NSW Government Response to the Reference Group on Welfare Reform’s Interim Report

The NSW Government strongly supports the Commonwealth Government’s efforts to improve and simplify the welfare system. A more effective welfare system would bring important benefits to Australia, including NSW. These benefits include improved wellbeing for individuals, increased economic participation and employment, and reduced demand for NSW Government services.

The NSW Government welcomes the opportunity to comment on the Reference Group on Welfare Reform’s Interim Report ‘A New System for Better Employment and Social Outcomes’. This submission sets out:

* the NSW Government’s support for the Interim Report’s principles of reform
* the value of a person-centred approach to welfare reform
* the challenges that need to be addressed to ensure welfare reforms are sustainable and equitable, and
* how the welfare reform work is an important part of the White Paper on the Federation process, and other federal reform processes underway.

# NSW supports the underlying principles of reform

Efforts to improve the welfare system are wholeheartedly supported by the NSW Government.

NSW supports welfare system reform that encourages people with the capacity to work to secure sustainable employment, and supports those who are unable to work to live meaningful and fulfilling lives. A more effective welfare system will improve social and economic outcomes, increase employment and reduce demand for Government services.

In particular, NSW supports the following principles underpinning the Interim Report’s proposed reform directions:

* moving to a simpler and more coherent transfer payment system which provides appropriate incentives for people to transition into work, according to their personal capacity
* reconsidering gaps in different payment rates to better reflect cost-of-living realities
* reducing regulatory and administrative burden in the system
* outcomes-based evaluation of programs supporting the welfare system
* the importance of prevention and early intervention approaches when responding to risk
* recognising that sustainable and long-term transitions from welfare to work will only occur if individuals, employers and communities are empowered to make informed choices.

The NSW Government supports greater labour market participation as a key mechanism to improve outcomes for vulnerable people. Given job market fluctuations, the welfare system must be sufficiently flexible and contain the right mix of incentives to encourage people into work when there are job opportunities available, and provide adequate support when economic conditions tighten and the number of available jobs contracts.

Assistance should be available to newly skilled entrants and others transitioning into the labour market.

# A person-centred approach is the best way forward

People that are dependent on the welfare system face different challenges depending on where they live, how long they have been unemployed, their skill level, whether they have a disability or mental illness and whether they have caring responsibilities. The Reference Group should ensure it consults with a wide range of people currently dependent on the welfare system to thoroughly explore each of these issues.

A person-centred approach will ensure people understand how the proposed changes would affect them, and will highlight the type of supports that will be required to help people with the capacity to work transition into employment. The Final Report should include detail on how the reforms will impact people at an individual level.

## Disproportionate impact on Aboriginal people

Aboriginal people are more likely to have a disability, a mental health issue, and other complex needs (such as homelessness) compared to non-Aboriginal people.[[1]](#footnote-1) For example, in 2011,
6.2 per cent of NSW Aboriginal residents had a severe, long-term disability, lasting more than six months, requiring help with daily activities, self-care or communicating. The corresponding figure for all NSW residents was 4.9 per cent.[[2]](#footnote-2)

As a result of this overrepresentation, the Interim Report’s proposed reforms are likely to have a significant impact on Aboriginal people. This issue should be explicitly addressed in the Final Report, including options for tailored service responses to be developed in partnership with Aboriginal communities.

However, the NSW Government notes that it supports welfare reform for *all* Australians.

## Ensuring a person-centred approach to income management

The Interim Report reflects positively on the New Zealand model of income management and the use of this tool in the Cape York region and the Northern Territory.[[3]](#footnote-3) However, as noted in the Interim Report, use of income management in Australia and overseas has had mixed and inconsistent results.[[4]](#footnote-4)

The success of income management measures often appears to be dependent on the type of income management, the target cohort and whether it is a community driven solution. For example, an evaluation from the Northern Territory demonstrated that voluntary income management achieved stronger outcomes than compulsory income management.[[5]](#footnote-5)

The use of broader income management approaches by the Commonwealth would need to align with current policy approaches to empower individuals and communities to drive decision-making. For example, income management of payments to people with disability would need to be carefully considered in conjunction with the key NDIS principles of choice and control, which recognise that people with disability should be empowered to make decisions affecting their own lives.

