

A New System for Better Employment and Social Outcomes

**Mission Australia Submission in Response to the Interim Report
of the Reference Group on Welfare Reform**

8 August 2014

Executive Summary

Mission Australia welcomes the opportunity to make a submission to this review of the welfare system. We believe all Australians should have the opportunity to participate in work if they have the capacity and the support they need to actively engage in their community. The inquiry provides an opportunity to continue to improve and sustain the social safety net and demonstrate the role employment and social supports have in achieving economic and social outcomes for individuals and communities.

Mission Australia supports Australia's welfare system as a critical safety net for people and their families when they are most in need. It is an important foundation of the fair and inclusive society we aspire to be.

Mission Australia believes that the most effective welfare system is one that supports people to participate in work and their community; provides support early to avoid exclusion and the additional cost of long term unemployment, homelessness, and disadvantage; and supports individuals and families to have positive relationships with each other and their community.

In light of this, Mission Australia supports the following underlying principles for Australia's welfare system:

1. Income support is based on need and designed to support participation and social inclusion
2. The support is adequate to meet basic needs, to live with dignity and enables participation
3. The system is flexible and reflects that people's circumstances can change quickly
4. Early intervention, particularly for children from disadvantaged families, is a priority
5. Support and services are integrated and centred on clients to address complex needs
6. Australia's income support and broader welfare system is the foundation of a fair society

The Interim Report of the Reference Group on Welfare Reform adopts some of these principles and is welcomed by Mission Australia as the basis for further discussion of how we best support the most disadvantaged in our communities.

The above principles guide the following response to the Interim Report. Mission Australia's submission responds to the proposals around the broad architecture – types of payments, adequacy and assessments. It also focuses on addressing the challenges in a number of specific areas: housing and the role of Commonwealth Rent Assistance; young people's transition into employment; early intervention programs; employment support; mutual obligation; and community capacity building. These are areas where Mission Australia has specific service expertise, in many cases have conducted our own research, and where there are persistent challenges to addressing disadvantage.

Mission Australia – About Us

Mission Australia is a Christian community service organisation that has been helping people towards independence for over 150 years. Alongside our partners, we help people through early learning and youth services, family support and homelessness initiatives, employment and skills development, and affordable housing. Together we stand with Australians in need, until they can stand for themselves. Our 572 services across metropolitan, rural and regional Australia, in every state and territory assisted 279,000 individuals and 12,000 families in 2013.

Summary of Recommendations

Income support architecture

- The Reference Group should make findings in relation to: the role and purpose of the welfare system in preventing and reducing poverty and supporting people on the path to economic independence; the trends in people accessing working age and retirement payments, compared to other payments; and the relationship between number and type of jobs and job seekers.
- The Reference Group should commission economic modelling:
 - To identify a level of base payment and indexation that is adequate to meet a person's basic living expenses (food, accommodation, healthcare, travel, utilities etc) and which keeps pace with living standards;
 - To provide 'cameos' reflecting the impact of proposed changes on people in a variety of circumstances and assist people to engage with the policy changes; and
 - To identify the impact and suggest changes to the tapering rates of income payments to reduce effective marginal tax rates and remove any financial disincentives of moving from income support into employment.
- A new assessment tool should be developed to more accurately identify income support recipients' needs, their risk of long term disengagement, barriers to employment, and capacity to work.
- Funding for targeted services for marginalised groups (the homeless, those with a disability or mental illness, or children at risk of neglect) must be maintained and community organisations given certainty to plan into the future. One year extensions, such as the National Partnership Agreement on Homelessness, can cause anxiety for clients and staff and undermine performance.

Housing supports

- Commonwealth Rent Assistance should be lifted or redesigned (such as moving to the UK 'top-up' model) to keep up with the real costs of housing and allow people to live where there is growth in the job market.
- Any changes to CRA should be assessed in relation to its impact on supporting the supply of social and affordable housing and should be complemented by other Government funded capital initiatives.

