AWOTE Adults, WA (% change)	AWOTE Adults, Australia (% change)
2006	\$504.40	4.1%	3.4%	3.2%
2007	\$528.40	4.8%	8.7%	5.0%
2008	\$557.40	5.5%	7.5%	4.0%
2009	\$569.70	2.2%	7.0%	6.1%

¹ The Gini coefficient is used worldwide as a measure of income inequality in a society. Zero indicates total equality and 1 indicates maximal inequality. WA has the highest Gini coefficient of any Australian State or Territory, with a score of 0.367. The Northern Territory had the lowest with 0.277. See *6523.0 Household Income and Income Distribution, Australia (2009-10)* Australian Bureau of Statistics, Tables 1.1A – 1.1H.

² Graph from presentation by Professor Alison Preston, *WACOSS Emerging Issues Community Sector Leaders Forum* (4 April 2012).

³ State wage adjustments apply from 1 July each year; AWOTE % change calculated for year to May using seasonally adjusted data from ABS Catalogue 6302.

2010	\$587.20	3.1%	6.0%	5.2%
2011	\$607.10	3.4%	8.1%	4.4%

As of 1 July 2012, the WA weekly minimum wage was increased by 3.4% from \$607.10 to \$627.70 (a difference of \$20.60). The weekly Newstart allowance increased from \$237.45 to \$244.85 (a difference of \$7.40) between March 2011 and March 2012 — an increase of 3.1%. While these percentage increases seem comparable, the real dollar values indicate significant inequality. The WA weekly minimum wage is currently 220% higher than the combined current Newstart allowance (single) and rent assistance (single shared) payments of \$284.92 per week.

Significant inequality in Western Australia is also evident when one considers the gender pay gap in the state. At present, Western Australia has the largest gender pay gap of any state in Australia — a gap much larger than the national average. In November 2011, Western Australia recorded a gender pay gap of 27.7% compared to the national average of 17.6%. While the national gender pay gap has remained relatively constant for the last two decades, fluctuating between 15% and 17%, the gap in WA has increased significantly.

The Council urges the Committee to have regard for the fact that while great wealth is currently being generated from the resources sector in WA, this wealth is not being equally shared across our community, and is actually exacerbating financial hardship. There are many Western Australians living on fixed and low incomes that are not benefiting from the boom, and continue to be adversely affected in many ways. Fixed and low income households are particularly impacted by cost of living pressures. This is because these households tend to have slower income growth and spend a high proportion of their weekly income on essential items. In WA, the rising cost of items such as housing, utilities, transport and food have a significant impact, as explained below.

3.0 Cost of living

It is widely acknowledged that rising living costs are a major concern for most Western Australians, but this is particularly so for those on fixed and low incomes.

From 2007-08 to 2009-10, the weekly disposable income available to low-income households in WA for food, utilities, rent and other daily essentials decreased by \$18 to \$457 per week⁴. In the same period, the income of households in the highest income quintile increased by \$267⁵.

Low income families, who are struggling to keep up with cost of living pressures, not only have to choose between essential services; they also forego participation in social activities, taking vacations and pursuing hobbies. They also tend to be ill-prepared to deal with emergencies. The table below shows the indicators of financial stress low-income families were facing in 2009-10, in comparison to other WA households.

⁴ Australian Bureau of Statistics (2009-10) 6523.0 *ABS Household Income and Income Distribution Survey*, WA Table 1.1E.

⁵ *Ibid.*

Table 1: Indicators of financial stress in the last 12 months (WA)⁶

Financial stress indicator	All households (%)	Low income households (%)
Unable to raise \$2000 in a week for something important	15	21.3
Spent more money than received	15.3	18.7
Could not pay electricity, gas or telephone bills on time	13.1	19.4
Sought financial help from friends or family	7.7	9.9
Could not afford holiday for at least one week a year	24.7	38.2
Could not afford a night out once a fortnight	15.9	27.8
Could not afford friends or family over for a meal once a month	7.3	15.4
Could not afford a special meal once a week	12.2	24
Could only afford second hand clothes most of the time	10.1	14.6
Could not afford leisure or hobby activities	11.2	21.2

Between 2009 and 2011, the cost of essential items such as food, utilities, health and public transport in Perth all rose by substantial amounts. The rise in prices is significant across utilities (electricity, gas and water) which are crucial to maintaining a decent standard of living. On the other hand, discretionary items such as clothing & footwear, motor vehicles and household appliances have decreased in price, delivering benefits only to those who can afford them.