For Aboriginal people and predominantly Aboriginal communities, future approaches to income management will be stronger where they align with the principles of *OCHRE: opportunity, choice, healing, responsibility, empowerment* – the NSW Government Plan for Aboriginal Affairs. A key principle of OCHRE is that government should do things with Aboriginal communities, not for or to Aboriginal communities, and that the strongest communities are those that drive solutions. Income management in this context would involve governments coming to an agreement with individuals about how they can build the capability to better manage their own income. For example, the Local Decision Making initiative under *OCHRE* seeks to build capacity in Aboriginal communities to empower them to make decisions regarding what services are delivered in their communities.

As part of a person-centred approach, income management needs to operate within a social support system that has a widerange of well-developed and well-funded social support services that are individually focussed. Achieving this will require the close cooperation with States and Territories, and affected communities.

## Increasing the number of available jobs for people with disability and mental illness

A 2011 PricewaterhouseCoopers Report notes “*Without serious policy reform, for many Australians with a disability the prospect of meaningful work will remain a distant and unlikely scenario…. Improving mainstream employment involves engaging with the business community”.*[[6]](#footnote-6) In 2010, Australia ranked 21st out of 29 OECD countries in employment rates for people with a disability.[[7]](#footnote-7) It is essential that people with disability and mental illness are better supported to find meaningful and fulfilling employment that adjusts to any additional barriers they may face, particularly people with episodic conditions.

The Interim Report contains detailed discussion of the need for increased labour force participation by those in the welfare system[[8]](#footnote-8). This must be balanced with consideration about how to address the current lack of job opportunities available to people with disability and mental illness, the high level of competition that people with disability and mental illness face in seeking employment, and broader challenges including discrimination. In particular, the Reference Group should further examine how employers and Government can work together to improve job opportunities for people with disability and mental illness to ensure that supply meets demand. Research shows that people with disabilities want to work: “*What most lack is not ability but opportunity*.”[[9]](#footnote-9) This shortfall needs to be addressed if Australia’s participation rates are to improve.

The Interim Report focuses on voluntary employer-led approaches to improve job opportunities for people with disability and mental illness in larger organisations. The NSW Government supports these approaches. In addition, further work is required to examine the range of strategies needed to improve job opportunities in organisations of all sizes and across sectors. It is unlikely that voluntary initiatives led by employers will be enough to achieve the large-scale change needed to improve labour force participation for people with disability and mental illness. Targeted approaches supported by appropriate incentives or other types of support will be also necessary. The Final Report should include robust analysis of best practice strategies in Australia and overseas and consultation with business to inform the Reference Group’s final recommendations. NSW Government strategies to improve labour force participation for people with disability, mental illness and older people are outlined in Appendix A. A description of the Smart and Skilled Reforms are also at Appendix A.

**Preserving the integrity of the National Disability Insurance Scheme (NDIS)**

Understanding the links between the welfare system and ongoing disability service reform through the NDIS is necessary when considering welfare reform options. The proposal to have one working age payment with supplements for people with disability and carers, as well as retaining the Disability Support Pension for those who are unable to participate at all,[[10]](#footnote-10) is in line with the aims of the NDIS.

NDIS packages are designed for people with disability to access the reasonable and necessary supports they need to achieve their full potential. However, the NDIS does not provide income support and a clear delineation between NDIS packages and the Commonwealth Government’s income payment, should be preserved. It is important to ensure that NDIS support packages are not considered in any assessment of income support or welfare payment requirements.

In the long term, the NDIS will provide opportunities for greater workforce participation for people with disability as they receive supports necessary to fulfil their potential. It will also enable improved economic participation from carers who may have been constrained in their capacity to work due to inadequate support arrangements. Over time people with disability who wish to work and contribute, will be better able to do so. The pace of welfare reform should align with the NDIS to ensure people with a disability and their carers are appropriately supported to transition into work.