Youth transitions

- Plans to institute a cycle of six month waiting periods for people under 30 to access Youth Allowance (YA) or NewStart Allowance (NSA) should be withdrawn.
- The Government should invest in a new intensive support service targeting young people at high-risk of disengaging from education to replace the Youth Connections program, with an expanded remit to encompass transition into training and employment.
- As part of the review of federal financial relations, the Government should examine the options for portability of funding within the education system to allow students to complete their studies in whatever setting best suits their needs (including through alternative education).

Children in the early years

- The Government should subsidise Early Childhood Education and Care (ECEC) for the most disadvantaged families (regardless of where they live, without additional work requirements and without mandatory involvement in child protection services) so that it is free, or near free. There is significant evidence of the benefit of ECEC in developmental outcomes for vulnerable children and a substantial return on investment to government over time.
- The Government should fund early intervention services attached to ECEC providers in the most disadvantaged communities across the country, in keeping with the recommendations of the Productivity Commission Draft Report on Childcare.

Getting into work

- The employment services system should include:
 - A mixed payment mode which includes payments by outcomes to ensure performance, improve innovation and remove burdensome administration;
 - Higher levels of up-front investment (including in training) to support the most disadvantaged jobs seekers and recognising their barriers to work; and
 - 5 year contracts, to allow services to become more integrated and embedded in local communities and more attuned to local labour market conditions.

Mutual Obligation and Income Management

- Mutual obligation programs should engage job seekers, not punish them, and provide the prospect of real job opportunities. Any new mutual obligation requirements should be subject to independent review and the results published.
- Compulsory income management should not be extended until further evidence is available to quantify its effectiveness, however voluntary income management should be supported.

Community Capacity Building

- Investment in community development needs to be long-term (greater than five years) with priorities set by the local community.
- Community development projects should be accompanied by sophisticated, longitudinal impact studies which can track progress against a range of social indicators.

Guiding principles for achieving employment and social outcomes:

Extensive research and experience in service delivery has informed Mission Australia's development of the following guiding principles as necessary to deliver an effective welfare system. Consideration is also given in the following sections to how these principles are reflected in the Interim Report and would apply in practice.

1. Support is based on need and designed to improve participation and social inclusion

The current proposals in the Interim Report conflate the assessment of people's need for support with their ability to participate in paid work.

Creating greater equity in the system means people with similar needs receive similar payments. Likewise, people with a similar capacity to work should be expected to undertake similar workforce participation obligations.

For the most disadvantaged groups – those with a disability including a mental illness, the long-term unemployed and young people who have exited school – intensive services are still needed to overcome barriers to participation, not simply additional job search activities.

2. Support is adequate to meet basic needs and enable participation

Income support is one of the most important and effective ways of preventing poverty. It is widely accepted that the current NSA and YA payments are too low and are acting as an impediment to people looking for work. The payments that replace them should reflect the failure of NSA and YA to keep pace with the cost of living, and the growing gap with the aged pension.

The current proposals for four main payments could entrench the disparity between payments so that the only payments that are likely to be adequate are for those for people with no work capacity. The gap in payments is of concern as it discourages people from moving into work because of the risk of losing eligibility to a higher payment.

Payments should be set at a level which provides a strong incentive to move into employment. A modest rise in the base payments is unlikely to be a deterrent from moving into employment given the current gap with minimum wage. Once base payments are adjusted to reduce the current gap between payments, common indexation will also help to avoid widening disparities arising again over time.

3. The system is flexible and reflects that people's circumstances can change quickly

The system needs a more effective assessment mechanism to ensure people's needs and capacities are identified and understood.

Regular assessment is preferable to 'set and forget' so that support can be tailored and scaled up or down accordingly. Assessment cannot be a method of punishing welfare recipients or it will create a major disincentive to becoming independent.

Employment services should receive a larger portion of their payments based on outcomes and hence have greater discretion to tailor support to the needs of the individual.

4. Support includes early intervention, particularly for children from disadvantaged families

There is a significant body of evidence that early intervention is both socially and economically effective but current policy (including removing payments to young people for six months of the year and recommendations to reduce early learning for infants 0-3) undermine these efforts.

The 'scarring effect' that occurs when young people remain unemployed can also lead to poor health, education and employment outcomes later in life.

Early intervention programs can be effective at different life stages to prevent people hitting the outer limits of the safety net; crisis services like child protection, criminal justice, and homelessness.