2009-11 costs of essentials compared to discretionary items in Perth⁷

Generally discretionary items	% change	Essential items	% change
Alcohol & tobacco	+13%	Food	+7%
Clothing & footwear	-1%	Rent	+7%
Household appliances	-5%	Electricity	+36%
Motor vehicles	-1%	Gas and other household fuels	+31%
		Water and sewerage	+17%
		Health	+9%
		Public transport	+6%
		Education	+13%

⁶ Ibid, WA Table 30.

⁷ Australian Bureau of Statistics (September 2011) *6401.0 Consumer Price Index* Cat, Table 13 (Perth).

3.1 Utilities

For fixed and low income Western Australians, the cost to access essential services such as electricity, water and gas, consumes a high, disproportionate percentage of their income. As a consequence, many are unable to pay utility bills on time and without additional assistance, end up in debt or, in the worst cases disconnected from an essential service.

In 2010-11, comparisons with other jurisdictions showed that Western Australia had the second highest rate of electricity disconnection in Australia.⁸ The rate of disconnection due to non-payment and the 5-year, increasing trend of customers being granted more time to pay their utility bills⁹ are clear indicators of financial stress.

Additionally, in 2010-11 19,417 referrals were made to financial counsellors because people had difficulties paying utility bills, compared to 9,456 referrals in the previous year.¹⁰ By the end of June 2011, the utility companies had referred a total of 33,040 households for financial assistance since the Hardship Utility Grants Scheme (HUGS) commenced in August 2008. Unfortunately, prices of essential services in WA are likely to continue to rise, adding even greater pressure to already struggling households.

It is also important to note that fixed and low income households are often living in older and less energy efficient housing stock and/or rental housing, are more likely to rely on older and more inefficient appliances, and are less likely to be able to invest in efficiency measures. Taken together with the fact that fixed and low income households spend a greater proportion of their income on utilities, this means that they are disproportionately affected by rising utility costs.

3.2 Housing

Housing costs represent a substantial proportion of weekly household budgets in Western Australia, and is a key driver of cost of living pressures in WA.

Due to the shortage of social housing stock and the unaffordability of homeownership, many fixed and low income families are forced to rent in the private rental market. Rental costs in Perth and across regional WA remain at historical highs, with the private rental vacancy rate falling to 1.9%.¹¹ Real Estate Institute of WA (REIWA) data indicates the median weekly rent for Perth in the March 2012 quarter was \$420 per week – an increase of 10.5% from 12 months earlier.¹² This median weekly rent is over 47% above the current \$284.92 weekly unemployment benefit (figure includes the \$244.85 Newstart allowance and \$40.07 rental assistance). Furthermore, rents in regional

⁸ Economic Regulatory Authority: Western Australia (March 2012) *2010/11 Annual Performance Report Energy Retailers*, page iii.

⁹ Ibid, page 8.

¹⁰ Department for Child Protection (April – June 2011) *Hardship Utility Grant Scheme (HUGS) Report to the HUGS Steering Committee*.

¹¹ Real Estate Institute of WA (23 April 2012) *Property Market Indicators: Perth Metropolitan - Vacancy Rate*, Available online: <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>.

¹² Real Estate Institute of WA (23 April 2012) *Property Market Indicators: Perth Metropolitan - Median Weekly Rent*, Available online: <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>.

centres and towns in mining areas across the Mid West, Pilbara and Kimberley, continue to far outstrip those in the metropolitan area.

