



The Salvation Army

Australia

The Salvation Army Australia

Submission made on behalf of The Salvation Army Australia Eastern Territory and The Salvation Army Southern Territory

Response to the

Welfare Review Interim Report

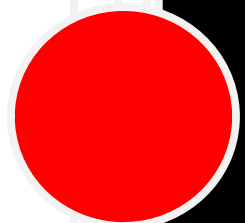
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The Salvation Army Australia - response to the interim report of the reference group on welfare reform – A New System for Better Employment and Social Outcomes.

...every man should have at least the same conditions as a horse – a meal a day, shelter at night, a job of work to do, and a helping hand to lift him up when he falls.

William Booth, (paraphrase) The Salvation Army, 1880.

The Salvation Army is an international movement, recognised as part of the Christian church, and one of the world's largest Christian social welfare organisations. Operating in Australia since 1880, The Salvation Army is one of Australia's largest providers of social services and programmes for the most marginalised and socially excluded individuals in our community. This submission is informed by The Salvation Army's collective experience, knowledge and expertise about the causes, impacts and possible solutions to disadvantage.

The Salvation Army Australia has an annual operating budget of approximately \$700 million and provides more than 1,000 social programmes and activities through a network of social support services, community centres and churches across the country. Key services include: material aid and emergency relief, financial counselling and assistance, personal counselling and support, drug and alcohol support and treatment services, family and domestic violence support and accommodation services, out of home care, accommodation and homelessness services, disability services, emergency disaster responses, education, training and employment support services, migrant and refugee services, and aged care services.

In the past 12 months, The Salvation Army Australia provided more than one million occasions of service to people in need. We have an established reputation for providing these services across the spectrum of disadvantage - working with individuals and families impacted by poverty, deprived of opportunities and activities considered part of everyday Australian life. The Salvation Army works with individuals who, due to life experiences and events, have inadequate education and training, poor health, and a sense of powerlessness that compromises their capabilities and opportunities to participate in the community.

We are the largest provider of homelessness services to individuals and families in Australia. We provided more than 1,000 crisis and 6,000 non-crisis accommodation beds every night of the year. The Salvation Army contributes more than \$31 million annually of internally generated funding to support our housing and homelessness services. The Salvation Army's report *Homelessness across Australia: The Salvation Army's Response*¹ provides the following snapshot of the extent of homelessness services provided by The Salvation Army and the client demographic profile we serve:

- 155 Salvation Army homelessness services operate across Australia
- One out of every eight clients who accessed a homelessness service accessed one provided by The Salvation Army
- more than 20% of clients who access Salvation Army homelessness services have been diagnosed with a mental health problem
- 44% of clients accessing Salvation Army SHS services identified housing affordability or housing crisis as their main presenting issue

¹ The Salvation Army Australia (2013b) *Homelessness across Australia: The Salvation Army response. A snapshot of Salvation Army homelessness services from 1 July 2012 – December 2012*. The Salvation Army, Blackburn, Melbourne.

- 25% of clients who access Salvation Army homelessness services have been homeless for more than six months
- Over 80% of Salvation Army SHS clients identified government support payments as their main source of income.

The Salvation Army is also one of the largest providers of Emergency Relief (ER) services in Australia. In 2013, we provided ER to 156,913 people and their families across Australia, representing a total of 320,260 client contacts. We see people with complex needs every day and come face to face with the very real and damaging consequences of an income support system that does not meet the actual day-to-day living costs of people who are unemployed or under employed.

Our provision of financial and material aid is practised through our case management approach called “Doorways”. “Doorways”, is a philosophical context that encompasses an integrated, holistic and capacity building approach to service delivery. This approach actively seeks to address the underlying factors leading to poverty and the persistent disadvantage and disengagement experienced by many people accessing Salvation Army services.

We recognise that people who are disadvantaged and have complex needs require an investment of time, resources and commitment to support them. As a demonstration of our commitment to investing in people, The Salvation Army contributes nearly \$20 million of internally generated funds per annum (nearly double the funding provided by government) to support people receiving Commonwealth funded ER. For this investment in individuals (which is over and above the receipt of income support for more than 80% of our ER clients), we see strong social and economic returns by supporting people to overcome crisis and by developing an increased capacity for self-reliance and increasing their capacity to enter or re-enter the job market.

Through this investment in services and people we see enormous value and returns as people are supported to address their needs and seek ways out of crisis. For The Salvation Army, this demonstrates the importance and urgent need for an adequate income support system. If payments were adequate, we could redirect those funds we put into the Emergency Relief system and redirect them into other strategies including prevention and early intervention initiatives, support for families, increasing financial resilience and many other activities that are demonstrated to work in transforming lives.

The Salvation Army believes that consideration of the costs and scope of income support should recognise significant contributions made by the not for profit sector in supplementing the safety net provisions for disadvantaged and homeless families and individuals. This may include resources such as material aid, emergency relief, non-government housing funded from organisational resources rather than direct government payments and/or funding.

