

Submission to:

Welfare Review

Welfare System Taskforce

Department of Social Services

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Written by

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**1: Introduction**

BJL Connecting Communities (BJL) welcomes the opportunity to make a submission to the Department of Social Services as part of the review of the welfare system commissioned by the Hon Kevin Andrews, Minister of Social Services upon the release of “A New System for Better Employment and Social Outcomes”, its Reference Group’s Interim Report.

Since the newly created Commonwealth of Australia enacted its Invalid and Old-Age Pension Act (1908) nearly every Australian at some point in their lifetime, has received benefit from our national system of social security. The system is part of the whole all social and economic framework of Australia for example benefit is gained by the private providers of health insurance, workers compensation, life insurances, superannuation all of which receive or depend on some form of safety net support. The economic and social role played by the system is far more than just its distribution of Job Seeker Allowance and over the test of time has proven itself a remarkably resilient system1

Whilst BJL may agree in part with the assertion made in the report that Australia’s social security system has developed over that time with “*some unintended complexities, inconsistencies and disincentives”;* we find that the justification and support for some of the welfare reforms argued for in “A New System for Better Employment and Social Outcomes” would be detrimental to the overall common wealth and well-being of the Australian people. In addition, to the very socio economic environment it is in place to provide and in place to protect Australians. That some of the very reforms suggested will not cure the system of unintended complexities, inconsistencies and disincentives in the social security system we think they will add to them.

The Australian social security system is more than just *an individual income system in desperate need of an employment focus* which is themed and suggested in the report. That in itself suggests all benefit recipients of the system are individuals on Job Search Allowance who should simply go get a job. That is unfair and inaccurate. The social security system acts to support our aged, our children, our sick and it complements and plays a vital roles in the health system, the education system, the tax system, the wage system, labour market activation and intervention, the redistribution of opportunity and adds valuable support to the economic system itself (including those examples of private sector systems mentioned above). BJL would argue that the 6% of GNP cost is not an expense, it is an investment because of what it adds to overall Australian Capital and the value gained through its economic/social returns and adjustments.

**2: Complexities**

There is clear evidence that our social security system is one of the most economical (in terms of percentage of GDP spent on welfare) compared to OECD countries.2 Our spending on the aged pension, at 3.5% is considerably lower than other OECD countries, like France (6%), Italy (15%), and the United Kingdom (6%). Australia also spends less on unemployment benefits than the USA, Italy, France and Germany. In fact, overall spending on social expenditure is comparatively low.3 One of the reasons Australia spends less per person per population on its social security system then the USA is because we have efficient and effective safety net in place. It is fixed at the right tension because it does allows for the right intervention at the right time which is socially and economically responsible and because it does reduces overall expenditure, both in the short and longer term as evidenced by the US comparison. Reducing that tension and allowing citizens to fall through cracks or not access the safety net at all makes for a much more expensive proposition. That expensive cost will not just in economic terms but its the social cost.

Compared to other OECD countries Australia spends lower In a study conducted by Australia Policy Online4, it can be said that:

[Australia]*“has the most efficient system of benefits in inequality and poverty reduction of any developed country – for each dollar of spending on benefits Australia reduces income inequality by about 50 per cent more than the United States, Denmark or Norway, twice as much as Korea, roughly two and a half times as much as Japan or Italy, and three times as much as France”*

Australia Policy Online’s study goes on to state that Australia’s social security system redistributes economic opportunity effectively, with the poorest 20 per cent of the households receiving 42 per cent of benefits. In comparison, Japan gives the same group 26 per cent, and the United States of America 25 per cent. As such, Australia’s social welfare system is on par with Scandinavian countries, with redistribution of wealth to the lowest 20 per cent second (in OECD countries) behind Denmark. BJL agrees that we have an effective and efficient social security system, and not, as A New System for Better Employment and Social Outcomes states “*that it is out of step with today’s labour market realities and community expectations”*. Nor that “*the Income support system is in need of major reform to deliver better outcomes for all Australians”.*

**3: Inconsistencies**

A New System for Better Employment and Social Outcomes advocates for an increased level of workforce participation, stating that “*Participation in employment should be a priority across the whole social support system*”.

