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## **Submission to the Reference Group on Welfare Reform**

### **Introduction**

YWCA Australia welcomes the opportunity to provide feedback to the Reference Group on Welfare Reform (**Reference Group**) on the Interim Report, *A New System for Better Employment and Social Outcomes (Interim Report)*.

### **About YWCA Australia**

YWCA Australia is the national association of YWCAs in Australia and is part of the World YWCA movement. We are a women-led organisation that achieves positive change by providing advocacy, programs and services for women, families and communities.

YWCAs undertake advocacy and deliver services and programs that develop the leadership and collective power of women and girls, support individuals, their families and communities at critical times, and promote gender equality and community strengthening.

YWCAs have been providing community services in Australia since the 1880s and work with many people receiving income support allowances. Our programs include services for children; family and youth; mentoring; health and wellbeing services, disability services; programs for young women; women's leadership programs; social and low-cost housing; employment and training services; and social enterprises.

One of our key priorities is increasing the economic security of women, their families and communities.

### **Women and economic disadvantage**

We note that:

- Women have higher rates of persistent low economic resources.<sup>i</sup> Financial disadvantage starts with lower salaries and continues to retirement.<sup>ii</sup>
- Sole parent families continue to have the highest levels of financial stress.<sup>iii</sup> As women comprise 81% of sole parents in Australia, the risk of poverty disproportionately affects women.<sup>iv</sup>
- Women are more likely than men to experience multiple disadvantage, and also more likely to experience persistent disadvantage - the gap between men and women is wider the longer the disadvantage persists.<sup>v</sup>

The Australian Council of Social Service (**ACOSS**) *Poverty in Australia* report<sup>vi</sup> found nearly 600,000 or 17.3% of children are living below the poverty line.

## Pathway to final report

YWCA Australia joins with many other organisations in expressing concern that the six-week consultation period for the Review is too short, limiting the ability of people and organisations to examine relevant issues and participate meaningfully in the Review.

YWCA Australia is also concerned that people who receive income support payments were not consulted as stakeholders when developing the Interim Report. We urge the Reference Group to engage in meaningful discussion with people with direct experience of living on income support payments and experiencing poverty before developing the Final Report and recommendations.

## Overview

YWCA Australia would support a simpler architecture for the income support system that is simpler for people to understand and navigate. While we understand that the income support system needs to be fiscally sustainable, all payments need to be **fair, adequate and based on need** to promote economic and social participation and allow people to live with dignity.

### *General principles*

YWCA Australia supports the position of the Australian Council of Social Services (**ACOSS**) that reforms flowing out of the McClure Review should ensure that:

- No disadvantaged group is worse off.
- Payments are targeted to need.
- The income support system supports employment participation.

### *Proposed budget measures*

We are very concerned about how the Welfare Review proposals may interact with some of the proposed 2014-15 budgetary measures affecting people on income support payments. In particular, we urge the Reference Group to take into account the following proposed measures which, if passed, will create additional hardship for vulnerable people in our community:

- **The six-month wait for payments for unemployed young people.**<sup>vii</sup> Removing the income support safety net for many young people will lead to homelessness, financial crisis, going without food or medical care and will make it even harder for young people to find work. The proposal seems based on the incorrect assumption that all young people have a financially secure family to support them during the six-month blocks where they will be without income. We know this is not the case for many young people in our community.
- **Changes to indexation arrangements for a range of income support payments**, including the age pension, disability support pension and parenting payment (single), which will erode the value of income support for people at risk of poverty.
- **Changes to the Disability Support Pension (DSP):** People aged under 35 who currently receive the DSP and who were initially granted the payment between 2008 and 2011 will have their eligibility for the DSP reviewed.
- **Increases in user charges for essential health services, including GP payments, medicines and tests.**

This Review is also taking place in the context of the Australian Government announcing that the age at which people can receive the Age Pension will be extended to 70 years by 2035. The Australian Government has also recently announced harsh job-search requirements that may not necessarily maximise employment opportunities.

## Positive aspects of Interim Report

YWCA Australia welcomes recognition in the Interim Report that:

- Income support has to be sufficient to deliver a **basic acceptable standard of living** for those with no other means of financial support (p.53).
- The growing gap between pension and allowance rates ... raises the question of **whether current allowance payment rates are adequate and appropriate** (p.53): People receiving allowances on the lower single rate in 2014 received only 61.6 per cent of the pension rate (p.62).
- As children get older they can **remain dependent on their parents** for housing and other support (p.60).
- Providing **adequate support for children** in low income households is critical (p.65).
- As children grow, their needs change and the cost of providing a basic standard of living **increases** (p.65). We are interested in the idea in the Interim Report of payment rates in a new child payment that could **increase progressively to recognise the increasing costs as children grow up**.
- Rent Assistant adjustments have not kept pace with **rising rental housing costs** (p.9 Overview). We also like the idea that rent assistance for parents should recognise **their role in supporting young people beyond school to independence** (p.71).
- **Targeted education and training** are increasingly important in a labour market that favours more highly skilled job seekers (p.12 Overview).
- Government has an important role in improving employment outcomes for people with disability (p.14 Overview).
- Employers should be encouraged to make jobs available for disadvantaged groups including people with disabilities (p.95).
- **Tailored support services** are important to sustain employment outcomes for vulnerable groups, including people with disability and mental health conditions (p.95).
- **Unique and innovative solutions** are required to address the complex problems facing disadvantaged communities (p.112).