The Salvation Army - Investing in People

The Salvation Army embraces the strongly held theological principle that ‘work’ is vital to our sense of value and self-worth, contributing to society and engaging with others in building community. From the very beginning of our history, The Salvation Army’s founder, William Booth began a ‘Labour Bureau’ to link unemployed men and women with employers because he was convinced that without work, men and women were missing a vital component of what it meant to be a contributing member of society.

Today, The Salvation Army is still about investing in the lives of unemployed people and helping them find freedom and transformation by being actively engaged in employment where possible, enabling the renewal and restoring of the ‘image of God’ in people’s lives.

We believe in the inherent worth of every individual, and the fundamental right to participate in all aspects of social life. But unfortunately not everyone can. Many people in our community face severe economic and social disadvantage, impacted by complex needs that place them at the margins of our communities.

The Salvation Army therefore welcomes the opportunity to comment on the interim report and offer our perspective and recommendations for a more just and equitable approach to social welfare and income support; in particular for people who are disadvantaged: those experiencing homelessness, people with disabilities, families living in intergenerational poverty, and those with addictions and mental illness, and who are unable to gain or participate in employment, to provide the best pathways out of poverty.

Vulnerable people need a 'whole of community approach', that is grounded on an adequate and fair income support system that enables economic and social participation in our communities.

Government Investment and Return on investment

The Salvation Army witnesses the value of investment in people on a daily basis. Money, time, education and relationship building provided through our support and community programmes results in significant transformation in the lives of individuals and families, enabling them make valued contributions to community including paid and voluntary work.

Government income support provides a significant opportunity to invest in people rather than a budget burden. When viewed from a fiscal position, greater economic investment in people will yield greater returns. A greater investment in people on the lowest incomes will not only save money in the future but will bring qualitative benefits to the whole community and the financial return on this investment is exponential. In addition, improved standards of living results in better health and social outcomes for people and increased productivity.

Structural issues

Any discussion on welfare reform and income support must also consider the underlying structural factors that shape disadvantage and impact on contemporary labour markets. A discourse that promotes full employment is an admirable goal. However in our experience, the jobs implicit in the proposed welfare reforms are not evident.

The Salvation Army is particularly concerned about the impact of unemployment for younger people. While Australia's overall unemployment rate is 5.8%, the rate for young people is 12.3% - and, in some disadvantaged labour markets can reach as high as 19.9%.²

Recent Jobs Australia analysis have found that of 639,800 unemployed people in Australia at November 2012, there were 170,200 vacancies advertised online in the same period. Of these, only 81,278 vacancies were for unskilled or similar jobs³.

These figures demonstrate a significant lack of jobs for people with limited education, skills or experience, who receive income support, seeking to enter the workforce. For people with complex needs, the prospect is considerably more difficult.

²Jobs Australia, Media Release January 2014 < <http://ja.com.au/news/media-release-jobs-peak-raises-alarm-youth-unemployment>>

³ ABS Labour force, Dec 2012, and DEEWR Vacancy report, Dec 2012

Key Findings and Solutions

Pillar One: Simpler and sustainable income support system

Adequate Income Support

The adequacy of income support is the most pressing issue of this reform. Income support is meant to meet the daily costs of living. It currently does not. Today's system is inadequate, overly complex and unfair. Irrespective of the preferred architecture of the payment system, the Australian Government is urged to provide support payments that reflect the actual costs of living.

Financial imperatives should not be at the forefront of this reform and override the importance of individuals' personal and social needs, and the broader objective for a just society. The Salvation Army supports economic development when social wellbeing is at its core.

Inadequate income support payments do not support people to find work as is often argued, but in The Salvation Army's experience actually prevents people from finding work. Trying to make ends meet and battling with the other implications of low incomes – poor diet, poor health, lack of educational opportunities and low expectation and achievement are not conducive to trying to find work. Subsequently, people facing these grinding daily challenges have great difficulty going back to school or looking for a job.⁴

This has a significant impact on the people who access The Salvation Army services. Research confirms that people on income support payments are living well below the poverty line.⁵ A person is said to be in relative income poverty if their household equivalised income is less than 50 per cent of the median household equivalised income. Currently, a weekly Newstart payment for a single adult with no children with rent assistance equals a total weekly income of \$312.50, or just \$35 a day. This represents only 45 per cent of the national minimum wage. The Henderson Poverty Line calculates the December 2013 quarter poverty line for this cohort at \$503.71, with the per capita household disposable income at \$800.83 per week.⁶

In contrast, pensions are indexed to average wage earnings whilst allowances are indexed to the Consumer Price Index (CPI), which does not increase at the same rate as average earnings. On this basis, it is estimated income support allowances will fall to half the value of pensions by 2040⁷.

The Salvation Army's Economic and Social Impact Survey (ESIS) 2014 is our third consecutive report on national levels of deprivation and disadvantage experienced by people who access Emergency Relief (ER) services. ESIS 2014 provides a detailed analysis of 2,485 responses to the

4 Goodin, R., Headey, B., Muffels, R., and Dirven, H. (1999). The Real Worlds of Welfare Capitalism.

5 Mclachlan, R., Gilfillan, G., and Gordon, J. (2013) Australian Government Productivity Commission Deep and Persistent Disadvantage in Australia.