Earlier this year, two community organisations — Anglicare WA and the Community Housing Coalition of WA — published the results of their respective reviews of rental affordability in WA. In April 2012, Anglicare WA announced that, after analysing print and online advertisements for 3,828 private rentals across the state, only 29 properties were affordable for people on benefits or pensions — less than 1 per cent of the market. The study concluded that “[t]he level of income received by people on pensions and benefits is clearly inadequate to deliver housing within the accepted rate of affordability”.¹³ They found that the majority of affordable properties were located in the South of WA. In their media release ‘Working Families Can’t Pay the Rent’ Anglicare WA stated:

For the first time the capacity of minimum wage earners to pay market rents was included in the review. It was discovered that less than 2 per cent of the market was affordable for families on a minimum wage in Perth. These results demonstrate that the issue of rental affordability extends beyond just those on benefits and is a serious problem for minimum wage earners too.

Anglicare WA CEO Ian Carter said “This is our first look at the rental market from the perspective of minimum wage earners and the results are bleak. These are self-sufficient individuals and families who work for a living, but the market is climbing too steeply for them to keep up”.

*In the north of the State not a single property was found to be affordable to families – including those with two earners on the minimum wage. The average weekly rent across the Pilbara and Kimberley was a staggering \$1374 per week.*¹⁴

These results reflect similar findings to a study conducted a month earlier by the Community Housing Coalition of WA, which assessed rental affordability for workers on the WA State Minimum Wage and a selection of retail workers. Their study found that it was not just people receiving Centrelink benefits that are struggling in Perth’s tight rental market. The analysis of the 2,400 properties listed on the REIWA website revealed that just 12 rentals were affordable to an adult on the WA State Minimum Wage and just 26 were affordable to a full time retail employee receiving the maximum award rate of pay for their industry.¹⁵

Also of concern are the numerous anecdotal reports WACOSS has heard of low-income tenants with existing leases not reporting property maintenance needs for fear of prompting a rental increase.

¹³ Anglicare Australia (2012) *Rental Affordability Snapshot: Anglicare WA, Western Australia*, Available at: http://www.anglicarewa.org.au/sites/anglicarewaorgau/assets/public/File/Rental%20Affordability%20Snapshot%202012%20-%20Mini%20Report%20_final_.pdf, Accessed on: 24/7/2012.

¹⁴ Anglicare WA (30 April 2012) *Media Release: Working Families Can’t Pay the Rent*, Accessed at: <http://www.anglicarewa.org.au/news/article/30042012-56/working-families-can-t-pay-the-rent.aspx>, Accessed on: 4/5/2012.

¹⁵ Community Housing Coalition WA (April 2012) *Perth Rental Affordability Survey*, Accessed at: http://community.webvault.ws/wp-content/uploads/2012/05/CHCWA_Rental_Affordability_Survey_FINAL_April_2012.pdf, Accessed on: 9/8/2012.

The high cost of housing has resulted in an increasing number of Western Australian households seeking assistance from financial counsellors or emergency relief agencies because they are unable to pay their bills. Around 45% of financial counselling clients are those in the private rental market.¹⁶ Western Australia is also reported as having the nation's highest proportion of households in mortgage stress.^{17,18} Home repossessions due to mortgage defaults are also now at record levels in WA. In the year ending June 2012, 1500 repossession applications had been lodged with the Supreme Court — a jump of 10.5 per cent from the previous peak of 1342 recorded at the height of the Global Financial Crisis in 2008-09.¹⁹

Intermittent employment, coupled with increased housing and living costs, in WA has led to *even middle income individuals and families* to be struggling financially — placing increased pressure on community service organisations that are geared towards those on lower incomes. When middle and low income families are struggling to be able to find and afford accommodation, it goes without saying that many on fixed incomes (such as the Newstart allowance) will struggle to find and maintain stable, affordable accommodation.

3.3 Food

In 2010, the Department of Health (Western Australia) released its *Food Access and Cost Survey* report which said “(f)ood has a direct influence on health and the prevention of non-communicable disease through improving nutrition is a public health priority”.²⁰ The report considered the food stress experienced by WA families on fixed incomes and found that:

The proportion of weekly income that would be spent on food to purchase a food basket consistent with Australian Dietary recommendations was much greater for welfare recipients. Welfare recipients would need to allocate about half of their disposable income to food compared to only 16 per cent for the average income earner.^{21, 22}

A South Australian study undertaken in 2010 showed that food stress disproportionately affected low-income households in Adelaide. This research showed that low income households need to spend 30% or more of their household budget to be able to eat a healthy diet compared to wealthy

¹⁶ Financial Counsellors Association of WA (2011) *Hotline Statistics*

¹⁷ A household is considered to be in “mortgage stress” when spending 30% or more of their income on home loan repayments.

