Review of Australia’s Welfare System: Submission from the South Australian Government July 2014

**INTRODUCTION**

Changes to Australia’s income support system over time have resulted in unintended complexities, inconsistencies and disincentives for some people to work. The South Australian Government welcomes the opportunity to respond to *A New System for Better Employment and Social Outcomes.*

The South Australian Government bases its response on the premise that individual welfare and community wellbeing should be the primary objective of the McClure Welfare Review and that South Australia’s most vulnerable community members are not disadvantaged by changes to Australia’s income support system.

**IMPACT OF THE COMMONWEALTH GOVERNMENT’S BUDGET CUTS**

South Australia is of the view that recent Commonwealth funding cuts to health, education and other social services will further disadvantage already vulnerable and marginalised members of South Australian community.

The 2014-15 State Budget has confirmed cuts made in the Commonwealth Budget equate to reduce funding to South Australia by $898 million over the forward estimates period to 2017-18, with health and education cuts equalling $5.5 billion over 10 years.

Of significant concern are the cuts to South Australian services such as:

* The reduction of $655 million in funding to South Australia’s health system over the next four years.
* Cuts to concessions of pensioners and low income earners of about $30 million each year of the forward estimates.
* Cuts of $45 million in schools funding under the Gonski funding agreement, which will rise to a reduction of more than $200 million in 2019.
* Cuts of $38 million to Skills Vocational Education and Training Programs for working age people and a $9 million cut for training places for single and teenage parents.

These direct funding cuts come on top of the expiry of several National Partnerships over the coming 12 months which the Commonwealth Government is yet to commit to.

Without this funding in place, state governments across Australia will not be in a position to provide the necessary supports and assistance to ensure that families and individuals in receipt of welfare payments are able to transition from disadvantage.

The South Australian Government does not have the ability to absorb these funding cuts. They will have severe, immediate and negative impacts on all South Australians with particularly adverse outcomes for vulnerable cohorts.

A priority for any reform must be better health, education and housing outcomes for Australians, rather than simple budget cuts or cost shifting from the Commonwealth to low income households.

South Australia strongly advocates that the Commonwealth Government revisit and reverse these funding decisions.

**INTERACTION WITH OTHER REVIEWS**

The Commonwealth Government is undertaking a raft of other reviews and white papers. The Review of Australia’s Welfare System will directly impact on social policy areas that will directly or indirectly interface with welfare reform. As such, the South Australian government is not in a position to establish any finalised views or positions on the review of the welfare system pending these other significant reviews.

The White Paper on the Reform of the Federation, and its associated issues papers on housing, education and health, represents a significant opportunity to clarify roles and responsibilities for States and Territories so that they are, as far as possible, sovereign in their own sphere. As such, South Australia is of the view that the Commonwealth Government should ensure that any response or proposed changes arising from the Review of Australia’s Welfare System does not pre-empt or limit the outcomes of the Reform of Federation.

It should also be noted that recommendations regarding housing funding in the McClure Review sit alongside recommendations recently published or forthcoming in other Commonwealth reviews, including the National Commission of Audit, the Forrest Review into Indigenous Welfare, and the proposed review of Housing and Homelessness announced by Minister Andrews earlier this year. As such, any firm views regarding the final structure of Commonwealth Rent Assistance (CRA) and other housing payments can only be provided when the results of these other reviews are known.

**SOUTH AUSTRALIA’S RESPONSE TO ISSUES IDENTIFIED IN THE MCCLURE REVIEW**

**Pillar One: Simpler and sustainable income support system**

South Australia supports an income support system predicated on fairness, security and opening opportunities for those who are able to work to enter the workforce in a meaningful and sustainable manner.

The current system can be complex, in particular for people who have limited capacity. The income support system should minimise administrative cost and complexity, whilst improving the welfare of people on low and fixed incomes who are particularly vulnerable, for example people with disability, to changes to income and prices.

*People with disability*

Proposed changes to make the Disability Support Pension (DSP) available only to people with permanent impairment and no capacity to work assume it is straightforward to classify permanent and non‐permanent disability, including in cases where comorbidity exist such as cognitive impairment and mental illness. The proposed changes also assume that it is simple to classify how disability affects each individual’s ability to work or study. Regardless of the name or category of payment, the key consideration must be providing a level of income or other supports that meet basic needs of health, housing, communication, transport and personal care now and into the future.