A balance needs to be struck between incentives that encourage people to participate and the supports they need in order to do so.

5. Support and services are client centred and integrated to address complex needs

For the most disadvantaged groups, there is mounting evidence of the success of intense service support to combat multiple issues concurrently (whether homelessness, drug or alcohol abuse or a significant mental illness).

Improving the integration of services in local communities will also provide more effective support and increase the efficiency of services.

Increasing the flexibility of government funding contracts, with a shift toward outcomes based payments, will also support better service integration.

6. Australia's income support and broader welfare system is the foundation of an inclusive society.

Income support combined with targeted social services form the basis for a welfare system that ensures people have the opportunity to actively participate in the community, irrespective of where they are born, their health, or the challenges they face in life.

Undermining the welfare safety net weakens our ability to combat poverty and compromises the compact that underpins a mature, liberal democratic society.

Short-term cuts that increase social dislocation and reduce participation further will have long term costs not only to the budget but also the society we strive to be.

Specific responses to the Interim Review

The following section provides specific recommendations in response to the Interim Report relating to: income support payments, housing assistance, transitions to employment for young people, early intervention, the employment services system, mutual obligation and community capacity building.

Income support payments – adequacy, equity and flexibility

Mission Australia supports the findings of the Interim Report that the current system is too complex, and that there are different payments, indexation arrangements and expectations of people in similar situations. This makes the current system inequitable.

a) Purpose of the safety net

The review also provides an opportunity to be clear about the purpose of income support and the different categories.

It is well understood that transfer payments are one of the most effective tools in preventing poverty in developed countries and this should not be undermined by low payments. The OECD has found that the rate of NSA is so low that it creates a barrier for people looking to find work.ⁱ The low rate is undermining the participation goal of the welfare system.

Mission Australia also supports the notion of a common indexation to ensure that the gap in the current payments system is not exacerbated over time.

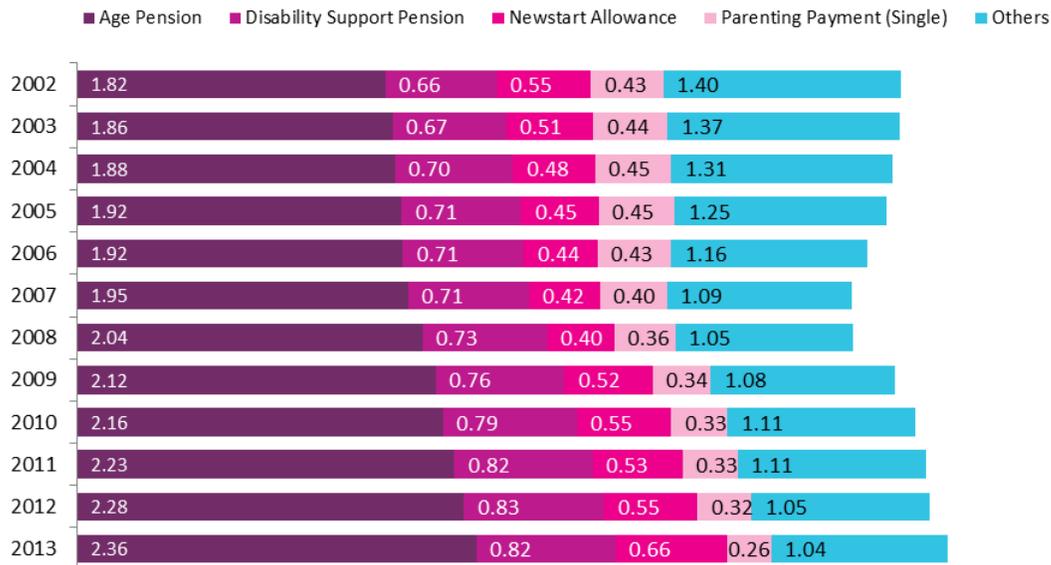
While the Interim Report acknowledges the need for adequate payments, Mission Australia would encourage the reference group to undertake or commission some detailed financial modelling (including some of the suggestions from the Harmer and Henry Reviews):

- An appropriate base payment that ensures people receiving the lowest level of income support (possibly the low-tier of the working age payment) are not living in poverty and that they can afford necessities that the majority of Australians would consider essential. This should take into account things like the costs of housing, food, transport, utilities, and healthcare.
- The real-dollar impact of any proposed changes and a series of indicative case studies reflecting these, noting that indexation changes have the potential to significantly reduce payments over time.
- The impact of tapering of different payments as people's income increases when they return to work to ensure that incentives to work are maintained and people can access the support they need as they transition into work.