The Report should also recognise that the sustainability of the NDIS relies on family and informal carers continuing to support people with disability. The effect of increased workforce participation requirements or reductions in family income should be considered in that context. Assessment of a carer’s capacity to work would need to be tailored to accommodate their caring responsibilities and the needs of the person they care for. Participation requirements for carers would need to be flexible and accompanied by measures to enhance the capacity of employers to enable carers to remain in the workforce.

Similarly, carers’ capacity to work may be affected by changes to income support rates or eligibility requirements impacting on the people they care for. Changes to the Carer Payment, Carers Allowance or Carers Supplement would affect carers’ financial positions. As at June 2013 only 221,954[[11]](#footnote-11) of the almost 2.7 million[[12]](#footnote-12) carers in Australia receive the Carer Payment and 563,079[[13]](#footnote-13) receive the non means-tested Carers Allowance.

**The impact of welfare system reform on the broader service system must be recognised**

As stated above, the NSW Government strongly welcomes the Commonwealth Government’s efforts to improve and simply the welfare system. Effective welfare reform will bring benefits to NSW, and across Australia.

A more effective welfare system will bring important benefits to NSW, including increased economic participation and employment in NSW and reduced demand for NSW Government services.

To support this positive outcome, the NSW Government suggests that the Reference Group’s Final Report provide detail on proposed reforms’ downstream impacts on key services – particularly vocational education and training, social housing and concessions.

### Vocational education and training (VET)

The Interim Report notes that the VET system needs to be driven by industry demand for particular skills so that there is a stable pathway into work for those people undertaking VET qualifications. The Interim Report also advocates for stronger emphasis on foundational skills and makes reference to the need for enhancing a focus on ‘earn or learn’ for young Australians.[[14]](#footnote-14) This is generally consistent with reforms to the NSW VET system under Smart and Skilled, which will be implemented from January 2015. Supporting information about the Smart and Skilled reforms is at Appendix A.

However, the Smart and Skilled reforms have not been designed to take account of welfare reforms that incorporate strict training requirements and potentially create the need for a very significant number of additional training places. The Commonwealth welfare reforms announced in the
2014-15 Federal Budget relating to existing recipients of Newstart Allowance and Youth Allowance (Other) under 30 years of age already have the potential to impose a significant additional (and unaccounted for) cost on the State’s Smart and Skilled training system. ‘Earn or learn’ welfare policies have the potential to cause a shortfall in available training places and encourage ‘training for training’s sake’, undercutting the industry-need approach of the Smart and Skilled reforms.

### Social Housing

The Interim Report notes that the current Commonwealth Rent Assistance (CRA) arrangements (indexed to CPI) have not kept pace with increases in rents and that there is a need to redesign rent assistance to assist those people in private rental who are most in need.[[15]](#footnote-15) This is demonstrated by figures for Sydney in 2013 that show 49% of 110,600 low income households receiving CRA were still experiencing housing stress[[16]](#footnote-16) after receiving rent assistance payments.[[17]](#footnote-17)

NSW supports the Reference Group’s consideration of this issue. If indexing remains linked to CPI, or is tightened  (as has been the trend in the 2014-15 Commonwealth Budget), it may result in increased demand for social housing, further increasing pressure on state-based social housing, private rental assistance supports and homelessness services, particularly if this accompanied by reductions in other Commonwealth supports.

Further, NSW notes the Report on Australia’s Future Tax System, chaired by Ken Henry, recommended that CRA in itself is not sufficient and high-needs tenants should be assisted with an

additional high-need housing payment that is directed to the social housing provider. This additional level of assistance reflects the high or special housing needs of tenants such as those with disability or for tenants that may face discrimination in the private market such as tenants with Aboriginal heritage.[[18]](#footnote-18)

The review of CRA assistance levels and adjustment mechanisms should include an assessment and modelling of the potential financial impact on tenants, including measuring net rent as a proportion of incomes to indicate likely housing stress levels. The review should also take into account housing affordability, cost of living pressures, supply of affordable housing options, and the impact of the changes on larger community housing providers, which have complex financial relationships built on existing revenue arrangements.