We note that current investment by the Australian Government in employment assistance, at only half the OECD average (0.3% compared to 0.6%), is inadequate. <sup>viii</sup>

## Areas of concern

YWCA Australia has concerns about the following proposals in the Interim Report:

- Only people with permanent disabilities should receive the Disability Support Pension (DSP), and people who have partial, or short-term, disabilities should receive allowance payments (see below for more information). We are concerned about removing people from the disability support pension to the working age payment if their income is to be reduced or inappropriate obligations imposed in a context of limited genuine job opportunities (see more below under *Disability Support Pension*).
- Expanding income management “as a budgeting tool to build the capability of individuals and families by helping people stabilise their circumstances and better manage their income support payments to ensure essential needs are met” (p. 83). In our view, there is not yet sufficient evidence about the positive impact of income management to support its expansion.

We are also concerned that individual measures recommended in the final report may be ‘cherry-picked’ from the report and that what is fair and reasonable as part of a comprehensive reform package, maybe less fair if implemented in isolation.

Transition arrangements to any new payment framework would also require careful consideration and timing to avoid causing unnecessary hardship.

## Current situation

YWCA programs and services work with many people on income support are experiencing poverty, are unable to meet their basic needs, and are seeking emergency relief.

With the rise in living costs generally, particularly housing costs, financial and housing stress is increasing in our communities. We note that the NewStart Allowance in particular hasn’t increased in real terms since the mid-1990’s<sup>ix</sup>, and is now one of the lowest levels of income support provided in the developed world.<sup>x</sup>

As well as forcing recipients to make choices between essentials such as buying food, accessing healthcare and paying utilities bills or rent, the poverty caused by the Newstart Allowance impacts on a person’s ability to find work and participate in education, training and other capacity building activities that could help them to move into employment. As ACOSS has stated – ‘[s]earching for jobs and upgrading skills costs money.’<sup>xi</sup>

In our work, we see the impacts of the low rate of Newstart and other income support payments in the following ways:

- **Young people** who struggle with the costs of accessing employment, such as money for appropriate clothing, hair care, electronic communications, and public transport fares. They may also be incurring training-related debts and struggling to access or retain suitable housing.
- **Women with families** (particularly in sole-parent headed households) having to make choices about basic necessities such as heating or food and needing to access emergency welfare supports. We are also concerned about the impact of this poverty on children, who can miss out on many experiences other families take for granted such as sport, swimming lessons or excursions.
- **Older or aged women** who are disadvantaged as they move towards retirement without economic or housing security after a lifetime of low pay paid work, particularly

following a divorce or the death of a partner. Older women may face additional barriers to accessing work that include age discrimination, increasing health needs and costs, the long-term impact of historical disadvantage in educational opportunities and increasing difficulty accessing public transport.

## **Fewer payments and supplements**

YWCA Australia is interested in the Reference Group exploring the following further:

*Within the working age payment, different tiers of payment could take account of individual circumstances, such as partial capacity to work, parental responsibilities or limitations on availability for work because of caring. Recipients of higher rates could include single parents, people with disability and a partial capacity to work, and others with a significant barrier to full-time work (p.10).*

However, we reiterate the importance of ensuring that the rates are adequate and liveable, and do not include punitive obligation measures that don't build capacity.

## **Disability Support Pension**

As the Interim Report acknowledges, Australia's employment of people with disability is lower than the OECD average (p.34). The most recent OECD ranking placed Australia 21st out of 29 OECD countries for employment participation by people with disability, at around 40 per cent, compared with 80 per cent workforce participation for people living without a disability.<sup>xii</sup>

We are concerned that the Report does not adequately address how substantial numbers of genuine job opportunities for people with disabilities will be created. Although the last part of the report seeks to consider how sustainable employment outcomes for disadvantaged job seekers can be achieved, the short consultation period may mean that this aspect of the report cannot be adequately addressed by stakeholders, many of whom have experience and innovative solutions in this area.

### *Impact on women*

When designing welfare reform measures, we urge the Reference Group to take into account that the barriers that exist for women in achieving economic participation are greater for women with disability. According to the COAG *Tracking equity: Comparing outcomes for women and girls across Australia* report:

*Women with disability have a significantly lower labour force participation rate than men with disability... Nationally in 2009, around one in every two (49.0%) women with disability participated in the labour force - significantly lower than the proportion of men with disability (59.8%) who participated. In the 25 - 34 year old age bracket, there was a 19.5 percentage point difference between the proportion of women (55.6%) and men (75.1%) with disability who participated in the labour force.<sup>xiii</sup>*

We urge the Reference Group to consult closely with women with disabilities in developing the Final Report and recommendations.

