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Via email: WelfareReview@dss.gov.au

Submission – A New System for Better Employment and Social Outcomes Interim Report

The Illawarra Forum is the peak body working for community services and organisations in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation in community development, foster industry development and advocate for social justice.

For more than twenty years, the Illawarra Forum has taken a leadership role in the local community services sector, which is a major employment sector in the region, and currently consists of more than 300 organisations in the Illawarra and Shoalhaven areas of New South Wales.

The Illawarra Forum works closely with numerous organisations which provide support to vulnerable people across the region including:

- Individuals and families with multiple layers of social and financial disadvantage;
- Victims of domestic violence and sexual assault ;
- Youth work programs;
- Social housing and homelessness services;
- Home and community care services;
- Community health services, including mental health and drug/alcohol services;
- Community legal centre services; and
- Community development and community capacity building programs.

The Illawarra Forum consulted with members and service providers to develop this response.

General Comments

The Illawarra Forum welcomes the opportunity to comment on A New System for Better Employment and Social Outcomes Interim Report. The final outcomes of this report could have major implications for the community services industry and we are committed to ensuring that the vulnerable people across our region are represented adequately and fairly.

The Illawarra Forum prefaces all of its comments by saying that any reforms proposed and adopted should not impact negatively on those in need. Indeed it would be an oxymoron to have an income security system that is not 'secure'. No system should have a myriad of

payments based on degrees of 'deservingness' but rather should be based on social justice principles, and focused on fulfilling financial need in order to ensure that all individuals have what they need to live a fair and reasonable life. When this basic need is met, government should then extend itself to supporting employment generation and connecting people to training and employment opportunities.

There is no doubt that in any context, the language frames the debate. The Illawarra Forum would like to express some concerns about some of the language used in the report.

We refer to the industry in which we work as the Community Services Industry. We have a strong belief that the Community Services Industry is an equal partner in a tri-lateral social and economic ecosystem along with Business and Government. The new terminology "civil society" which has been adopted by the current government suggests that the government and business sectors are excused from being civil, and that the development of society is being left in the hands of individuals and non-government organisation.

The Illawarra Forum is also concerned that such nomenclature serves to create a separation between government and the communities and individuals that welfare reforms would affect. We would further point out that 'Society' and 'Community' are not interchangeable terms. 'Society' is everyone; ie. the general public. 'Community' refers to a group of people with something in common, usually territory, interests or attachments. It is important for clarity to note that there are a myriad of overlapping communities in any society and community concerns/issues etc. are not the same as 'the public interest'¹

Finally, the Illawarra Forum is concerned that the report fails to adequately address the and make recommendations for groups which face special levels of disadvantage such as refugees and people from culturally and linguistically diverse backgrounds.

PILLAR ONE: SIMPLER AND SUSTAINABLE INCOME SUPPORT SYSTEM

Simpler architecture

While the Illawarra Forum recognises the importance of reviewing the current income support payment architecture, we couldn't find any evidence that the current system isn't working as effectively as the comparative systems cited. While the current system is complex, we recognise that this is because it is not adopting a blanket approach and is taking each case on its individual merits. Rather than discard and replace the current system, discrepancies in payments to people in similar situations could be addressed by a fairer benchmarking system. Frontline staff in Centrelink must then be suitably trained to ensure they provide consistent, appropriate information to clients; thus ensuring parity. Parity could also be maintained by creating a simple flowchart or matrix for staff to follow which would identify what payments and supplements individuals were entitled to. Most importantly, we must ensure fast and timely access to information and support for individuals in need.

¹ Peter Willmott, 1989, *Community Initiatives: Patterns and Prospects*, London: Policy Studies Institute p. 2-4

We oppose the notion of a separate payment for people with a permanent impairment and no capacity to work as this promotes the notion of “deservingness” and is judgemental of other working age recipients. Income support payments must be based on financial need.

Fair Rate Structure

Circumstances such as age, capacity to work, single/couple status, living arrangements etc should not be the only determinants of payment levels of for pensions and allowances. Income support payments must also be based on financial need.

Common Approach to adjusting Payments

The Illawarra Forum believes that the best approach to adjusting payments would be to link them to increases in the net income of an employee on median full time earnings.

Support for families with children and young people

We are pleased to note that the report recognises that current rates of family payments do not reflect the increasing costs as children grow. There is much evidence that costs rise in the final years of high school and transition into adulthood. Families would be better supported by a system which reflects the costs of children as they age, and one which strongly supports completion of education and transition to independence and the workforce.

Youth payments should reflect that young people need adequate financial assistance in order to participate in education, training and job-seeking.

Effective Rent Assistance

The Illawarra Forum believes that there should be a median rate for rent assistance which is reflective of where the person is living. There is a marked difference in market rent between many regional and urban centres. Rent Assistance should be tailored to ensure tenants can afford an adequate standard of dwelling, and rent assistance should be indexed to movements in market rents in that area. Rent assistance should also be made available in a timely manner to ensure delayed payments do not force people into homelessness. Rent assistance should be calculated so that rental outgoings are below the percentage of income that would force people below the poverty line.