NSW notes the Interim Report’s discussion of the perverse incentives created by charging rents that are a proportion of total income,[[19]](#footnote-19) particularly with regard to disincentives for tenants to improve their circumstances. In NSW the majority of social housing tenants are on fixed incomes, with an increasing proportion of the tenant profile comprising elderly people, people with significant disability or single parents. Changes to the way in which rents are calculated need to be carefully designed to mitigate impacts on the most vulnerable members of society.

### Concessions

The NSW and Commonwealth Governments both provide particular goods and services to certain users at a lower charge or fee on the basis of particular eligibility criteria. These are a fundamental part of Government support to those individuals who are involved in the welfare system.

State and Territory Governments frequently use Commonwealth Government criteria and an individual’s access to particular welfare payments to determine their eligibility for State-based concessions. For example, the holder of a Pensioner Card (provided by the Commonwealth Government), would be entitled to access to concessions such as bulk billing for doctor’s appointments (Commonwealth), discounted mail redirection from Australia Post (Commonwealth), refunds for medical services through the Medicare Safety Net (Commonwealth), exemptions for fees for driver licences (NSW), exemptions from motor vehicle tax (NSW), reduced power and water utility charges (NSW), and lower council rates (local government).

Recommendations from the Final Report on the structure of the welfare system need to recognise that changes to eligibility for particular payments may have a number of consequences for concession payments made by State and Territory Governments.

The NSW Government notes that $107 million was allocated in the 2014-15 NSW Government Budget to maintain the concessions to pensioners and seniors card holders that had previously been the responsibility of the Commonwealth. NSW will negotiate with the Commonwealth to meet its future obligations under previous agreements.

## NGO capacity

The NSW Government agrees with the Interim Report’s argument that building community capacity is vital to transforming disadvantage and disengagement.[[20]](#footnote-20) To enable effective community transformation, the NSW Government supports models where communities are empowered to define their own needs and come up with their own solutions to problems, letting the community own and action their own solutions. More and more, the role of governments should be to resource people with the opportunities, knowledge and skills to increase their capacity to participate in society and address disadvantage.

NGOs are often the first port of call for vulnerable people and are often much better placed to build community capacity and deliver good outcomes for vulnerable communities than government departments. This is one of the reasons why the NSW Government has moved to transition the provision of out-of-home-care, disability services, community housing and health services to the NGO sector. Similarly, many of the reform proposals mentioned in the Interim Report are likely to suit delivery by the NGO sector.

As service delivery is progressively outsourced to the NGO sector, there also needs to be recognition of the challenges facing the sector.

These include:[[21]](#footnote-21)

* the lead time that may be required to scale up NGO capacity to effectively support communities to create positive change
* recruiting the workforce they need
* capacity to undertake workforce planning and skills development
* high level of dependence on government funding (e.g. on average more than half of the total revenue of NGOs comes from the NSW Government)
* limited access to alternative funding sources, particularly for smaller organisations

While the NSW Government is working with the sector to respond to these issues it is important to recognise that any increase in the demand for services arising from the Commonwealth’s welfare reform will place major stresses on a system.

The effective use of resources by the Commonwealth Government and successful engagement of those targeted will depend on timely data sharing and joint planning with NSW agencies and NGOs. Taking a holistic person-centred approach in funding new initiatives and gaining an understanding of the gaps in the service system currently faced by individuals will help to prevent duplication of effort.

# Connection with the Reform of Federation White Paper process and other Commonwealth Government reviews

The Reference Group’s work is an important part of the broader discussion of State and Territory and Commonwealth Government roles and responsibilities currently under consideration as part of the Reform of Federation White Paper process.

The NSW Government will provide substantial input to the reform of roles and responsibilities of various levels of government, via the White Paper process.

The NSW Government calls on the Commonwealth Government to use the Reference Group’s Final Report as an input into further discussion of the welfare system and related services in the White Paper. This will allow the States and Territories the opportunity to work collaboratively with the Commonwealth through an established process.