## Rent Assistance

YWCA Australia notes that women in private rental carry a significant burden of rental stress. The impact of the lack of affordable housing is felt disproportionately by women because of the higher number of women in low paid jobs, women heading single parent families and the higher rates of poverty among older women living alone.

YWCA Australia supports the following statement in the Interim Report:

*Homelessness is a complex issue that affects many Australians, and is a significant barrier to participating in work and society. A holistic response, incorporating long-term systematic effort across agencies, all levels of government, sectors and the community is required to break the cycle of homelessness (p.31).*

YWCA Australia advocates for such a holistic response and has been calling for a comprehensive national affordable housing strategy to address Australia's housing affordability crisis. We urge the Reference Group to highlight the need for such a strategy in their Final Report.

YWCA Australia agrees that Commonwealth Rent Assistance rates are currently inadequate and have not kept pace with rising rental housing costs. We agree with the Reference Group that "[r]ent assistance should be reviewed to determine appropriate levels of assistance and the best mechanism for adjusting levels over time (p.11 Overview)." This is something that needs to be acted on as soon as possible.

YWCA Australia supports Recommendation 102 of Henry Review, *Australia's Future Tax System Review* set out at page 71 of the Interim Report:

*The maximum rate of Rent Assistance should be increased to assist renters to afford an adequate standard of dwelling. To ensure that Rent Assistance can be maintained at an adequate level over time, the rent maximum should be indexed by movements in national rents, which could be measured by an index of rents paid by income support recipients.*

We would also like to see the adequacy and structure of the Age Pension reviewed to take account of the unique needs of single, older renters.

We are concerned by the suggestion in the Interim Report of moving away from income based rent setting for public housing to Rent Assistance as the preferred rent subsidy scheme across public and private rental. In our view, any changes like this need should only be made as part of a comprehensive national housing plan that looks at a broad range of policy levers.

## More information

We urge the Reference Group to consult closely with community sector organisations and people with direct experience of living on income support payments when developing its Final Report and recommendations.

Thank you for the opportunity to provide this submission. YWCA Australia would welcome the opportunity to engage in further discussion about any of the points raised in this submission.



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<sup>i</sup> *Social Inclusion in Australia How Australia is faring 2<sup>nd</sup> edition - Financial stress and inequality Fact Sheet*, Australian Social Inclusion Board, August 2012.

<sup>ii</sup> COAG Reform Council, *Tracking equity: Comparing outcomes for women and girls across Australia*, 2013, p.8,

<http://www.coagreformcouncil.gov.au/sites/default/files/files/Tracking%20equity%20Comparing%20outcomes%20for%20women%20and%20girls%20across%20Australia%2C%20Chapter%205.pdf>

<sup>iii</sup> *Social Inclusion in Australia How Australia is faring 2<sup>nd</sup> edition - Financial stress and inequality Fact Sheet*, as above.

<sup>iv</sup> Australian Bureau of Statistics (ABS), 6224.0.55.001 *Labour Force, Australia: Labour Force Status and Other Characteristics of Families* June 2012, 2013,

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6224.0.55.00>

<sup>v</sup> *Social Inclusion in Australia How Australia is faring 2<sup>nd</sup> edition - Financial stress and inequality Fact Sheet*, as above.

<sup>vi</sup> Australian Council of Social Service (ACOSS), *Poverty in Australia*, 2012, p.6,

[http://www.acoss.org.au/uploads/ACOSS%20Poverty%20Report%202012\\_Final.pdf](http://www.acoss.org.au/uploads/ACOSS%20Poverty%20Report%202012_Final.pdf)

<sup>vii</sup> See Schedule 9, *Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill 2014*, p.50,

[http://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/r5274\\_first\\_reps/toc\\_pdf/14130b013.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/r5274_first_reps/toc_pdf/14130b013.pdf;fileType=application%2Fpdf)

<sup>viii</sup> OECD, *Australia's unique approach to helping the unemployed has delivered good results but challenges remain*, says OECD, Media Release, 11 December 2012,

<http://www.oecd.org/els/emp/australiasuniqueapproachtohelpingtheunemployedhasdeliveredgoodresultsbutchallengesremainsaysoecd.htm>

<sup>ix</sup> ACOSS, *ACOSS Poverty Report October 2011 Update*, available at

[http://acoss.org.au/images/uploads/ACOSS\\_Poverty\\_October\\_2011.pdf](http://acoss.org.au/images/uploads/ACOSS_Poverty_October_2011.pdf)

<sup>x</sup> Richard Denniss and David Baker, *Are unemployment benefits adequate in Australia?*, Policy Brief No. 39, April 2012, pp.2-3, available at

<https://www.tai.org.au/index.php?q=node%2F19&pubid=991&act=display>

<sup>xi</sup> ACOSS, *Sole parents won't be helped to find employment by cutting their payments*, July 2012, available at [http://www.acoss.org.au/images/uploads/Paper\\_190\\_Sole\\_parents\\_submission.pdf](http://www.acoss.org.au/images/uploads/Paper_190_Sole_parents_submission.pdf)

<sup>xii</sup> Add reference

<sup>xiii</sup> COAG Reform Council, *Tracking equity*, p.70, as above.