Moving people with disability from the DSP to a tiered working age payment may cause significant financial issues. A potential income-drop without a safety net to cover the cost of living with disability, is likely to have the perverse effect of exposing this group to increased risks of disadvantage, poverty and homelessness and generally make any transition to full or part time employment more difficult.

It needs to be acknowledged that there are few employment opportunities for people with disability, particularly at competitive pay rates. It also needs to be acknowledged that a loss of income for a person with disability may increase pressure on their carer to compensate this loss.

Expectations that the NDIS will fill this gap are not necessarily accurate as not all people with disability will be eligible for the NDIS that has been designed to fund disability support services and not subsidise income.

*People who require housing support*

The current system has a range of primary payments with associated add‐ons and supplements and, wherever possible, these should be incorporated into the primary payment. The current structure of CRA may be simplified by removing the minimum rent threshold and paying a fixed or escalating proportion of rent up to a maximum rent level, set at a local or national level. Consideration may be given to extending CRA to low income home owners. Under current CRA provisions, a low income household that purchases a home faces additional costs of home ownership (stamp duty, council and sewerage rates, insurance, maintenance etc.) at the same time as losing up to $4,360 per year in CRA. In view of the price brackets that are accessible to low and moderate income households, significant capital growth would be required to outweigh the additional costs and the loss of CRA.

South Australia supports in principle: a new indexation system to ensure that Commonwealth Rent Assistance maintains its relative contribution to rental costs over time; the payment of differential rates of CRA based on need rather than a ‘one size fits all’ model; and the payment of CRA to public housing tenants.

**Pillar Two: Strengthening individual and family capability**

South Australia supports reform that empowers and supports people rather than relies on punitive, static and simplistic solutions. Individually tailored responses are likely to deliver the best opportunity for people to meet their obligations. Creating a challenging environment that encourages and allows people to identify that they have succeeded can build confidence and competence.

Reforms are needed to improve lifetime wellbeing by equipping people with skills for employment and increasing their self-reliance.

The Interim Report seems to assume that the current DSP arrangements provide disincentives for people with disability to work and reduces incentives for people with disability who are work-ready to participate in the labour market. This fails to acknowledge individual circumstances and supports required for people with disability to become work ready and existing tight eligibility and review requirements to access the DSP.

Finally it is important to note that the Interim Report refers to a challenge in capacity at a national level to access information for early intervention and risk assessment, since much of the data is held by states and territories. Specific reference is made to child protection and education engagement data required for risk based analysis. It is important to acknowledge that significant data reporting is already provided from States and Territories to enable monitoring at the national level, and possibilities for use of existing data should be fully explored.

*Income Management*

Income management can be a useful tool when used in conjunction with other services and as an interim crisis response or learning opportunity, and only vary rarely used as a life‐long support. The focus should remain on supporting an individual’s development. Individually tailored responses are likely to deliver the best opportunity for people to meet their obligations.

Income management may have negative impacts on particular cultural groups, families and communities by stigmatising them and reinforcing dependence on outside financial management, thereby decreasing their capacity to develop these skills. There must be a focus on removing this stigma through workshops in implementation sites that provide education about the misconceptions of IM and support people to develop effective financial management skills. Respectful implementation is also important, particularly in relation to expectations of self-determination (e.g., for Aboriginal people).

*Carers payment*

The paper leaves it unclear whether the Carer Payment is to be tiered, subject to a carer’s capacity to work. Consideration should be given to how a carer’s capacity to work would be assessed under such an arrangement, taking into account the unpaid work they do. Any notion of applying a punitive approach to getting carers into paid employment should be carefully considered.

Any notion of applying a punitive approach to getting carers into paid employment should be carefully considered. Around half of all primary carers have mental or physical health issues as a direct result of their caring role. Additional pressure might exacerbate these issues, reduce a carer’s capacity to provide care and increase demand on funded supports.