6 Poverty lines: Australia December quarter 2013. Melbourne Institute of Applied Economic and Social Research. Available at <https://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-lines-Australia-Dec-2013.pdf>

7 ACOSS 2011. Payments and participation reform brief. Provided by Peter Davidson (ACOSS) on 22/12/2011.

ESIS survey distributed through the 237 Salvation Army ER and community support services across Australia during February 2014.

The survey shows that 91% of respondents received income support. This statistic indicates the inadequacy of income support payments. This low rate of financial support impacts significantly on already disadvantaged and low income individuals and families. Many of these individuals and families access Emergency Relief assistance as the last-resort to meet their basic needs.

Recommendation

The Australian Government must deliver adequate income support payments that meet the daily costs of living.

A Fair Rate

An adequate and fair rate of income support payments and supplements should be defined and benchmarked to broader community living standards, to meet socially accepted essential living costs and prevent relative poverty. The benchmarking of adequate rates of income support should consider appropriate ways of measuring the living standards of people on income support relative to the broader community.

With this in mind, The Salvation Army supports the call for an independent body to be established to advise government on the setting of levels of income support payments in line with movements in the economy, and the recognition of the costs of living for people with limited or no other means of financial support. The Salvation Army believes strongly that the setting of appropriate levels of income support should recognise the real costs of living, and should be set in such a way as to move equitably with other factors in the economy. In this regard, The Salvation Army feels strongly that the proposed working age payment should at least be anchored as a percentage of the average adult wage, in order to ensure the movement of income support payments with general costs of living.

The main goal of the reforms should be to streamline the system so that people with similar needs and in similar circumstances would receive the same level of payments with the same or similar eligibility requirements. Supplements should be simplified and designed to meet those living costs associated with a specific need (eg. specific nature of a disability, family/carer needs) and ultimately meet all major non-discretionary costs of living for individuals.

Irrespective of the number of supplements, the problem is they do not meet people's financial needs. If base payments were adequate (sufficient to meet the real cost of living), there would be less need for so many supplements, as many of these could be absorbed into the base rate. This would create a simpler and fairer system

Income support payments should be indexed to movements in the national average wage and not the CPI. Indexation based on the CPI is not effective or equitable for recipients of income support payments because households on low, fixed incomes are disproportionately affected by the rising costs of essential goods.

As low-income households are less likely to purchase non-essential items due to having less disposable income, they do not purchase the same basket of goods that has historically been used to calculate the CPI. The low-income basket of goods is made up of a much larger proportion of essential items and thus is disproportionately affected by the large increases in costs of these goods.

As a result, the CPI is not an accurate indicator of increases in the cost of a low-income household's basket of goods. Because current income support payments are based on CPI increases, these payments have not kept pace with the rises in costs of living nor do they keep pace with the widening gap between costs of living and income support payments.

Recommendations

An independent body should be established to advise the Australian government on the setting of levels of income support payments in line with movements in the economy.

Income support payments should be indexed to a mechanism that ensures the continued adequacy of the payment moves with living costs over time and not the Consumer Price Index.

Income support supplements should be simplified and represent fair and consistent eligibility requirements.

People with a Disability

As members of a just society, we have an obligation to support people who have little or no capacity to work and who have a fundamental right to participate socially in community. This must start with the full recognition and support for those who cannot work as they have no future chance of generating income.

This group should receive the maximum rate of payment (benchmarked to the average wage) separate from other working age recipients, with supplements targeted to meet individual need, and be indexed to move with actual costs of living. The base level should be adequate to meet living costs, with supplements based on individual need that recognises that there are higher costs for people with a disability.

However, for people with partial disability and those with complex needs (ie. any health condition or disability that does not result in total incapacity for employment), the Interim Report suggests radical changes that are not a neat fit with other aspects of this review and which represent very significant risks of increased poverty and disenfranchisement for these groups. The 2014 ESIS report (as above) found that people in receipt of Newstart, who indicated that they suffered from illness or a disability (but assessed as being capable for work) experienced more social indicators of deprivation than those in receipt of the Disability Support Pension (DSP).

The Salvation Army understands that people with partial work capacity, such as those with a mental illness or recurrent ill health, often have periods where they are simply unable to work. To move this group from a disability payment into a lesser working age payment with the same activity and participation requirements, will result in them falling subject to greater compliance measures, of which they may have little or no capacity to meet. The Salvation Army's experience is that this group of people may not be able to meet the participation requirements and are likely to receive a reduction or breach in income support.

This proposal also assumes we have a job market and employers who can provide part-time and/or intermittent work opportunities for people with erratic health outcomes and high support needs. These measures would result in a lesser payment for those who have some capacity to work because they are only able to work sometimes. This proposal is in danger of creating a secondary class of workers, who would never be likely to attain permanent full-time work nor the potential benefits of a lifetime contribution towards superannuation.

While The Salvation Army recognises that people with partial disabilities and others who have some capacity to engage in social or workforce activity should be encouraged to do so within their capacity, we have serious concerns about the proposed changes affecting these groups.

Recommendation

People with a permanent impairment and no capacity to work should receive an adequate, separate payment from other working age recipients.

