

Submission to the Welfare Review

A New System for Better Employment and Social Outcomes.

This submission is lodged on behalf of two Financial Counsellors, Margaret Clements of the Central Queensland Financial Counselling Service Inc (CQFCS) and Saskia ten Dam of the Townsville Community Legal Service Inc (TCLS), who have collective experience of over 30 years in delivering financial counselling and assistance to people experiencing financial stress.

This submission will respond only to Pillar 1 of the Review as this is the area of expertise and is informed by the practice wisdom of the authors.

CQFCS has been established for over 20 years and operates from Rockhampton covering the statistical region of Fitzroy providing Financial Counselling (20+ years) and Place Based Income Management programmes (2 years). The boom and bust of the mining sector and industrial Gladstone to the droughts and flooding, along with easy access to credit has increased the susceptibility of those in our community to experience financial hardship.

Rockhampton is the main service centre for the Fitzroy area which encompasses a diverse range of industries such as farming, tourism and mining. Rockhampton boasts two abattoirs and cattle saleyards. Rockhampton houses a correctional centre with some 498 male inmates. Fitzroy areas include the Bowen Basin, Callide Valley & Central Highlands mining areas, industrial Gladstone area and Rockhampton City, as well the coastal tourist areas.

The economy of the Fitzroy area is based primarily on primary industry, tourism, mining and retail. This gives rise to a number of seasonal and casual workers (tourism & primary production) who are dependent on the fluctuating market prices of agricultural goods. Drought, economic downturn and natural disaster (flooding) all impact strongly and immediately in these areas of Fitzroy. Financial difficulties are commonplace in town and communities which lack a strong regular source of economic stability. While financial support for primary producers in drought or disaster situations somewhat alleviates financial difficulties for the owners of farms/stations, it does not provide financial support or relief for the workers in those industries thus leading to periods of financial hardship. Similarly, for tourist businesses, the staff are subject to seasonal and economic influences.

TCLS has also been established for over 20 years and delivers services from Townsville to people living in North Queensland. Townsville is the service hub for the North Queensland region, north to Cardwell, Ingham and Palm Island, south to Bowen including the Burdekin (Ayr, Home Hill), and west to the Northern Territory border, including Charters Towers. Townsville is home to a Humanitarian Resettlement Program, has high populations of people over the age of 65 (10% of the total population), students (7%), military personnel, FIFO workers and families; and is a centralised service point for Palm Island residents who are seeking health care and other services in Townsville.

People seeking assistance from financial counsellors have usually experienced some major life event that has impacted on their ability to manage financially. Life events include (but are not limited to) job loss or reduction of hours of employment, relationship breakdown or the death of a partner, the birth of a child, illness or injury, accident or increased costs of living including increases in energy costs, rent and medical expenses.

People seeking assistance from financial counsellors are frequently at breaking point. Their mental health and relationships are often being adversely affected by their inability to meet their day to day living expenses whilst balancing the demands of creditors, be they utilities, financial services providers such as banks and finance companies or other organisations seeking repayment of debt such as insurance companies.

Organisations such as Centrelink, health service providers including community health and hospitals, Red Cross and other non government organisations which provide emergency relief and assistance to the community are among the primary referral services to financial counselling.

Simpler and sustainable income support system

We concur with the report in that the payment system should be simplified and that working age payments (18+) should be based on the ability of the individual to engage with the community with dignity. Payments should be calculated according to a broad range of factors including parental responsibilities, caring roles and capacity for work, as well as the ability to access suitable education and training and the cost inherent therein. It should be noted that single people living alone or sole parents with one child over 7 years of age are the most disadvantaged under the current welfare system where the cost of rent and utilities are significant imposts on their income. It is not uncommon to see people paying in excess of 50% of their income on rent alone.

We do not believe that there should be a differential payment level for those over 18 years who are either undertaking study or job seeking. At this age people are able and actively encouraged to participate fully in the financial sector and this includes their ability to contract for goods and services in their own right.

We also believe that there should be greater incentives in terms of taper rates to encourage people to re-enter the workforce, bearing in mind the increased real costs of employment such as travel and appropriate clothing and footwear and for parents of young children, the costs of childcare.

It is our contention that the current level of payments for Newstart, Youth Allowance and Austudy are patently inadequate and we call for an immediate increase in these payments of a minimum of \$50 per week, ie \$7 per day and that there should be one

level of payment for those over 18 years set at the level of Newstart plus \$50 per week. Such an increase would merely bring those living on the aforementioned payments to meet a minimum acceptable standard of living expected in today's Australian society. It should be noted that the majority of people receiving these payments have obligations such as rent and energy accounts to pay, contracts into which they have entered prior to their change in circumstances.

The current system of lower payments to young people and students studying full time presumes that such study is limited to the actual contact hours for study and neglects the need to undertake study outside the formal classroom setting. This presupposes that students can also undertake part time work to supplement the low level of payments without impacting on their ability to achieve results from their study.

The low level of payments for young people (currently those aged between 18 and 25) is a barrier to seeking employment as no concessions for public transport or utilities are extended to healthcare cardholders in Queensland.

The current system presumes that people are living in capital cities where there is ready access to public transport and other support services such as employment services which enable young people unable to drive to access training and employment. This is not the case in rural and regional communities. Public transport is virtually non-existent in regional centres and for those who hold a drivers licence the cost of owning and maintaining a motor vehicle is prohibitive given the current level of payments.

Family payments should be means tested with the highest rate directed to those receiving Centrelink payments as their sole source of income and recognising the differential costs of the age of children. Family payments should also be based on the actual income of the recipient at the time of receipt of the payment, that is when a person is not in employment or is working part time or casually (the time at which the payment is required) and should not then be subject to a reconciliation at the end of the financial year.

It is our contention that there is minimal recognition of the fact that people have contractual obligations for leases etc at the time their circumstances change and that there are high levels of detriment in the notion that the lack of affordability of maintaining those obligations have on their future prospects within the rental market particularly. The assumption that people can move at will without consequences appears to underpin current thinking. It should also be considered that any expectation that people move to areas of 'greater employment opportunity' when unemployed assumes that finding accommodation will not pose significant problems for the individual and their family which would be exacerbated should they have broken a lease to do so.

As noted above we believe that all adults, those aged 18 years and over should be entitled to receive payments in their own right together with the obligations

attached thereto. This is the age at which a person can legally enter into contracts with financial service providers and may be held responsible for their actions under the law. We contend that it is incumbent on our community to recognise adulthood and to educate the community to understand that rights and responsibilities are an integral part of their attainment of adulthood.

Rent assistance is currently paid on a scale in accordance with the amount of rent being paid. We contend that rent assistance should be paid as a percentage of the actual rental cost with a cut off at the median rental costs for the community in which a person is living adjusted half yearly against the standard.

We believe that all payments should be linked as a percentage to the average adult male wage and indexed half yearly. It is apparent to us that those living on Centrelink payments expend 100% of their income into the community and make a significant contribution to the economy of the area in which they live. Centrelink recipients also pay all the indirect taxes inherent in day to day living including GST and excise taxes.

We strongly support the payment of a separate pension to those with a permanent incapacity to work and this should be paid at the same rate as that paid to age pensioners.

In summary:

1. The rate of Newstart or Job search allowance should be increased by \$50 per week immediately;
2. People over the age of 18 years who are work able should be paid at the same rate whilst either job seeking or in study;
3. Taper rates should be increased to encourage re-entry to the workforce and assist with the increased costs of engagement;
4. Rent assistance should be paid as a percentage of the actual rent paid up to a cap;
5. Indexation of payments should occur half yearly and be based on a percentage of the average adult male wage.