The NSW Government also calls on the Commonwealth Government to consider the linkages between the Reference Group’s work and the Forrest Review of Indigenous Training and Employment.

Appendix A

# NSW Government strategies to improve employment opportunities for people with a disability or mental illness

The NSW Government is committed to increasing the participation of people with disability in employment and further education.[[22]](#footnote-22) This includes facilitating smooth transitions between education and employment, as well as stimulating employment opportunities for people with disability.

For example, NSW’s Transition to Work (TTW) program supports young people with disability leaving school to develop the skills, qualifications and confidence needed to move into employment. Participants move from school to TTW, through to a Commonwealth employment service (Disability Employment Service) and then into open employment. Since the inception of the TTW program, 2,200 young people from a total intake of 3,920 (56%) have attained an employment outcome. Of those who completed TTW at the end of 2012 / beginning of 2013, 69% gained employment or went on to further education. Almost half of those who gained employment (48%) found jobs in the open labour market.

The NSW Government has significantly invested in understanding the needs of employers in hiring people with disability, which should be taken into account by the Reference Group in its Final Report. Through consultations with a variety of large employers and the Australian Network on Disability (a lead industry advisory body on hiring and supporting employees with disability), feedback to date indicates that:

* support initiatives need to be incorporated into employers’ existing systems and must be easy to access
* employers want a central place where they can find skilled employees with disability
* employers require ongoing support to help ensure that jobs are meaningful
* employees with disability benefit significantly from ongoing training, support, mentoring and career development.

In response to these consultations, the NSW Government recently allocated $6 million over the next three years to implement an Employment Enablement Strategy to support and promote the employment of workers with disability in NSW. The strategy will build the capacity of businesses to hire and sustain the employment of adults with disability, and provide state-wide packages of support for adults with intellectual disability to help them develop the skills they need to become job ready.

In the public sector, the *Public Works and Procurement Regulation (2014)* eliminates the need for NSW Government agencies to conduct open competitive tenders when procuring goods and services (with no upper monetary limit) through Disability Employment Organisations. Under the Disability Enterprise Procurement Program, NSW has engaged National Disability Services to maintain a register of disability organisations and to act as contract manager, supporting public sector agencies to engage with the most suitable disability organisation to meet their procurement needs. These strategies have delivered sustainable employment for over 433 people with disability across 30 organisations. The NSW Government also requires all departments (and supports local councils) to have a publicly available Disability Action Plan that improves the access of people with disability to services, facilities and jobs in the public sector

# NSW Government’s ageing strategy – increasing workforce participation for older workers

The NSW Government’s ageing strategy includes a range of initiatives currently being implemented in NSW to increase participation rates among older workers.

These initiatives include actions to strengthen the skills base of people aged 45 and over and initiatives to remove barriers to workforce participation. More information is available at: <http://www.adhc.nsw.gov.au/__data/assets/file/0011/257276/1282_ADHC_NSW-AgeingStrategy_WEB.pdf>.

# NSW Government Smart and Skilled reforms

The NSW Government has released a NSW Skills List, which defines courses which will be supported by NSW Government funding under Smart and Skilled. The Skills List was developed in consultation with industry and is based on the skill needs of the NSW economy. The list will be updated annually to respond to the changing market. Qualifications on the NSW Skills List are linked to jobs, careers and further study pathways.

A focus on foundational skills is generally consistent with the NSW Smart and Skilled reforms, which introduce a training entitlement approach that will operate under a capped system in a training market. It specifically includes provision for training in foundational skills to be provided by TAFE institutes and Adult Community Education services.