People with a disability and some capacity to work should not be subject to Newstart participation requirements.

Children and Young people

An adequate and fair income support system acknowledges the significant costs associated with raising children. Adequate payments that address the real needs and costs of raising children would be a step towards addressing this.

The Salvation Army sees the deprivation that inadequate payments cause. ESIS 2014 respondents who receive income support could not afford to involve their children in sporting activities, or join other local activities – there was no money to pay for fees. Similar to the adult cohort, the children of Newstart Allowance recipients were also missing out on more essential everyday items compared to children in other cohorts. Over half of respondents (56%) who responded to the deprivation scale concerning their children reported that they were unable to afford out-of-school activities, with over a third (38%) unable to afford school-based activities and outings. Nearly half of the respondents (42%) could not afford up-to-date school books and equipment and a third of respondents (34%) could not afford annual dental check-ups for their children.

These results are deeply concerning; a parent's ability to afford these essential items for their children often impacts the children's schooling performance, social and recreational access and participation. Consequently, it may also reduce the children's social skills and their ability to secure future employment and lead a flourishing life. These are some of the attributes that are demonstrated to result in entrenched disadvantage and intergenerational poverty.⁸

The financial and social costs of interrupted or ceased education are significant. Investing in education early will save money in the future. This investment in education, the retention in education and potential to become skilled for the workforce will again be a significant return on investment. Measures to simplify family payments and focus them more clearly on the purposes of preventing child poverty and helping parents with the direct costs of education of children and young people are welcomed.

Income support for sole parents with school age children should be increased incrementally in line with major development and age milestones such as entering school, primary school and high school.

The measure that indicates when a young person should access an independent income support payment should be based on the individual's needs. Assumptions that all young people can remain in

⁸ Schulz, L. 2013. *Policy Paper: Intergenerational Poverty*, Youth Action & Policy Association (NSW).

the family home and receive the subsequent financial and social supports that a family environment offers is challenged by The Salvation Army's experience in supporting disadvantaged families.

The Salvation Army work with young people who experience trauma, homelessness, family and domestic violence (FDV), intellectual and physical disabilities, mental illness and drug and alcohol issues. For many of these young people, home is not a safe place.

Furthermore, young people who leave regional or remote communities to access education or employment opportunities in major cities are at risk and need support.

Another group of young people of concern are those leaving out-of-home care (OOHC). At age 18, young people who have been in OOHC are expected to be independent and functioning adults; many of whom have had frequent childhood re-locations resulting in interrupted education, a subsequent lack of basic living skills and behavioural problems. This is in contrast to other young people who are likely to remain at home for several more years, and then be able to return to their home if they are in need of support, or somewhere to live at a later time.

These factors must be recognised and adequate income support should be available to these young people. Income support for young people should be seen as an investment in developing skills, training, education and employment readiness and independence. The Interim Report cites research that study and attainment of AQF Certificate 3 is a protective factor that provides a good indicator of future employment prospects. Yet for many young people, this cannot occur without adequate income support.

Furthermore, recent government proposals (not canvassed in the interim report), which seek to limit payments for young unemployed people, to six months at a time, are of great concern to The Salvation Army. It is essential that the welfare reform is coordinated as a part of a greater framework rather than implemented on a piecemeal basis.

Recommendations

Costs of raising children must be recognised in all income support payments for parents and these payments must adequately meet these costs.

Young people should be able to access independent income support to meet their needs

Rent assistance and Affordable Housing

Across The Salvation Army's 1000 social programmes, the issues of housing affordability and homelessness are the most significant challenges impacting on our work and facing the community sector as a whole. As affordable housing is the greatest single need for people on low incomes in Australia, it must be recognised in any discussion concerning income support.

Rent assistance has not kept pace with rising housing costs. In 2013, nearly half of the individuals who received Rent Assistance were still in rental stress, despite the supplement and five out of every 40 recipients were in extreme rental stress, paying more than 50 per cent of their income on rent after receiving rent assistance payments.⁹

⁹ Report on Government Services 2015 Table GA.24 *Number and proportion of income units receiving CRA paying more than 30 per cent of income on rent, with and without CRA, by geographic location, 2009 to 2013 (per cent)* and GA.34 *Number and proportion of income units receiving CRA with more than 50 per cent of income spent on rent, with and without CRA, by special needs and geographic location, 2013 (per cent)*

Geographical considerations must be taken into account when determining rent assistance rates. The rate set should be an appropriate and adequate proportion of the local rental market. This is also the best mechanism for adjusting assistance levels over time – increasing in line with average rent increases. The current situation of a universal rate is inadequate and not realistic. It does not meet the needs of people in the private rental market and often relegates people on low incomes to fringe housing markets.

For people on income support who are unable to afford private rental, there are few alternative options. Wait lists for public housing can take years and community housing remains scarce. The lack of affordable accommodation options puts this group of vulnerable renters at risk of homelessness.

While not considered in the scope of this reform, it is essential that the Australian Government recognises the enormous pressure of housing costs on families and individuals on income support. Social housing is the only housing alternative for low income households who can't afford private rental.