There is good reason why people are eligible for Pensions and others are eligible for Job Search Allowance and that distinguish is made – put logically and simply not all recipients are Job Seekers. . Job Search Allowance is a payment calculated at a rate that corresponds with to a work ready person minimal living and job search expenses. It is currently estimated by *Trading Economics* that for every job vacancy, there are five unemployment job seekers5. If the government decides to incentivise payment recipients to join the workforce by reducing those payments it would be setting an unreachable standard for the majority of recipients. According to the University of Sydney Workplace Research Centre there are there are approximately 146 000 job vacancies in Australia, 727 000 unemployed people, 922 000 unemployed.6 There is not a job available for every job seeker.

It should be remembered not all Job Seekers are on Job Search Allowance. Some Job Seekers that have employment are still eligible for part-payment of Job Seeker Allowance because they are under employed. Some Job Seekers are not eligible for any payment because their spouse is working and rely on Family Allowance to make up the shortfall their unemployment brings their family budget. The social security system has different payment structures because there is difference in circumstances – complexities in the payment system are sometimes about being flexible.

The policy document Real Solutions7 for all Australians which sets out the values and priorities of the Government informs the report. We are referencing this report because it makes transparent a philosophical view that runs through “A New System for Better Employment and Social Outcomes”. Real Solutions states that work-for-the dole should be mandatory and reinvigorating the program because of that programs past success. Research in 2004 by the Melbourne University on the Work for the Dole Program found it “counterproductive”.8 This was based on a series of reasoning but none more transparent as when exemplified by overlaying data of those on Job Search Allowance that participated in Work for the Dole and those on Job Search Allowance that did not and found that those not participating in Work for the Dole were more successful in finding employment. Work for the Dole is an expensive program to deliver, to manage, to administrate and to operate. It is not just about the cost paid for registration but cost for the overall management, administration and operations of the program nationwide. BJL experience in servicing the community and working with employers would suggest the Government would be far better to offer employers the $1200 participant registration fee as an incentive to them to cover their additional costs of labour market entrance supervision and training post twelve weeks and put the savings from the bulk which makes back into the under 30 category. The $1200 better spent as an employer reward, if you like, for giving a young person a go.

The Australian Youth unemployment is too high and is higher than all other populations. Through BJL’s 26 years of delivering youth programs knows that they are the first to suffer in a downturn and the last category to recover. BJL fails to see how an expansion of the social security definition of “Young People” to include up to 30 years of age works to address or to decrease Youth Unemployment or assists labour market entrance. It would simply acts to make the individual responsible for an economic and labour market situation. What is more it targets the individual who has the least power to change the situation.

As it is in our communities, as with all others throughout Australia, youth programs that act complimentary to and work with Centrelink will tell you - “Youth” eligibility to a “Youth Program” is generally people between the range of 12-21yrs. Youth Allowance is calculated at a rate that includes and depends upon that additional support in place. There are youth programs for 15/16 – 19 years, programs for 16 -21 years but none from 22-30 years. Youth Accommodation Services will not cater for 22 – 30 year olds; 22 – 30 year olds will not be eligible for Youth At Risk Programs despite the changes now exposing 18 – 30 years olds to the very high risks of actually having no income. No other Government (local/state/commonwealth department); no social/community service, no one but Centrelink will define nor prescribe that a person 22 – 30 year olds as “Youth” or “Young Person”. They will be on their own with no income support, defined as Young Person but not able to access any youth speciality program or/and support. In other words, the existing infrastructure does not allow or take into consideration such a radical expansion of the definition of “Young Person”. Banning young people for applying for Job Search Allowance bans them from monetary means to enter the labour market; the means by which they can develop and become independent economic and social participants.

There is enough barriers as the record high Youth Unemployment figures attests to.