- Options for indexation of payments that will reflect the rising costs of living but also improvement in community living standards. A separate index is needed for rents – which have risen well above CPI.

Given the current commentary around the sustainability of the welfare system, a much stronger reflection is needed on the trends in welfare payments to different groups so that inaccurate perceptions without an evidence base are not driving decisions around the adequacy of payments.

Number of Income Support Recipients by Type (millions)



Source: Department of Human Services

As is documented in Appendix G of the Interim Report, the proportion and total number of people on working age payments has in fact decreased, with the growth occurring in the rate and number of people on the Age Pension. This is caused in a large part by the ageing of the population, which will obviously not be reversed by changes to the welfare system.

Modest growth in the Disability Support Pension (DSP), which has now levelled off, is likely to be driven by a number of factors (including the gap with other payments) but is also being influenced by the ageing population as the number of people in older cohorts who have a disability but who are not yet eligible for the Age Pension is growing and the eligibility age is rising.

Reform of the Age Pension needs to be undertaken with reference to the retirement savings system including asset and income tests, as well as tax treatment of retirement savings and superannuation more broadly.

For working age people, the system has not become more generous over time, quite the opposite, and changes to working age payments should be viewed in relation to their purpose and in light of diminishing real-dollar value.

There is no place for stigmatising people who are in need of support in order to make a case for saving money.

Equally, reporting of aggregate numbers of NSA or YA recipients as 'unemployed' ignores the fact that 33.6 percent of NSA recipients and 51.3 percent of YA recipients work part-time or undertake some other activity which means they are not considered unemployed.ⁱⁱ

b) Payment structures and eligibility

The recommendation for four base payments with tiers has the potential to entrench the existing gap between different groups and fail to provide equivalent payments to people with similar needs.

If this situation isn't rectified, common indexation will do little to fix the current problems.

As one example, the current system creates a disincentive for people receiving DSP to participate in employment as it could threaten their access to DSP, which is substantially higher than the NSA. Their need may not have changed, but their income would suffer if they look for work.

The proposal in the Interim Report fails to break the nexus between 'need' and 'work capacity'. The highest benefit – a renewed DSP - would be paid only on the basis of permanent inability to work and permanent impairment. This can create a scenario where people with equivalent need will receive different levels of payment and hence a 'perverse' incentive to demonstrate permanent incapacity.

Income payments should be determined based on an assessment of need. Obligations to look for and participate in work should be determined according to an individual's work capacity. The two should not be conflated.

It is clearly possible for someone with a permanent disability (such as a visual impairment) requiring life-long support to have capacity to work, and they should be encouraged and supported to do so.

Likewise, it's equally possible for someone requiring a lower level of ongoing support, to have no likelihood of participating in the workforce.

The proposed payment structure also creates problems for people suffering acute but episodic illnesses, such as those with a severe mental illness who may have the highest level of need and no capacity to work, but only for a limited period of time.

While the report resists the notion of creating many additional support payments, a small number of additional payments catering for people's changing needs (including parenting payments, disability, and caring responsibilities) would provide greater nuance and flexibility.

These payments could also help improve the incentives to transition to work as they could be retained up-to a higher level of income than the base payments and so better reflect the higher needs of particular groups whether they were income support recipients or low-wage earners.

Putting child and carer payments into a single category - including Youth Allowance, Abstudy, and Family Tax Benefits – without targeted supplements would appear to make it very difficult to ensure that differing needs are catered for.

The proposal to roll together these payments also represents a significant shift in the determination of young people's independence, with payments currently available to young people redirected to their parents. It also begs the question: at what age and under what circumstances would young adults be able access the proposed working age payment? Current policy suggests this won't happen until they are 25 or older, irrespective of their need.