¹⁸ The West Australian (22 November 2011), *WA tops nation for mortgage stress*, Accessed at <http://au.news.yahoo.com/thewest/a/-/newshome/11929011/wa-tops-nation-for-mortgage-stress/>, Accessed on: 13/8/2012.

¹⁹ The West Australian (10 July 2012) *Home repossessions at record high*, Accessed at: <http://au.news.yahoo.com/thewest/a/-/breaking/14186860/home-repossessions-at-record-high>, Accessed on: 13/8/2012.

²⁰ Tim Landrigan & Dr Christina Pollard (2010) *Food Access and Cost Survey (FACS): Western Australia* Department of Health, Western Australia. Available at: <http://www.public.health.wa.gov.au/cproot/4115/2/Food%20Access%20and%20Costs%20Survey%202010.pdf> page 11.

²¹ Ibid.

²² Estimates of weekly disposable household income come from the ABS's 2007-08 Household Expenditure survey. Weekly welfare payments were estimated using Centrelink's online calculators. Both estimates were obtained using two reference families — a two-parent family and a single parent family, each with two children.

households which spend about 9%. As healthy food is more expensive low-income households are more likely to purchase unhealthy processed foods that are high in fat and are strongly linked to obesity, heart disease and diabetes.^{23,24}

There is a compelling argument which says keeping the allowance payments at the current, unreasonably low rate, will lead to significant additional costs for the health budget and the wider economy in the longer term.

The Council is concerned that the rate of income support available to those on the Newstart Allowance is now so low, relative to the cost of living, that it in fact constitutes a significant barrier to workforce participation, not an incentive. People on low incomes living in Perth are increasingly being forced to seek affordable housing further out on (and beyond) the urban fringe or in rural and regional communities where they face significant logistical challenges in accessing labour markets and training (including availability and affordability of child-care, education, affordability and access to transport, employment services and other community services, to name a few).

The Council urges the Committee to address the current inadequacy of allowance payments as a means of supporting people into work. Unless the inadequacy of allowance payments is addressed, allowance recipients will be pushed into even greater financial insecurity, and will become further entrenched in poverty — two factors which are not conducive to jobseekers obtaining ongoing and secure employment.

4.0 Insecure work

The Council draws the attention of the Committee to the final report of the *Independent Inquiry into Insecure Work in Australia*. On 20 February 2012, the Council appeared before this Inquiry in Perth, and took the opportunity to highlight a number of important issues including:

- The impacts of insecure work (under-employment, stop and start work, casualization etc.) on low income and vulnerable people in WA;
- The prevalence of insecure work within the community sector, and the impacts of funding insecurity from an employer perspective;
- The (in)adequacy of the current allowances payment system to deal with the changing nature of employment (for people regularly moving in and out of insecure work);
- The impact of the rise of insecure work on community service providers, including financial counsellors, emergency relief providers, and other frontline services.

²³ See interview with Dr John Coveney, *Low earners suffering 'food stress'* (28 September 2010) ABC Adelaide Available at: <http://www.abc.net.au/news/video/2010/09/28/3023946.htm?site=adelaide>.

²⁴ For a discussion on the relationship between nutrition and health in Western Australia see *Health and Wellbeing of Adults in Western Australia 2010: Overview and Trends* (2011) P. Davis & S. Joyce, Department of Health, Western Australia, pp.41-6. Available at: http://www.health.wa.gov.au/publications/documents/Health_and_Wellbeing_Adults_WA2010_Overview_Tr ends.pdf. For a discussion about the relationship between low socio-economic position and health see *An Explanation of Socioeconomic Differences in Physical and Mental Functioning in the Western Australian Population* (2007) S. Johnson, A. Daly, N. Mullan and M. Phillips. Available at: <http://www.health.wa.gov.au/publications/documents/Predicting%20PCS%20and%20MS.pdf>.

