Review of Australia’s welfare system: Submission to the Reference Group’s interim report
A New System for Better Employment and Social Outcomes

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1. Introduction

Thank you for the opportunity to contribute to the Review of Australia’s Welfare System by commenting on the Reference Group’s interim report A New System for Better Employment and Social Outcomes.

2. About The Benevolent Society

The Benevolent Society is Australia’s first charity. We’re a not-for-profit organisation helping people, families and communities to achieve positive change for 200 years.

We help people change their lives through support and education, and we speak out for a just society where everyone thrives.

Our focus is to foster wellbeing throughout life – from infancy to older age – with services that:
- prevent problems or reduce their negative impact
- tackle problems early before they become entrenched
- help people use their strengths to solve their problems
- give priority to the most vulnerable and to people experiencing social and financial disadvantage
- help build stronger communities.

Snapshot

- The Benevolent Society is a secular non-profit organisation with 992 staff and 722 volunteers who, in 2013, supported more than 76,800 people (children and adults).
- We deliver services from 64 locations primarily in New South Wales and Queensland,
- We support people throughout life providing services to children and families, older people, women and people with mental illness, and through community development, social enterprises and social leadership programs.
- We receive financial support from local, state and federal governments, businesses, community partners, private donors, trusts and foundations.
- Our revenue in 2012/13 was $92 million, of which 83% was from government sources. Private fundraising, trust and foundation grants provided another 4%, client fees generated 7% and investment income 6.5%.
- The Benevolent Society is a company limited by guarantee with an independent Board.

3. Pillar One: Simpler and sustainable income support system

Simpler Architecture

Architecture

The Benevolent Society supports the simplification of the welfare system if it means that it’s easier for people to understand and access their entitlements.
However, the main goal of reforms should be to ensure that income support is set at a level that enables people to afford essential living costs such as rent, food, transport, medical expenses etc. This is not currently the case with as many as 37% of people on social security payments living in poverty in Australia in 2010, including close to 600,000 children. In 2013 charities turned away more than 65,000 people, one third of whom were children, seeking food each month because they did not have enough to meet demand. In 2014 fewer than 1% of the 62,000 properties available for rent in the private rental market across Australia are both affordable and appropriate for a single person, either with or without children, whose main source of income is a government welfare payment. Couples receiving benefits with two children could afford to rent only 1.4% of properties.

Separate payments

Payments to different groups of recipients should take into account individual needs, rather than age or whether or not they have current or future capacity to work.

Supplements

Similarly, supplements should be payable to those who need help with specific expenses, rather than be broadly applied to particular groups. Supplements could be simplified by absorbing payments designed to assist all income support recipients with particular standard expenses – such as electricity, telephone and pharmaceuticals – into the basic rate of payment. Appropriate additional supplements could then be added to the basic payment as needed to assist with the costs associated with rent, disability, caring responsibilities, raising children and complying with participation requirements.

Where supplements are absorbed into the basic rate of payment, it is important that the basic rate of payment is increased sufficiently to ensure that the supplements do not lose their financial value.

It is also of fundamental importance that no group of income recipients be worse off financially. On the contrary, reform should ensure that income support is set at a level that means no one is living in poverty.

Incremental steps

We agree with the findings of the Review that the significant gap between pensions and allowances must be reduced. The community sector, including The Benevolent Society, has advocated for a $50 per week increase to Newstart and other allowances. This is first step required in building a new architecture. Student payments for adult students (Austudy and Abstudy), which are even lower than Newstart, should also be increased so that they are at least paid at the same rate as Newstart.

Fair rate structure

Income support should be benchmarked to community living standards and costs of living, and indexed in line with upward wage movements to ensure that income support recipients do not fall into poverty as a result of inflation.

The current payment rates for allowances are grossly inadequate to pay for recipients’ essential expenses and may hinder, rather than encourage, their ability to find employment. The low payment rates mean that many of those whose only source of income is an allowance live below established poverty lines. The situation is most extreme for recipients of Newstart, Austudy, Abstudy and Youth Allowance, although

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3 Anglicare Australia. 2014. Rental Affordability Snapshot.
people who are on the higher pension payments, such as the Disability Support Payment and Parenting Payments, may also struggle to afford the basic necessities of living. People who rely on allowances for an extended period of time are at higher risk of multiple and compounding disadvantage in areas such as education, housing and health, and social exclusion, which in turn are barriers to employment.