An assumption is made throughout the paper that the National Disability Insurance Scheme (NDIS) will enable more carers to work part-time and reduce the demand of carers in our community. This assumption needs to be considered in the context of facts such as:

* The NDIS does generally not apply to people over the age of 65, and with an ageing population, the demand for carers is likely to continue to increase.
* The NDIS aims to give people with disability more control over the services they receive and how these are funded. In some cases, this may increase the pressure on carers to procure and coordinate supports for the person with the disability.
* Many carers look after people who are not eligible for NDIS (or other) supports. These carers will not benefit from the NDIS.

**Pillar Three: Engaging with employers**

The longer people remain on very low incomes such as youth allowance and Newstart, the worse off they become and the more barriers they face to employment both personally and financially. The focus must be on sustainable employment outcomes. Proposals within the review to engage with employers and develop an employment covenant are unclear; however South Australia supports the principle that any job creation scheme must align with broader social strategies, for example, a broader disability employment strategy to maintain people in employment post the delivery of any government incentives.

There is a strong need for Commonwealth employment service providers to improve their engagement with industry to identify jobs, and support and match jobseekers with those jobs. This could be achieved through developing stronger partnerships between providers and State Government employment programs (e.g. Regional Employment Program and Industry Clusters), which are highly localised with significant community engagement (including local industry and enterprises).

Good examples of programs that provide employer support to engage and employ disadvantaged job seekers include the Industry Clusters and the Department of State Development’s Aboriginal Apprenticeship Program, which provide:

* pre placement support through provision of cultural awareness training to employers, and support with establishing effective and inclusive engagement and recruitment practices
* post placement support through mentoring and coalescing wrap around services

The South Australian Government’s Regional Employment Program (Skills for Jobs in Regions), Industry Leaders Groups and Aboriginal Employment Industry Clusters are good practice models of ‘making jobs available’ (through industry engagement, analysis and support). These initiatives focus on identifying jobs and securing employer commitment to provide employment opportunities to disadvantaged job seekers (e.g. long term unemployed and/or face non-vocational barriers to employment). These models could easily be replicated.

The submission suggests more people coming into the VET system to access training as a pathway to employment—however, there is no consideration of the cost to States or Territories for this increase demand, and no reference to supports that would be necessary within the system to enable disadvantaged learners to succeed.

The submission doesn’t recognise the complexity of vocational and non-vocational barriers including foundation skills which need to be addressed before training leading directly into employment is feasible.

Along with engaging with employers and industry there is a strong need for the Commonwealth Employment Services sector to improve engagements with the training systems in each state. Training is a key tool for developing skills for work and therefore improving the employment prospects of job seekers. Currently the interactions of the employment services system with the training system is perfunctory, with little real engagement on ensuring job seekers are matched to the right course and ensuring their support needs while in training are met. A systemic approach between commonwealth and state governments to require a high quality referral process is required to improve quality and ensure consistency.

The report notes the growth in mature people receiving a Newstart Allowance and of the disparity between the higher pension age and current rates of workforce participation amongst older Australians. This is a particular issue for South Australia which has a higher proportion of older people than all states other than Tasmania, and which has a third of its population over the age of 50 and nearly half of its workforce aged over 45. It is well established that this is a group that continues to experience discrimination based on age. The report does not adequately address the particular needs of older job seekers in its consideration of the employment market and the role of employers.

It should also be noted that older people currently play a critical role in voluntary and unpaid capacities as carers and in family support. The requirement to work longer, or to fulfil the job seeking requirements of Newstart at a time when many older people are transitioning into highly valuable, but unpaid, roles in their families and communities is likely to have an impact on the benefits volunteering returns to society, both economically and socially – something that has not been considered in this report.

**Pillar Four: Building community capacity**

Greater inequity in community has a significant effect on community cohesion. Flat‐rate payments such as the carer allowance and non‐cash support such as the Low Income Health Care Card make an important contribution to the welfare of the community and should be retained.

The Review of Australia’s Welfare System recommends a tiered working age payment and reducing the current gap between pensions and allowance, an approach that South Australia supports. However, this should not lead to payment levels that result in reduction of living standards for those receiving income support.

Linking social security payments directly to the wellbeing of the rest of the community, allowing it to rise and fall with the median community income, would help maintain to some degree an equitable system. The social support system could contribute to breaking the cycle of disadvantage for children at risk by encouraging of parental participation in community programs that support the engagement of families in their children’s learning from birth and programs that link such participation to associated training and education opportunities for parents.