PILLAR II – STRENGTHENING INDIVIDUAL AND FAMILY CAPABILITY

The Illawarra Forum points out the necessity to differentiate between ‘capability’ and ‘capacity’. Capacity is the ability that exists at present and capability refers to the higher level of ability that an individual can achieve or to which it can improve. The New System for Better Employment and Social Outcomes Interim Report highlights the need to strengthen individual and family capability in order to maximise employment and social participation. However, unless capacity first developed, there will be difficulty in developing foundational capabilities.

Capacity should be developed in individuals and families through building core skills (i.e. living and social skills) and by the identification of personal barriers that may be preventing people from participating equally in society (such as low self-esteem, intergenerational

poverty, drug/alcohol misuse and mental health issues etc). Individuals who have been exposed to intergenerational poverty, dependency on the welfare system and low educational attainment may not have the capacity to access or participate in services which build the most basic of capabilities.

Mutual Obligation

The Illawarra Forum is concerned that the suggested increase in the penalty regime may put families at risk of homelessness. If families don't receive income support, they risk defaulting on their rent and may lose their home. Participation requirements imply that the only barrier to employment is laziness and fail to consider the variety of reasons why an individual is not working.

Unemployment levels are above the national average in the Illawarra, and there are very limited opportunities for entry-level jobs. This not only makes it difficult for young people to fulfil the requisite monthly job applications quota (up to 40 per month), but also leaves them open to continuous rejection which could have negative impacts on self esteem and mental health. Evidence does not suggest that 'Work for the Dole' is a pathway to employment. On the contrary, research shows that such schemes are unlikely to help people gain employment.²

Small businesses are also concerned that they will be inundated with unsuitable applications for any jobs advertised because people need to fill their quota. This deter applicants and alienate potential employers.

The report also mentions 'meaningful' employment. There is no doubt that people will succeed in positions in which they have a genuine. Employing people who do not have a genuine interest in what they are doing will increase staff turnover and be more expensive for employers in terms of recruitment and training.

Training in core living and social skills should be included for young people as part of the Work for the Dole scheme. This capacity building is the foundation on which vocational training can be built.

There are other major implications for young people on income support payments if the proposed measures under the federal budget are applied, particularly for young people who are on public housing waiting lists. If income support payments are suspended for six months of each year, they will be taken off the public housing waiting list and will never qualify for public housing, again increasing risk of homelessness. There is the added drawback that if people are off unemployment benefits for 6 months, they won't qualify for concession rates for TAFE thereby hindering their prospects of training and increasing their employability.

The Illawarra Forum would like to recognize the significant contribution Carers make to society. Currently there are 2.7 million unpaid carers in Australia with more than 770,000 being primary carers. 300,000 of these are under the age of 24³. The estimated annual

² Jeff Borland, Economist University of Melbourne

³ ABS (2012) Survey of Disability, Ageing and Carers

replacement value of care provided in 2012 is over \$40.9 billion, with productivity loss estimated at \$6.5 billion⁴ so in essence, carers are saving the government \$34.4 billion annually. If continuous care payments were shared between people, then it would potentially free up two people to contribute to the education and/or workforce. The introduction of flexibility around care payments would facilitate carers to access training and employment opportunities.

In addition, the Illawarra Forum recommends a payment for end of life situations similar to parental leave. Enabling people to take career breaks to care for a dying relative would not only alleviate strain on the current system, but would represent a considerable cost-saving for government.

For people on income support, their ability to meet their obligations will be increased by making such obligations reasonable and achievable. The proposed requirement to apply for up to 40 jobs in a month is neither reasonable nor achievable. Obligations should reflect individual variables including local employment opportunities, individual capacity, transport issues etc.. There is a compelling need to recognise the significant differences in locations especially between regional and urban. We strongly urge a focus on job creation rather than penalising the unemployed.

The Illawarra Forum strongly recommends that Income Management should never be a prerequisite for receiving income support. Income Management removes capacity and responsibility from an individual, and is currently based on geography and ethnicity. Evaluation of current Income Management programs reveals “a strong sense of having been treated unfairly and being disempowered”⁵. There is little evidence to date that income management has resulted in widespread behaviour change, either in building capacity to effectively manage money or in building ‘socially responsible behaviour’ beyond the direct impact of limiting the amount that can be spent on certain items. The early indications are that income management operates more as a control or protective mechanism than as an intervention which increases capabilities.⁶

The Illawarra Forum recommends that it would be more effective to make income management a voluntary option for people who want a fail-safe to prevent homelessness e.g. manage rent payments etc. And that financial counselling services are made available to build people’s capacity to manage their own income. Rather than Income Management, there should also be increased access to services such as drug and alcohol services, counselling, mental health services etc.

Early Intervention

Rather than just focussing on an income support system, a broader social support must be developed which incorporates the positive initiatives from existing international models. For example the New Zealand investment model which calculates the projected lifetime

⁴ Access Economics (2010) *The Economic Value of Informal Care in 2010*.