If a tiered working age payment is introduced as proposed, the minimum rate must be at least $50 per week higher than the current allowance payments, and thereafter indexed to whichever is the higher of the Male Total Average Weekly Earnings or relevant cost of living indexes, as is the case for pension payments currently.

As stated above, we believe that payments to different groups of recipients should take into account individual circumstances and needs, rather than age or whether or not they have current or future capacity to work. This is to ensure that people with similar levels and types of needs receive the same support and can afford essential living expenses.

We are pleased that the report acknowledges the importance of paying single parents a higher rate of payment to ensure the wellbeing of children. However, we remain concerned that Parenting Payment Single is limited to parents with children aged under eight years and parents with older children must move on to the Newstart allowance. There is a significant difference between the payment rates of Parenting Payment Single and the Newstart Allowance and parents with older children can be financially worse off even if they work part-time. This is because parents on Parenting Payment not only receive a higher rate of payment, but they can also earn more money from employment before their payment starts to reduce under the income test.

The current system is grossly inequitable and The Benevolent Society supports the implementation of a fairer system that allows parents receiving allowances such as Newstart to earn at least the same amount from employment as those in receipt of Parenting Payment before their payment is reduced. They should also remain eligible for the same concessions – such as the Pensioner Concession Card - so that they are not worse off financially if they return to work.

**Common approach to adjusting payments**

Both pensions and allowances should be indexed every six months to whichever is the higher of Male Total Average Weekly Earnings or relevant cost of living indexes, similar to how pension payment rates are currently indexed, in order to maintain the value of the payments.

**Support for families with children and young people**

Australia has one of the highest levels of family joblessness of all rich countries. Family joblessness significantly increases the risk of children living in poverty, and increases the risk that the children living in these families will grow up to be jobless. It is therefore important that disadvantaged parents receive assistance to access training and employment. One way of facilitating such access is to provide free or very low cost high quality early childhood education and care.

Not only does high quality early childhood education and care facilitate parents’ access to training and employment, it also promotes children’s development. Attendance at early childhood education and care services has been shown to make a significant difference to children’s school readiness and performance in later life, particularly for children from disadvantaged backgrounds, but only if the services are of a high quality.

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There is consistent international evidence that children who participate in high quality preschool education programs gain significant long-term benefits. Benefits include higher levels of completed education and subsequent employment, greater stability in relationships and lower rates of mental illness. While the evidence indicates that all children benefit from high quality preschool education, the gains are greatest for children from disadvantaged family backgrounds.

For the benefits of early childhood education to be fully realised all children should have access to 15 hours of high quality preschool from the age of three, which should be free or at low cost for children from disadvantaged and low income families.

**Effective rent assistance**

The Review suggests that ‘Consideration could be given to moving away from the current system of income based rents towards the use of Rent Assistance as the preferred rent subsidy scheme across both private and public tenures’.

It is unclear how this could be implemented, given that Rent Assistance is a Commonwealth payment for private renters on low incomes and income-based rent subsidies are provided by state governments to social housing tenants.

Social housing tenants pay subsidised rent capped at 25% or 30% of income, whereas the current maximum amount of Commonwealth Rent Assistance is only $63.20 per week for a single person with no children and $83.65 per week for a family with children. This is dreadfully inadequate given the high cost of rental properties and comprises only a small proportion (between 17% to 24%) of the cost of rents in capital cities. This situation is exacerbated by the current shortage of affordable rental properties in regional mining areas and the capital cities, especially in Sydney, and the long waiting lists for social housing in most areas. Consequently, we are concerned that a move from income-based rent subsidies to the current rates of Commonwealth Rent Assistance has the potential to place low-income families into housing stress, putting them at risk of homelessness. We recommend that, in line with the recommendations of the Henry Tax Review, the maximum rate of Commonwealth Rent Assistance be increased and indexed in line with actual market rents in geographical regions.

With a lack of affordable housing, long waiting lists for social housing and the growing number of families with children experiencing homelessness, governments also need to invest in new social housing developments.

**Rewards for work and targeting assistance to need**

We agree with the findings of the Review that means testing is far too complex and results in inequities between people in similar financial circumstances with similar needs. We would like to see a more consistent approach to means testing so that people in receipt of different payments are assessed using the same assets, income and income-free area tests. In particular, the amount people can earn from employment before their allowance reduces (the income test free area) should be increased to the same amount as for pensioners so as to remove any disincentive to take up employment.