Mission Australia would be particularly concerned if young people who live independently of their parents (including those who are homeless and fleeing family violence) were unable to directly access a living allowance to pay for basic necessities. Examples of how this might occur are provided in the following section on Housing Assistance.

This proposal may also have disproportionate impact on young people from rural and regional areas who may need to move away from home to seek education and employment opportunities.

c) Support Services

Streamlining income support payments with a series of tailored supplements does not alter the need to continue to fund community support services.

Grant funded services can be more cost effective than individual payments to deliver support to a targeted group.

The long-term costs of income support payments can also be reduced by upfront investment in meeting the needs of people to support their participation. The Interim Report acknowledges this in relation to early intervention programs for children, but can also be the case for youth transition programs, mental health and homelessness programs. (Examples of the potential return on investment are provided in subsequent sections.)

Homeless support services, for example, have been funded by the Commonwealth for a number of decades and it is very unlikely the States could afford to step in if the Commonwealth withdrew.

While income support can enable people to purchase basic goods and services that are freely available such as food, utilities and transport; complex targeted services like homeless services support which requires multidisciplinary teams need to be funded separately.

The Interim Report deals extensively with the role of income supports and transition to employment programs but targeted services that are grant funded either directly or via the States are also an essential element of a properly functioning welfare system. Examples include programs that ensure disadvantaged young people stay connected to school, training or employment which can involve intensive case management, mentoring and a range of services to meet complex needs.

d) Waiting periods

While not explicitly canvassed in the Interim Report, the recent announcement of a proposal for people under the age of 30 to wait 6 months to receive YA or NSA runs contrary to both goals of the welfare system – to support people to lead a dignified life and encourage participation.

As the Interim Report correctly identifies, the evidence suggests *upfront investment* is in fact the more effective policy, and we foresee a range of negative impacts if the waiting periods are implemented. Some of these are canvassed below.

A review of welfare should consider recent policy decisions and provide analysis based on evidence and research as to their effectiveness and relative merit or otherwise.

Housing Assistance

Mission Australia welcomes the Interim Report's finding that Commonwealth Rent Assistance (CRA) has lagged well behind the real cost of housing; that it should be maintained as a separate payment and increased to bridge the gap with the true cost of housing.

Given this acknowledgement by the Reference Group, it is concerning that there is no proposal for a marker of housing stress (generally accepted as 30 percent of gross income for the lowest-income households) as part of indexation or rent setting policies.

The National Housing Supply Council (NHSC) has calculated that 60 per cent of people who are on low incomes who rent are in housing stressⁱⁱⁱ and this is widely accepted as a factor leading to homelessness.

Even for those receiving CRA, 42 per cent of people are still living in rental stress *after* the payment is taken into account.^{iv}

The true problem is greater still, as the housing market is fragmented and analysis by Australians for Affordable Housing has shown that housing is unaffordable for jobseekers in all of the 40 regions across the country where they are most likely to find employment.^v

If the welfare system is designed to enable participation and encourage independence, then support payments like CRA need to provide a real subsidy to help cover the costs of housing where people can find employment.

As the Interim Report highlights, rent setting policies for public housing provide a greater subsidy than CRA, but this is more by design than as a side-effect and it provides several important functions not acknowledged in the Interim Report, including setting a 'rent-ceiling' so that tenants avoid housing stress.

Income based rents also provide the opportunity for public housing tenants looking for work to be able to live where entry level jobs are in reasonable supply (assuming stock is located there).

Public housing is also being allocated to those who are most in need, which supports the notion of a larger subsidy. Of the people allocated places in public housing in 2011, 90 percent were homeless or at risk of homelessness.^{vi} 60 per cent of households in public housing also include at least one person with a disability.^{vii}

It is certainly true that the effective marginal tax rates created by withdrawing CRA and other payments or by being forced to move; can create a disincentive for people to move into employment if they are living in public housing. However, consideration should be given to the option of tapering payments as opposed to applying market based rents to all properties.

The Interim Report also suggests that the additional subsidy to public housing tenants could create a disincentive to people finding work if they are hoping to be allocated a public housing property because employment would make them ineligible. In practice, the very lengthy waiting periods (in some locations in excess of 10 years) and level of poverty required to be allocated public housing, suggest this is not a significant issue. Put simply, people are not refusing jobs for ten years and hoping to become homeless because it would improve their prospect of securing public housing.