Improvements in Rent Assistance should complement, not replace, adequate public investment in social housing and reform of incentives for private investment in affordable housing. Indeed schemes to encourage private investment into affordable housing are useful in expanding affordable housing options, such as the National Rental Affordability Scheme (NRAS).

Recommendation

Rent assistance rates set should be set to the local rental market and increase in line with average rent increases over time.

Government and business must continue to invest in affordable social housing for people on income support.

Pillar Two: Strengthening individual and family capability

Mutual Obligation

Training, skills-building, or job search activities that improve a person's job prospects are a reasonable request of those who receive income support. But mutual obligation discussion places the focus on the welfare recipient's obligation. Government too has obligations, to provide jobs, provide income support and design activities requirements that must be fair and reasonable, and meet the needs of the people required to undertake these activities.

All mutual obligation participation must be tailored to the individual and designed to directly improve each person's paid employment prospects. It must be linked to realistic job opportunities - not just 'hoop jumping'. Compliance requirements should be based on positive engagement and incentives, rather than overly punitive or discriminatory penalties that result in further financial hardship and poverty.

People with mental illness, disabilities, homeless people or those with caring responsibilities should have fair and reasonable participation requirements based on individual capacity and realistic expectations. People faced with these challenges should be provided with effective support services and programmes to assist them to become job ready, if appropriate. As many of these programmes are inadequately funded, additional resources should be directed into these areas.

The popular language of "mutual obligation", where those who receive income support must be self-reliant, are sometimes a burden on society and must 'work for welfare' helps to create a deserving/undeserving discourse. The Salvation Army wishes to develop a constructive dialogue around mutual obligation to prevent views that may further alienate vulnerable people who need community support, not further ostracisation or discrimination.

The Salvation Army is fully supportive of the right of all people to participate in society and seek to provide and develop mechanisms to ensure that this is possible for those who can participate in volunteering, non-accredited skills building activities, adult education, literacy and numeracy training and community participation. Mutual obligation activities must be activities that directly improve employment outcomes. Other social concerns should be dealt with in other ways, by other appropriate agencies.

Recommendation

Mutual obligation activities must be fair and reasonable and linked to realistic job opportunities.

Compliance requirements should not use discriminatory penalties that result in further financial hardship.

Activity requirements must be based on individual capacity and realistic expectations for people with limited capacity to work.

Income management

The Salvation Army has found little evidence to suggest that universal income management works to improve people's lives or create long-term behavioural change. It is also very costly to administer. The Salvation Army considers that, overall, it can be argued that income management operates from a 'deficit model' that is unnecessarily punitive, disempowering and discriminative. Income management reduces individual responsibility and is underpinned by erroneous and unjustified assumptions that people cannot manage, or waste, their money, or spend it inappropriately. It also can be argued that compulsory income management does little to address the structural economic and personal barriers and inequities within society. In particular, The Salvation Army is supportive where income management is applied on a voluntary basis and welcomed by a community. The Salvation Army also recognises the voice and perspective of a significant number of communities, particularly in remote regions of Australia, where the introduction of compulsory income management has been strongly welcomed, particularly by Indigenous women and elders.

However, The Salvation Army would support an increase in financial capacity building through financial literacy and counselling services based on our positive experiences in providing financial counselling with good client outcomes. In 2012 The Salvation Army commissioned Swinburne University to survey people who use our financial counselling services. The demographic and socio-economic characteristics of the 225 respondents were representative of people accessing our financial counselling services Australia-wide, where 79% of respondents were on a government allowance, payment or pension.

This survey found financial counselling to be an effective intervention that provides measurable positive outcomes for people experiencing financial crisis and debt. A significant finding of the survey was how respondents reported that financial counselling was a positive experience, with 94% indicating that they would be willing to seek help sooner in future.

The findings clearly indicate the benefits of voluntary participation in financial counselling, early intervention and individual capacity building within a holistic case management approach to social and economic disadvantage in line with The Salvation Army Doorways case management framework. In contrast to compulsory income management, this is an inclusive problem-solving approach, which invests in and empowers people.

Recommendation

Income management should only ever be applied on a voluntary basis.

Financial counselling and capacity building strategies should be promoted to encourage financial management.

Pillar Three: Engaging with employers

Business-Led Covenants

The continued emergence of triple-bottom-line or corporate social responsibility objectives amongst larger employers in particular, represents an opportunity for the not-for-profit sector to work with organisations to develop business-led employment covenants for people with disability and mental health conditions. Smaller organisations also recognise the social and potential economic benefits associated with attracting and retaining employees in this largely untapped labour market by providing a flexible and supportive work environment.

As evidenced particularly through programmes developed to generate employment for indigenous Australians, a critical success factor for business-led employment covenants is the ability to build the capacity of both employer organisations and job seekers, through structured mentoring. Continuing to fund such capacity-building and mentoring mechanisms through the Employment Services 2015-2020 Employment Fund in the pre-employment phase, as well as in the post-employment phase will act as an incentive for employers to commit to the implementation of employment programmes that might otherwise be seen as being unlikely to succeed and / or representing too significant an impost on productivity.