⁵ *Evaluating New Income Management in the Northern Territory: First Evaluation Report*, UNSW Social Policy Research Centre

⁶ *Evaluating New Income Management in the Northern Territory: First Evaluation Report*, UNSW Social Policy Research Centre

liability of particular groups on income support and invests in groups likely to have the high lifetime cost of income support. The Illawarra Forum recommends such a model could also cover geographical areas, certainly in areas like the Illawarra where the need is greatest. Australia's national unemployment rate, averaged out over 2012/2013, was 5.5%. In the Illawarra region, it was 7.6%. But if you take out the city of Wollongong, the average unemployment climbed to 9%, almost double the national rate⁷

Overall there needs to be more cooperation at government /departmental level to share information, collate data, cut red tape and use collaborative wrap-around approaches to these groups or geographical areas.

Pillar III: Engaging with Employers

The Illawarra Forum recommends that any changes to the welfare system should support employment generation.

Employment Focus – making jobs available

The Australian Employment Covenant should be extended to include non-indigenous Australians.

Government should take the lead and make a commitment to set targets and quotas for more jobs in government departments for people currently in receipt of income support. Government should also commit to social procurement and choose to purchase goods or services based on the social outcome. Social procurement recognises and values the benefits that social enterprise provides and supports the development of social enterprise. Social procurement should also be promoted to the business community .

Government could also support small and medium enterprises to employ unemployed people by offering subsidies and incentives.

Improving Pathways to Employment

The Illawarra Forum would like to reiterate that the 'Work for the Dole' scheme is not a pathway to employment. We are also concerned that an 'outcome-based' remuneration method for employment service providers could deter services from accepting difficult clients, and will only take easy cases so their numbers look good at the end of each reporting period. They may even welcome a breach by a difficult client so they can remove them from their service. Again the Illawarra Forum is opposed to placing sanctions on people in receipt of income support because it could force them into homelessness.

It is concerning to see that The Exposure Draft for Employment services 2015-2020 - Purchasing Arrangements, has already outlined sanctions in terms of 'work for the dole' and employment services which seems to have pre-empted any suggestions from responses to this report.

⁷ <http://www.theguardian.com/world/2013/sep/20/illawarra-jobless-rate-double-digits>

Should 'work for the dole' be instituted, it is important to recognise that in many areas, the time and expense to get to a work for the dole activity could be onerous for participants, particularly in regional and remote areas where people may have to travel long distances to fulfil their obligations. For unemployed people with children, this could mean that children will either be leaving for school alone or coming home to an empty house. We would also want to ensure penalties were not imposed if a participant had to leave early to tend to an ill child or relative. The Illawarra Forum is concerned that the system suggested leaves too much room for human error as it is dependent upon the collaboration of the Work for Dole Coordinator, an Employment Service, an employer and the participant. We anecdotal evidence of a participant being marked absent from work by the employer on days he was actually present, purely through human error. Such error could have huge implications for people who are on the 'Work for the Dole' scheme and could drive them into such financial difficulty that they cannot fulfil basic needs for themselves and their families, and become at risk of homelessness.

Pathways to employment can be enhanced by the recognition of core life skills training as a work for the dole activity. For any vocational education and training to transition into real jobs each region should have a needs analysis to identify skills shortages. This will ensure training is targeted to local employment opportunities.

It is equally important to evaluate the capacity and interests of a potential trainee. For example, it would be a waste of time and money to train someone in an area in which they have no interest or aptitude as there would be limited potential for longevity in the position. Training should be followed up with support for both the employee and employer to address issues as they arise.

Any work for the dole scheme introduced should have regional interagency involvement and support. This means the development of partnerships between the community services industry, business and industry, education, and government. Such partnerships could develop a set of regional guidelines and design targeted scheme to maximise success in their region. Involving all industries at the development stage would ensure a shared vision and a local solution to a local problem. Each region has different issues and needs so a blanket approach across a state or country would be imprudent.

Pillar IV: Building Community Capacity

Role of Civil Society

The report assumes that "individual philanthropists, corporate and family foundations, and private ancillary funds are often better positioned to bring innovative solutions to complex social problems". The Illawarra Forum would like clarification around whether this assumption is evidence based. The report goes on to outline the 'major role' played by non-government organisations in providing services to disadvantaged groups and individuals. Our view would be that these NGOs, with years of experience, skills and knowledge would be in a better position to bring innovative solutions to complex social problems!

We acknowledge the benefit of partnerships that draw on the expertise, experience and resources of the broader community and promote those partnerships on an ongoing basis

but would like to ensure that the expertise and experience which is vested in the community services industry is also recognised and valued.

In any Community Business Partnership, the voice of the community services industry must be listened to, and its experience and expertise recognised and valued.

We must ensure that the basic needs of disadvantaged job seekers are met before they are able to participate in their community to improve their employment outcomes. Following that, barriers such as low self-esteem, lack of educational attainment, inter-generational poverty, transport and childcare issues must be addressed to enable them to participate in a meaningful way.

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