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7 Housing costs are generally considered ‘affordable’ when they are less than 30% of disposable household income, and low income households that pay more than 30% of their disposable income in housing costs are considered to be in ‘housing stress’.
4. Pillar Two: Strengthening individual and family capability

Mutual obligation

The Benevolent Society works with long-term unemployed people who are amongst the most vulnerable people in the community and who typically experience significant barriers to employment. Some face entrenched intergenerational disadvantage, and many have complex personal issues.

We work with families who lack parenting skills and struggle to cope with raising their children; families affected by domestic violence and/or substance abuse; individuals affected by past trauma, mental illnesses or disabilities; and people with limited education, low levels of literacy, no vocational training and few work skills.

We also work with people who, for various reasons, struggle to cope with activities of daily living that most people do not need to think twice about, such as personal hygiene, shopping, cooking, cleaning and transporting children to school. The majority of these families are jobless and rely on income support as their main source of income.

Achieving sustainable and long-term outcomes for this minority group of unemployed people is very challenging. Given the complexity of the issues they face, they typically require intensive, individually tailored, and sometimes prolonged, assistance. For this group, rather than helping people obtain employment, participation requirements can be a major hindrance to overcoming the barriers to employment and can be an added and overwhelming burden on top of everything else they are facing in their lives.

In relation to compliance, the best way to ensure that people on income support meet their obligations is to operate a flexible system that provides individually tailored support and to ensure that obligations are realistic given each person’s individual circumstances.

Our experience is that there is currently too big a gap between the capacity of the most disadvantaged, unemployed people and the expectations placed upon them by the social security system.

The case study below illustrates the unrealistic participation requirements placed upon income support recipients

**Ella and Milly**

*Ella (32) and her daughter Milly (8) fled a domestic violence situation after the local police recommended that Ella leave town as they could not guarantee her safety. Ella and Milly left with nothing more than the clothes on their backs and moved in with Ella’s parents 200km away. Ella was forced to abandon her employment in order to move her daughter and herself to safety.*

*Unfortunately, Ella’s sister and her two children were already living with Ella’s parents in a Department of Housing property, and the Department refused to allow Ella and Milly to live there as well due to overcrowding. The Department relocated Ella and Milly to a hotel for three weeks until they were offered a temporary (3 month) place in a women’s shelter. Despite informing Centrelink of her situation – that she was a victim of domestic violence, homeless, emotionally distressed and caring for a child affected by domestic violence – Centrelink still required Ella to meet the full participation requirements by searching for a certain number of jobs per week. Ella was not able to meet all of the requirements and her income support payments were cancelled.*
Ella subsequently attended Centrelink with a Benevolent Society caseworker for support and advocacy, to explain her situation. Although her payments were reinstated she was informed that she still had to meet full participation requirements despite her difficult circumstances. In this instance, even the Centrelink customer service officer acknowledged the flaws in the system, apologising to Ella ‘for the system’ and saying ‘look, just fill the diary in with ads from seek.com, we don’t check up on them’.

Ella and Milly are still not in stable housing and, until Ella has worked through her immediate issues of homelessness and emotional trauma, it is unrealistic to expect her to meet the participation requirements or to obtain and maintain employment.

In the case of Ella and Milly, it is clear that Ella needed to resolve her housing and safety issues before she could realistically obtain employment, yet the inflexibility of the system did not allow her to do this. Ella would have benefitted from a more flexible system, with less onerous participation requirements, that provided greater, targeted support.

The Benevolent Society does not support a blanket application of income management to specific groups, as there is insufficient evidence that income management is effective.

**Early intervention**

Governments need to acknowledge the critical role that early intervention plays in breaking the cycle of disadvantage and invest accordingly. Without this focus on early action, we are likely to see a continuation of increasing inequality and poor outcomes for disadvantaged and vulnerable people.

A long-term commitment to increased investment in early interventions that support vulnerable parents and promote children’s development is needed. Ensuring that the families who most need support have access to the services they need is critical. Priority should be given to integrating multidisciplinary child and family services in areas of disadvantage.

In Queensland, for example, The Benevolent Society delivers integrated child and family services through Early Years Centres. The Centres offer core services such as maternal and paediatric health services and playgroups, and targeted services, including evidence based parenting programs and home visiting, for those who need additional support. Integration allows individuals and families to receive the help they need, when they need it, without having to go to several services and undergo multiple assessments.

Integrated services should be developed in collaboration with local communities and tailored to address their specific needs. Strong partnerships are important as is active outreach to vulnerable families, particularly in areas that have poor transport and service infrastructure.