Recommendation

Fund Employment Services Providers to develop and deliver capacity-building programmes in conjunction with employers, that include, as appropriate, both pre-employment and post-employment mentoring of job seekers and employer representatives.

Demand-Led Employment Initiatives

Proposed changes to the Employment Services model should facilitate stronger demand-led strategies; including linking training to employer needs and skill gaps, ensuring Work for the Dole placements are aligned to labour market needs relating to skills in demand, and addressing employability and vocational skill deficits.

Reflecting the overall composition of the employment market in Australia, the majority of placements and outcomes achieved through Employment Service Providers are achieved through Small to Medium Enterprises (SMEs). Employment Services Providers have invested considerable resources in raising employer awareness of the benefits of drawing on the services offered through Commonwealth's Job Services Australia programme. However, a comprehensive, sustained and coordinated Government-funded awareness campaign encompassing both mainstream and social media channels will serve to reinforce the message.

Larger employers have greater capacity to work with Employment Services Providers to develop and implement employment initiatives, including pre-employment training programmes that meet their specific short-term and long-term labour requirements, while helping to transition long term unemployed job seekers back into employment. Often seeking an all-encompassing recruitment strategy and a large volume of highly competent candidates for a wide range of positions, many larger

employers require considerable support and guidance in order to develop programmes, and a coordinated multi-agency approach is required to deliver suitable job candidates on a larger scale.

Partnerships with large organisations typically come with expectations for resources to consult on recruitment and training requirements, capability to train and support a new workforce, and marketing and co-branding promotion. National employers require strategies that cross both Employment Services Area boundaries, as well as regional and state employment jurisdictions. Rather than employers having to deal with multiple providers on the same recruitment initiative, a coordinated national approach will ensure that duplication resulting from multiple contact points is minimised, if not avoided entirely.

A cost effective and targeted marketing campaign which promotes a corporate social responsibility approach to large employers could be implemented by the Department of Employment to promote Employment Services and outline the benefits and range of services on which the sector should be expected to deliver. An awareness campaign could utilise existing linkages through various existing Government Department communication channels with employers. Employment Services providers can supplement this with their own branded marketing campaigns to help employers make comparisons between providers.

Forums for larger employers, Employment Service Providers and training providers to be facilitated by the Department of Employment with advertising and sponsorship opportunities available for employers, will drive innovative, collaborative demand-led initiatives.

Social enterprises provide valuable opportunities for disadvantaged job seekers. However, there are risks associated without correct evaluations to ensure financial viability is maintained beyond the initial seed funding stage. Some previous models have only been sustainable with ongoing funding, which devalues the outcomes achieved.

Recommendation

Support the new Employment Services model with a comprehensive, sustained and coordinated Government-funded awareness campaign directed to employers.

Transition Pathways

Support mechanisms for disadvantaged job seekers are critical to establishing work readiness and maintaining ongoing employment once placed. Engaging family and community networks to support job seekers is essential. Pre-employment and post-placement mentoring is a critical success factor, providing critical coaching and support tailored to individual job seeker needs. As many disadvantaged job seekers access various services simultaneously, it is important to establish a coordinated, multi-agency service delivery approach for collaborative intervention management.

Employment Services providers need to deliver targeted programmes that address the specific and often complex issues faced by disadvantaged and vulnerable groups. Tailored strategies that include wrap around servicing are essential to addressing the many barriers to the achievement of employment that are faced by disadvantaged job seekers.

The initiatives outlined for young people aged 18 to 29 in the Employment Services 2015-2020 Exposure Draft pose a significant risk to the disadvantaged young people, who are represented within

Australia's unemployment statistics at almost three times the overall rate of unemployment. The removal of the Newstart and Youth Allowance safety net for six months of every year brings with it an undeniable risk of intergenerational unemployment, family breakdown and the isolation of young people from their community. The withdrawal of government support raises the prospect of increases in both crime rates and in demand for charitable support.

Recommendation

Young people should be able to access independent income support to meet their needs.

Vocational Education and Training

It is important for vocational education and training of job seekers to lead to a real job outcome. For most students the end goal of quality vocational education and training will be either to

- (a) Attain entry into a specific field or vocation; or
- (b) Improve skills, competencies or career opportunities within an existing field or vocation.

The best ways to ensure that the training being delivered is targeted to meet an immediate labour market need is by maintaining an ongoing dialogue with employers throughout the learning and assessment process.

This can occur at the design stage to ensure course content is informed by the skills and attitudes that employers are seeking, during training delivery where opportunities exist to incorporate employer input into the content and post-completion when the value of the course is being reviewed.

With this in mind, we maintain relationships with a network of employers and design training programmes for our job seekers around their expectations. To this end, there is a place for both accredited training in industry specific areas (to equip job seekers with practical skills or qualifications needed to take up a vacancy in a skills shortage area) and also non-specific vocational training which equips job seekers with essential employability skills, including an understanding of employer expectations and work practices in their chosen vocation.

Many of the employers we work with are not seeking candidates with a particular existing qualification or skill set as a pre-requisite to interview. These industry-specific skills can often be acquired via funded on-the-job training after a position is offered, or with an ongoing position being contingent upon successful completion of training. In a majority of instances employers place a greater value on general, personal and attitudinal qualities which offer an insight into the candidate's level of motivation and long term employability.