Homelessness; issues of poverty; trauma; unique economic and civil disparities; social disadvantaged; transition to labour market issues (to name a few) pertain to Young People, these real employability issues act as barriers to employment already. Centrelink depends on an integrated approach of youth servicing to deal with those employability issues because employment will not happen unless those barriers are dealt with. Taking away income support expanding the definition will not enable Young People to get employment it will exacerbate those employability issues and apply them now to other young people that were not of risk of them yesterday. Expanding them by definition to the majority of those aged between 17 – 30 without allowing all access to the integrated youth services (now the practise of seen by the Department of Social Security Centrelink operations as best global practise) makes no sense. It will make community/social servicing at the coal face even more difficult than it is and even more difficult to the people themselves.

Real Solutions talks about “the adoption of a smarter approach to the disability pension that distinguishes between disabilities that are likely to be permanent and those that are not which will prevent older unemployed people being parked on welfare”. The Disability Support Pension (DSP) according to the Department of Social Security own report stated over 127,000 claims were made, 72 000 were rejected. BJL (from the perspective of those working with people with disabilities and advocating for the DSP) agree with what is indicated by those figures that DSP is difficult to apply for and to prove eligibility for. Post proving and obtaining eligibility Periodic Reviews are built into the Centrelink system already and regardless of whether disabilities are permanent or not and no one is parked on welfare. BJL have the privilege of delivering one of the nation-wide Disability Employment Services (DES Program). The DES Program has best retention into employment outcomes of all the current Government employment services. Anyone on the Disability Pension is eligible for that program, people with Disabilities are referred to that program. That system works. What doesn’t work is when the Government suggests that the Disability Pension is a hammock which suggests that it is not highly regulated and evidenced by independent and Government Medical Authorities subjected to review. Or that people seeking work are job snobs, dole bludgers – that somehow people with disabilities and the unemployed are exploiting their own unemployment and/or disability for gain and therefore punishing them publically is justified. If you want the unemployed to be employed, if you want people to see the ability of people living with disabilities BJL would advocate positive Government led marketing to employers, it would be far more proactive and a lot less mean.

There is a theme of hostility towards social system recipients’ which does very little else but support the ideal of mutual obligation. Around 150 000 job seekers are expected to complete 15 – 25 hours per week. Work for the Dole is not a training program that leads to employment and there is strong empirical evidence that it is not a pathway to employment. Professor of Economics Jeff Borland from the University of Melbourne was another to review Work for the Dole said that participants on Work for the Dole actually spend more time on payments in the first 12 months than those that had not participated in Work for The Dole. That alongside its own name makes it seem more punitive than productive. BJL has ran employment and labour market programs for over a quarter of a decade and Government Funding Bodies demand no less return for monies they allocate for a job seeker (as a matter of contractual arrangement/agreement) than an actual employment placement with an actual employment outcome as standard service delivery and nor should they. Knowing Work for Dole goes does not led to employment outcomes completely against due economic/socio due diligence that they Government ensures applies to the Job Search Allowance.

**4: Disincentives**

The report calls for an expansion of income management, stating that “*income management can be an effective tool in building community capacity, by contributing to, and encouraging adherence to, broad social norms as well as reducing community dysfunction*.”It cites evaluations claiming that there are positive perceptions of income management in “*promoting social responsible behaviour and improving the wellbeing of communities and children*”. This assumes that all people on income management or will contribute (by way of being on Job Search Allowance) to community dysfunction by contributing to socially irresponsible behaviour, contributing to the lowering of communities and children well-being. That is unfair and unjust.

The reality is, however, that income management remains an inefficient program and a costly way to control how people spend their support payments. Income management has been proven to be ineffective as a strategy to combat the squandering of government money. According to a study4 for the Department of Social Services conducted by the University of New South Wales, in conjunction with the Social Policy Research Centre and the Australian National University

[Income management] “*has had a diverse set of impacts. For some it has been positive, for others negative and for others it has had little effect. Taken as a whole there is not strong evidence that, at this stage, the program has had a major impact on improving outcomes overall, but many individuals report some gains, while others report more negative effects”*

The study goes on to state that there are a large number of people subject to compulsory income management who are not addicted to alcohol, drugs, or gambling, and are able to manage money effectively.