All children should also have access to 15 hours of preschool per week the year before school. This is critical so that more children start school ready to learn. There is consistent international evidence that children who participate in high quality preschool education programs gain significant long-term benefits. Benefits include higher levels of completed education and subsequent employment, greater stability in relationships and lower rates of mental illness. While the evidence indicates that all children benefit from high quality preschool education, the gains are greatest for children from disadvantaged family backgrounds.

For the benefits of early childhood education to be fully realised all children should have access to 15 hours of preschool from the age of three and should be free or at low cost for children from disadvantaged and low income families.
Education and Training

It is our experience that for highly disadvantaged groups vocational training alone does not necessarily translate into employment. This in turn can negatively affect people’s already low self-esteem and ability to find work.

We acknowledge that, in general, further education and training improves employment outcomes. However the assumption that, for highly disadvantaged individuals, education and training will lead to employment fails to acknowledge that many also require intensive and holistic assistance before they will be ready for training or employment.

People from disadvantaged backgrounds struggle with the requirements of mainstream education and vocational training. Many will require intensive support while undertaking training. For some, training that is more practical rather than classroom based may be more suitable. The following case study demonstrates how, for people with high needs, vocational training without support fails to achieve the intended objective:

Cheryl’s story
Cheryl was a young woman who was keen to work and wanted to undertake training to help her get a job in the beauty industry. Cheryl had experienced multiple disadvantage including trauma and abuse while growing up in foster care. She did not complete school as she had learning difficulties that were not addressed, resulting in poor literacy and low self-esteem. Cheryl wanted to do a course at a private college but was unable to afford the $2,000 fee. She engaged with a JSA provider who enrolled her in a TAFE course. Unfortunately, Cheryl did not feel able to disclose her learning difficulty and so was not provided with any educational support after she began studying. She was unable to cope with the more academic requirements of the course and dropped out after a few weeks.

Similarly, many disadvantaged jobseekers need intensive pre-employment support to help them become job-ready. Job-readiness is a concept that means different things to different people. Under the current model it is assumed that vocational education and training will equip a person with the skills to perform a particular type of job and that they will then be job-ready.

However, from an employer’s perspective, a job-ready person may not necessarily need to have specific skills. But they do need to have a general understanding of the responsibilities and obligations involved in employment and how to behave appropriately at work. Those who come from backgrounds of entrenched intergenerational disadvantage may not have this knowledge.

Many employers are reluctant to hire long-term unemployed people because of concerns about work ethic, reliability and motivation.

In 2012 Mr Phillip Butler, director of Textor Technologies, gave a presentation to the National Place Based Advisory Group in Bankstown, NSW, in which he advised that employers need people who are work ready – not in the sense that they are trained in specific skills – but that they have a practical understanding of:

- the culture of the Australian work place and work ethic;
- getting to and from the work place;
- punctuality;
- workplace manners;

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• the role of a supervisor and taking direction;
• basic office skills that are not industry or role specific such as basic telephone and computer skills;
• English language and literacy skills; and
• how to handle workplace conflict.

These are skills that seem to be overlooked by the current employment services system, possibly because they are considered so basic that it is assumed that everyone has them. We would like to see investment in programs designed to develop these skills.

**Improving individual and family functioning**

Many disadvantaged families live in ‘chaotic’ households with few basic routines. The Benevolent Society’s child and family workers assist such families by helping them to establish routines such as wake up/breakfast/get dressed/leave time to take children to school/housework during day/leave time to pick children up from school/homework time/dinner time and bed time for children. These routines are necessary for families to function and for there to be any possibility of a family member undertaking vocational training or gaining employment.

Our experience is also that many mothers in jobless families lack the self-esteem necessary to compete successfully in the labour market.

The following is an example of an initiative run by The Benevolent Society to address self-esteem and other barriers to work:

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**Step into Work**

The Benevolent Society runs a five week program with unemployed parents who we also support through our child and family services. The Step Into Work program aims to prepare people who have been out of the workforce for a number of years or who have recently migrated and are seeking work to find meaningful paid employment by developing self confidence and practical job-readiness skills in a customised five week coaching program. The program is facilitated by volunteers with professional experience in human resources, recruitment, stress management and life coaching and focusses on some of the underlying barriers to employment faced by participants such as lack of child care, social isolation, insufficient communication skills, lack of confidence and poor stress management.