Employers in this category may be prepared to consider an applicant with no prior qualification or experience, provided they can demonstrate they are reliable, motivated, willing to learn and able to understand and follow instructions. These skills are not always as easy to define or deliver as the competency based skills relevant to a particular vocation, but along with communication, organisation and time management they often feature as key selection criteria in advertisements. Some industry based training will assume students already possess these qualities and require only the requisite skills in order to access job opportunities in a particular industry.

We know that many job seekers have gaps in their employment history, limited work experience or prior education, which makes these general qualities all the more important to a prospective employer. Without these, and the ability to effectively engage employers in a competitive job market, an otherwise trained candidate may be overlooked.

In order to deliver training which better targets immediate job opportunities, we should consider pairing relevant industry-based training that grants access to the skilled areas of the labour market with non-specific vocational training relevant to all employees that allow job seekers to confidently engage in the workforce.

Recommendation

Provide funding for non-specific vocational training activity that establishes or enhances the overall employability of long-term disadvantaged job seekers.

Focusing On Employment across Employment and Support Services

Given Australia's geographic, demographic and industry diversity, a flexible approach to service delivery that takes into account the specific characteristics of each labour market region and adequate resourcing to work with individual employers and job seekers are essential elements of any Employment Services model.

An Employment Services provider payment model that balances short-term and long term outcomes will ensure that providers are focused on sustainable employment solutions for both job seekers and the Australian labour market into the future. The proposed new Employment Services Model is significantly weighted towards employment outcomes and allows for both shorter term seasonal entry level positions and longer term sustainable employment.

It is important however that the Government considers key recommendations from the sector with regard to investment in non-vocational training and mentoring, both of which are critical elements of preparation for entry into the workforce.

A Government led employer awareness and engagement campaign promoting the new Employment Services model would increase the profile of the sector, reinforce the key reform areas of the Government and greatly strengthen the implementation of the new contract.

Recommendation

Support Employment Services Providers to achieve employment outcomes by enabling investment in non-specific vocational training and by investing in an employer awareness and engagement campaign.

Job Matching and Effective Assessment

The initial assessment of a job seeker's circumstances is conducted by Centrelink on their application for a payment. Consistent feedback from job seekers when they engage with our service is that this

assessment is poorly framed, rushed and in a significant portion of cases inaccurate. Many job seekers lack an understanding of the purpose of questions and the importance of an accurate assessment as a gateway to service and funding levels.

Job seekers are reluctant to discuss their barriers to employment for fear that they may be shared with employers and form a barrier to their gaining work. Incomplete and inaccurate assessments result in job seekers subsequently being referred to a level of servicing that does not relate to their barriers or proximity to the labour market. The consequence of an incorrect assessment at payment application is that providers spend a considerable amount of time re-assessing individuals when they present for initial appointments, leaving less time to conduct an effective skills and capacity assessment.

The Salvation Army is encouraged that the Employment Services 2015 – 2020 Exposure Draft focuses on outcomes rather than process. Provided that this new model is supported by appropriate funding of job seeker assessment and job matching activity This change will encourage Employment Services Providers to invest time at 'entry to service' gates so that quality information is gathered to support an improvement in short term 'skills gap coverage' and meeting employer needs via quality job matching.

Recommendation

Enable funding of psychometrically robust job seeker assessment by Employment Services Providers from the Employment Fund.

Ensure that a mechanism exists for timely review and adjustment of each job seeker's designated level of servicing based on advice received by Centrelink from Employment Services Providers.

Reducing Administration Burden

It is essential that Employment Services Providers are able to develop innovative service strategies and operate with a high degree of flexibility in order to provide individually tailored servicing of job seekers and employers.

The recent changes to documentary evidence requirements for employment verification has eliminated some of the administrative burden for providers and employers. Introduction of a four week outcome payment for all job seekers and elimination of the job placement fee is a further welcome initiative, and one that will significantly improve productivity when accompanied by the necessary IT system enhancements that allow for verification of job seeker earnings through the taxation system.

Variation in the interpretation of guidelines by Contract Managers has resulted in inconsistencies in policy application for different providers. This has resulted in risk aversion practices, a lack of tailoring and the stifling of innovation by providers. By adopting a nationally centralised Question Manager, responses to policy and guidelines interpretation would be more consistent across regions and providers.

We recognise both the importance of job seekers engaging in regular, structured and meaningful job search activities, as well as the need to have mechanisms in place to identify and address a persistent lack of effort. At the same time, we are conscious that with an average of 10 applications being received by employers for each job vacancy advertised, great care must be taken to ensure that

the business does not become disenfranchised as a result of having to deal with unrealistic and unproductive job search activity.