1. The health of Aboriginal people of NSW: Report of the Chief Health Officer, 2012; NSW Community Portrait, Aboriginal Affairs 2012; Gender Indicators, Australia, Jul 2012, Cat: 4125.0, Australian Bureau of Statistics; Aboriginal and Torres Strait Islander people with disability, Indigenous observatory, Australian Bureau of Statistics; Government funded specialist homelessness 2010-2011, Australian Institute of Health & Welfare; Socioeconomic outcomes, Centre for Aboriginal Economic Policy Research, 2013. [↑](#footnote-ref-1)
2. NSW Community Portrait, Aboriginal Affairs 2012. [↑](#footnote-ref-2)
3. Reference Group on Welfare Reform, *Interim Report*, above n.1, p. 83-86. [↑](#footnote-ref-3)
4. For example, the NT Evaluation found, “*little evidence to date that income management is resulting in widespread behaviour change, either with respect to building an ability to effectively manage money or in building ‘socially responsible behaviour’ beyond the direct impact of limiting the amount that can be spent on some items*”. E Bray, M Gray, K Hand, B Bradbury, C. Eastman and I Katz ‘*Evaluating Income Management in the Northern Territory: First Evaluation Report*’ Social Policy Research Centre, July 2012, p.xix. [↑](#footnote-ref-4)
5. Ibid, p.xxiv - In general commentary on income management, the evaluation stated that *“our analysis suggests that for many people the program largely operates more as a means of control rather than a process for building behaviours or changing attitudes or norms”*. However, with regard to voluntary income management the evaluation was able to conclude that *“Voluntary Income Management in particular is viewed positively by people to whom it is applied, and by other stakeholders”*. [↑](#footnote-ref-5)
6. PricewaterhouseCoopers, *Disability Expectations Investing in a Better Life, A Stronger Australia*, Australia, 2011, p.83. [↑](#footnote-ref-6)
7. Organisation for Economic Co-operation and Development (OECD) Sickness, *Disability and Work – A Synthesis of Findings across OECD Countries,* 2010. [↑](#footnote-ref-7)
8. Reference Group on Welfare Reform, *Interim Report*, above n.1, p. 27. [↑](#footnote-ref-8)
9. National People with Disabilities and Carer Council, *Shut out: The Experience of People with Disabilities and their Families in Australia*, National Disability Strategy Consultation Report, 2009, p. 38. [↑](#footnote-ref-9)
10. Reference Group on Welfare Reform, *Interim Report*, above n.1, pp. 50-51. [↑](#footnote-ref-10)
11. Ibid., Table 1, p.140. [↑](#footnote-ref-11)
12. Australian Bureau of Statistics, 2013, *Disability, Ageing and Carers, Australia: Summary of Findings* 2012 (cat. no. 4430.0). [↑](#footnote-ref-12)
13. Reference Group on Welfare Reform, *Interim Report*, above n.1, Table 1, p.141. [↑](#footnote-ref-13)
14. Ibid., p. 90. [↑](#footnote-ref-14)
15. Reference Group on Welfare Reform, *Interim Report*, above n.1, p. 69. [↑](#footnote-ref-15)
16. Paying more than 30% of their income in rent. [↑](#footnote-ref-16)
17. 2014 Report on Government Services, Table GA.24 & GA.30. Around 60% of young people receiving rent assistance were still in housing stress after receiving CRA. This figure increased to around 66% for young people living in Sydney who were still in housing stress after receiving CRA. [↑](#footnote-ref-17)
18. Review Panel, *Australia’s Future Tax System: Final Report*, 2010, Part 2, Chapter F: F5-3. [↑](#footnote-ref-18)
19. Reference Group on Welfare Reform, *Interim Report*, above n.1, p. 70. [↑](#footnote-ref-19)
20. Ibid., p. 111. [↑](#footnote-ref-20)
21. Social Policy Research Centre,University of New South Wales (May 2014) *State of the community service sector in New South Wales 2014*, Report 4/2014, https://www.sprc.unsw.edu.au/media/SPRCFile/State\_of\_the\_community\_service\_sector\_in\_NSW\_2014.pdf. [↑](#footnote-ref-21)
22. Goal 14, *NSW2021* and the *National Disability Strategy: NSW Implementation Plan 2012-2014*includes increasing the participation of people with disability in employment or further education as a priority. [↑](#footnote-ref-22)