Additionally, the program teaches incremental job readiness skills starting with job search strategies, resume and cover letter writing, through to communication, presentation and interview skills. Participants are also referred to “Dressed for Success”, a service that provides styling, wardrobe advice and free clothes for people attending interviews.

Step into Work evaluation data confirms that the most commonly identified barriers to finding work, in order of priority are: difficulties in caring for children, lack of confidence, and lack of social support. Feedback from past program participants indicated that the majority felt more ‘job-ready’ than before, were more confident about being able to get a job and had a better idea of what type of jobs would be suitable for them. They also reported that the one-on-one support was extremely helpful. Some reported that, at the beginning of the course, they couldn’t imagine that they would be able to juggle both work and being a parent, but by the end of the course they were able to see how they could make it work and were more motivated to look for work.

Approximately 30% of course participants are employed six months after the course.
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Unfortunately, most disadvantaged jobseekers do not have access to this important ‘pre-employment’ support and training. This is because the main focus of employment services is on achieving short term employment outcomes rather than on intensive, long-term work with individuals to prepare them for sustainable and meaningful employment.\footnote{Australian Council of Social Service (ACOSS). 2012. \textit{Towards more efficient and responsive employment services}, submission to the Advisory Panel on Employment Services Administration and Accountability (APESAA), ACOSS Paper 184.} Again, governments need to provide ongoing funding for child and family services and programs that support children living in vulnerable families. We would like to see greater investment in programs and services that teach life skills such as building self-esteem, establishing regular routines, and basic literacy and numeracy, to highly disadvantaged unemployed people.

**Evaluating outcomes**

We agree with the Review that there is a need for more rigorous evaluation to determine which programs are most successful and redirect funding accordingly. We recommend that a proportion of funding for each program be allocated to commission an independent evaluation. Evaluations should use systematic and rigorous methods to collect and analyse data, with a focus on outcomes (rather than solely on outputs) to measure the short and medium term impact of a program’s activities. Robust evaluations should also measure program processes, as we know that implementation quality is critical to demonstrate why a program does or doesn’t achieve intended outcomes. Process data also provides information to make adjustments to ongoing implementation in order to strengthen program effectiveness.

Evaluations should:

- measure both outcomes and processes;
- ask the most important and useful evaluation questions;
- be rigorous, ethical and culturally appropriate;
- develop feasible and relevant evaluation plans and data collection tools;
- collect data that is of sufficient quality and quantity to answer the evaluation questions; and
- communicate the results in ways that are meaningful and useful in informing future program development and improvement.

Of course, evaluations are only useful if they are used to inform the ongoing improvement of programs through implementation of recommendations generated by the evaluation. Therefore it is imperative that governments act on the findings of program evaluations.

5. **Pillar Three: Engaging with employers**

No comments.

6. **Pillar Four: Building community capacity**

The Benevolent Society runs several social enterprises. Social enterprises have a role to play in building social capital and community resilience.

An example of one of our social enterprises committed to strengthening disadvantaged communities is Growing Communities Together. This initiative aims to make communities stronger and more resilient by increasing social support networks, community connections and involvement in community organisations and decision-making. It does this through operating ‘Taste Food Tours’, which are designed to showcase South West Sydney’s multicultural food traditions. The primary purpose of the Tours is to bridge cultural
divides, generate income for local businesses and create employment opportunities for residents. Having started initially in Bankstown, food tours now run in nine suburbs around South Western Sydney.

Taste’s paying customers are individuals and corporate organisations who pay a fee for a service. The clients that it serves in accordance with its social purpose are local businesses, and tour guides who were previously not part of the labour market. On offer are walking tours, progressive dinners, cooking classes and team building events. Tour guides show customers the best places to eat and shop, sharing stories and information about food and traditions from their culture.

Our social enterprises are measured in terms of both social and financial success.

Our aim is for all social enterprises to have the following characteristics:

• an explicit, clearly defined social purpose
• planned and operated as a business, based on sound commercial principles
• designed and aiming to be financially self-sufficient in the long term
• any profit is reinvested either into the enterprise or the organisation.

In addition, where TBS establishes a social enterprise to support a particular community, it should have the following characteristics:

• geographically based and set up to benefit the community in which it is located
• local community participation, governance or ownership
• any profit is reinvested either into the enterprise or into community development activities in the local community.

In 2012, ‘Taste Food Tours’ won the NSW Government’s Building Inclusive Communities Award in the non-government category.