In the foreword to the Inquiry's final report, Inquiry chair Brian Howe described the situation for people employed on insecure work arrangements:

If their skills are low, or outdated, they are not offered training through work. They shift between periods of unemployment and underemployment that destroy their ability to save money.

Their work is not a "career"; it is a series of unrelated temporary positions that they need to pay rent, bills and food.

For them, flexibility is not knowing when and where they will work, facing the risk of being laid off with no warning and being required to fit family responsibilities around unpredictable periods of work.²⁵

The Inquiry recommended that

The Federal Government recognise the need for a broader focus on work-life transitions, rather than the narrow preoccupation with the transition between unemployment and employment that has led to a focus on "welfare-to-work" initiatives.

Significantly, Australia has one of the highest rates of part-time work in the OECD, and

- Over two thirds of part-time workers are women;
- Most part-time jobs in Australia (55%) are casual jobs;
- Women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and
- Over half (56%) of casual employees are women.²⁶

Given the estimated 40% of Australian workers who are in insecure employment, the issues identified by the *Independent Inquiry into Insecure Work in Australia* will be very pertinent to the Committee's consideration under Term of Reference (c). The Council urges the Committee to take the findings of this inquiry into account in preparing its report.

5.0 Young People

Unemployment rates across Australia are highest amongst young people. In July 2012, the seasonally adjusted unemployment rate for people aged 15-64 was 5.3%.²⁷ For people aged 15-24, this rate more than doubled to 12.1%.²⁸

²⁵ Independent Inquiry into Insecure Work in Australia (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*.

²⁶ ACTU (2012) *Insecure work, anxious lives: the growing crisis of insecure work in Australia*, Accessed at: <http://securejobs.org.au/wp-content/uploads/2011/09/Launch-paper.pdf>, Accessed on: 25/7/2012.

²⁷ Australian Bureau of Statistics (July 2012), *6202.0 Labour Force, Australia*, Table 18 (Unemployment rate; persons; seasonally adjusted).

²⁸ Australian Bureau of Statistics (July 2012), *6202.0 Labour Force, Australia*, Table 17 (Unemployment rate; persons; seasonally adjusted).

In November 2011, The Foundation for Youth Australians released its report *How young people are faring*. The report identifies long-term unemployment as an important issue for young Australians. In particular, it found that:

- *Compared with other OECD nations, Australia has higher levels of teenage long-term unemployment but lower levels for young adults, although these rates are confounded by structural differences in education and training systems between countries.*
- *More than one quarter of the long-term unemployed in Australia are 15 to 24 year-olds.*
- *The percentage of young Australians who have not had a job for a year or longer has almost doubled since 2008. In 2011, 1 per cent of teenagers and 1.1 per cent of young adults in the population are long-term unemployed.*²⁹

Given the precarious position of young people in the labour market, the Council urges the Committee, through this Inquiry, to give particular consideration to the needs of unemployed young people.

6.0 Conclusion

The Council thanks the Committee for the opportunity to make a submission to this Inquiry.

The Council is concerned that the current inadequacy of allowance payments is working less as an incentive and more as an obstacle for people attempting to transition from Newstart into employment. The inadequacy of the allowance payments, at a time when costs of living are continuing to rise, is not creating an environment conducive to allowance recipients obtaining ongoing and secure employment.

The Council urges the Committee to give regard to the well-documented impact of cost of living increases for fixed and low income earners in Western Australia, and to take into account the burden experienced by such vulnerable community members as the prices of essential items such as housing and utilities increase.

Yours sincerely,

Lyn Levy
Acting Chief Executive Officer

²⁹ The Foundation for Young Australians (2011) *How Young People are Faring 2011: The national report on the learning and work situation of young Australians*, Available at: http://www.fya.org.au/wp-content/uploads/2011/11/FYA_HYPAF_Full_Report_PDF.pdf Accessed on: 9 August 2011.