Recommendation

Maintain the current level of job search activity and forgo the introduction of Employer Contact Certificates, instead allowing the outcome-oriented payment model being proposed for Employment Services 2015-2020 and the already-robust performance framework to promote the transition of more job seekers, more quickly, into sustainable employment

Pillar Four: Building community capacity

Role of civil society

The Salvation Army, along with other NGOs, are major contributors to Australian society, particularly in the areas of welfare, other community services and community engagement and capacity building. NGOs are an essential component of a healthy and robust democracy, crucial in informing good policy and wide-ranging debate. NGOs also provide a voice for marginalised groups and are a way for people to be heard by government. The legitimacy of NGOs is granted by the communities they serve and represent and because they understand the communities with whom they work.

The Salvation Army has a strong understanding of the needs of the people who come into contact with our 1000 plus programmes across the country, many of whom are very disadvantaged and often homeless. Findings from our three national Economic and Social Impact surveys (ESIS, 2012-2014) have reinforced the fact that our clients are prevented, through systemic poverty, from participating in our communities due to a lack of income and opportunities.

Disadvantage in Economic participation

The wider theme of the Interim Report on welfare reform of inclusion and participation, encouraging opportunity for people who are struggling are welcome; yet that notion of opportunity is increasingly of a singly economic nature - through the labour market. What is most concerning about this narrow agenda is that it places economic capital as the primary indicator of value in society, while ignoring social capital – the social trust, networks, norms, and relationships inherent in civil society.

The Salvation Army believes that quality of life and life satisfaction indicators, apart from just economic indicators, need to be the appropriate measures of community wellbeing. To accurately measure this quality of life and detect subsequent levels of deprivation, The Salvation Army used the Essentials of Life scale¹⁰ in our ESIS 2014 survey. The scale is a list of 26 items that Australians currently regard as essential to everyday life, and provides an indication of the level of deprivation experienced by a household.

However, for the vast majority of people to whom The Salvation Army provides Emergency Relief, this doesn't measure well. A very high proportion of clients are pessimistic about the future and for many, their trust in society is eroding as they cannot see positive futures for themselves or their families. This is evidenced by our research findings. ESIS 2014 found that almost two thirds (62%) of 2485 respondents reported feeling stressed about their futures and have had to cut down on necessities as a result of limited financial resources. Almost half of respondents (47%) reported going without meals and over two thirds (37%) have resorted to selling or pawning possessions to make ends meet. Alarmingly over half of respondents had to delay the payment of bills (55%) and over a quarter have had to delay rent or mortgage payments (28%).

These findings are similar to those reported in ESIS 2012 and 2013, and show that people are substantially impacted by their inadequate level of income, indicating that the underlying causes of poverty for this cohort are not improving - people are trapped by entrenched deprivation, poverty and social exclusion.

Almost all (91%) of respondents are in receipt of a Centrelink income support payment, with 36 per cent on the lowest working-age payment rate (Newstart). It is not surprising that the level of deprivation amongst the survey cohort is so high. These people have little or no savings (91%), don't

¹⁰ Saunders, P. Naidoo, Y. & Griffiths, M. (2007) Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia. Social Policy Research Centre, Sydney, NSW.

take holidays (88%) and are unable to give gifts to friends or families (55%). They are more likely to be doing without insurance coverage and health care, have a lesser quality of life and experience poor living circumstances.

Recommendation

Economic participation should not be the only indicator of value in our communities. Social participation must be an equivalent objective of people who face social and economic disadvantage.

The Salvation Army's contributions to social outcomes

Many people surveyed also felt isolated and alone. When asked about their social support networks, over half (55%) reported not having a lot of friends, 43 per cent reported feeling very lonely and almost half (47%) reported that they were unable to find someone to help them when needed. Together, these results give rise to the significant rates of depression, anxiety and poor mental health experienced by people on inadequate income support. This is where The Salvation Army would prefer to be directing its resources, but cannot, while the material needs for so many are so great and because these social outcomes are not well recognised due to the favouring of economic indicators.

Australia's welfare system should be about providing the best possible opportunities for families and individuals to contribute and participate. In support of this, The Salvation Army and other community organisations contribute well beyond efforts towards economic participation, but seek to deliver on broader and more inclusive goals. Governments are encouraged to recognise these greater contributions of NGOs to wider social outcomes, participation and community capacity building.

The Interim Report notes that the Not for Profit sector contributes \$43 billion to Australia's annual GDP. The Salvation Army contributes significant financial resources in delivering support services. This year we provided up to \$20 million of our own financial resources over the amount provided by the Australian government for Emergency Relief, but this very significant financial commitment to address disadvantage is only a portion of the value we provide to people.

Consequently, The Salvation Army supports the value of participation, connection and inclusion in the community. We identify ways to foster inclusion by all clients, staff, officers, church members and the community alike, ranging from paid and unpaid work, volunteering and engagement with society. We are well placed to provide a broad range of supports and connections.

The Salvation Army recognises the importance of social connections and social capital. If the social system isolates people, discourages informal and formal contact, or just fails to offer the time and space needed for social contact, then social capital is under threat.

It is this social capital that organisations like The Salvation Army abound in. Therefore we must put a high priority on growing social capital by offering opportunities for trust and co-operation. Government policies must reflect this and help to provide pathways out of poverty and disadvantage.

Recommendation

The Australian Government must recognise the social value that community organisations bring to society, over and above delivery of programmes when engaging with people from disadvantaged communities.