*“Thus there appears to be a large number of people subject to Compulsory Income Management who are unlikely to benefit from this measure, and for whom the restrictions of income management can create frustrations and challenges. This raises questions about the application of income management to people who do not need it.“*

The report intention is to recommend an expansion of this policy. Why? BJL believe income management is a paternal/maternal system which only furthers dependency and humiliates proud Australians who find themselves in the situation of having done nothing more than be eligible and receiving for a payment they are fully entitled to. This attitude is inconsistent with one of the reports own Pillars Two which does nothing towards people building their own capacity. Instead BJL agrees with Parliaments own brief it creates ”*considerable feelings of disempowerment and unfairness among those who are compulsorily subject to the scheme.*9 *[PARLIAMENTARY BRIEFS].*

Recipients of social security payments can seek financial counselling through Centrelink and there are excellent services in the community including those run by NFP organisations. These services are built on the foundations of empowering the participant and teaching financial lessons that can be applied throughout their lifetime. Many of BJL’s clients have benefited from these services financially and have felt empowered by the experience of gaining the tools to solve their situations. Centrelink could make this compulsory facilitated counselling with minimal adjustment to the current system without the drastic, demeaning action of quarantine. The cost of Income management through 2014-15 has been estimated to within the range of $1 billion9. With a report that is focused on cutting the cost of social welfare to the Australian government and taxpayer, and increasing the efficiency and returns of current programs in place, it seems ludicrous that the government would be expanding the costly and inefficient Income Management program.

BJL Connecting Communities believes that the social security system does not need the level of reform this report calls for and the areas the reforms target themselves are intended, complex and are will act as disincentives. There is clear evidence that our system is one of the most effective and economical in the OECD countries and the reforms supported by this report are radically outside what is required to strengthen that system nor will it stimulate nor produce employment growth. It will marginalise people when they most need and they want to be included.

1 Andrew Herscovitch & David Stanton “History of Social Security” available <http://www.aifs.gov.au/institute/pubs/fm2008/fm80/hs.pdf> or Australian Institute of Family Studies 2008

2 ABC News, ‘Is Australia’s welfare spending heading down the same path as Europe’s?’, Uncredited, 3rd Feb 2014, Access at <http://www.abc.net.au/news/2014-02-03/kevin-andrews--makes-unfounded-welfare-claim/5215798>

3 Australia’s ‘overly generous’ welfare in context’, Jake Stevens, Crikey, 30th May 2014, Accessed at <http://www.crikey.com.au/2014/05/30/australias-overly-generous-welfare-in-context/>

4Australia Policy Online, ‘Pulling our Welfare Weight’, Peter Whitford, 5 Aug 2009, Accessed at <http://apo.org.au/commentary/pulling-our-welfare-weight>

5 Sydney Morning Herald, Peter Martin, ‘Head east for the jobs, new data reveals’, June 27th 2014.Accessed at <http://www.smh.com.au/federal-politics/political-news/head-east-for-the-jobs-new-data-reveals-20140626-3awgl.html#ixzz35zU1eg2x>

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7 The Nationals, ‘Our Plan Real Solutions for all Australians’, Jan 2013, Accessed at: <http://www.nationals.org.au/Portals/0/2013/Real%20Solutions%20-%20Our%20Plan%20Policy%20Booklet.pdf>

8 University of Melbourne, ‘Work for the Dole’, 2004, Accessed at: <http://cf.fbe.unimelb.edu.au/staff/jib/documents/wfdwp.pdf>

9 Parliament of Australia, Dr Luke Buckmaster, ‘Does Income Management Work?’, 18th July 2013, Accessed at <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IncomeManagement>

Social Policy Research Centre UNSW on behalf of Department of Social Services, ‘Evaluating New Income Management in the Northern Territory: First Evaluation Report’, J Rob Bray, Matthew Gray, Kelly Hand, Bruce Bradbury, Christine Eastman and Ilan Katz, July 2012. Accessed at <http://www.dss.gov.au/our-responsibilities/families-and-children/programs-services/income-management/evaluating-new-income-management-in-the-northern-territory-first-evaluation-report>

The Conversation, Eva Cox, ‘An 800,000-plus jobs gap between ‘welfare to work’ and reality’, 23rd January 2014.