Extending CRA to public housing should be considered further, but needs to be assessed carefully in relation to other Federal/State housing payments such as the National Housing Affordability Agreement and the likely impact on overall levels of stock.

Charging public housing tenants market rent while providing CRA at existing levels would simply punish the most vulnerable and create a new cohort of people living in housing stress.

It would also create an incentive for people to move to the cheapest housing on the outskirts of cities, effectively recreating the policy failure of the 1970's public housing estates.

Even with increased CRA, there would be a significant risk that the number of people in housing stress would increase over-time as different parts of the housing market appreciate faster than the average.

This is compounded by Reserve Bank of Australia research that suggests the value of inner city ring suburbs of major cities is likely to continue to outpace other areas, and these same suburbs have greater access to growing job markets.

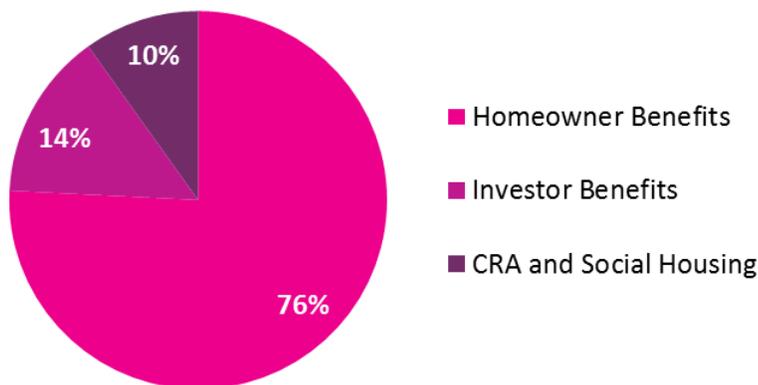
If the Commonwealth government was to extend CRA to public housing and sought for State Governments to charge tenants market rent, CRA would need to become a ‘top-up to market’ subsidy with an overall dollar cap, similar to the UK, rather than flat rate.

This still allows an income based payment from tenants (a maximum of 25 percent of income), it allows State Government’s to charge differential rents by location according to the market, but it also helps people access jobs if the location has higher rents.

This would undoubtedly increase expenditure for the Commonwealth, but this proposition needs to be balanced against the total value of housing subsidies to other groups and the cost could be recouped through reform of other more poorly targeted subsidies.

Government expenditure on social and affordable housing is marginal when compared to support for home owners and investors^{viii}. In addition, other tax settings encourage a granular and speculative rental provision pattern which has done little to increase supply at the lower end of the market.

Government spending on housing



CRA is first and foremost an income subsidy to help meet the costs of something essential to people’s wellbeing, but it also plays a significant role in federal financial relations, acts as an incentive for the transfer of public housing stock to community housing providers, and as an operating subsidy and income stream for housing providers.

Increasing CRA would have a positive impact on community housing and help foster increases in supply of new housing as well as help build private investor confidence at a time when it has been undermined by the discontinuation of the National Rental Affordability Scheme.

The NHSC estimates Australia is short of 553,000 affordable and available properties for low-income renters because the properties that are affordable, are often taken up by people 'camping' in the rental market because they cannot afford to buy. Given the scale of the problem being confronted, the impact of CRA on supply and affordability is important.

Mission Australia would also encourage the Reference Group to consider the impact of any changes to income support payments and pensions on housing outcomes.

The recent Budget measure to institute a six month waiting period each year when people under 30 would be ineligible for income support, for example, creates a very real problem for housing providers and homeless services, which are required by State Governments to recoup some of their operating costs from rents of people on income support. While the Government has indicated there will be some exemptions, the current proposals suggest some people who are homeless would not be exempt.

Housing organisations will have to consider whether to run significant rental arrears, exit existing tenants (most likely into homelessness), and/or avoid taking in new tenants who are not yet eligible for income support.

Homelessness support service funding is not a significant focus of the Interim Report, but it is important to note that there is good evidence of the return on investment of these interventions and that ongoing, long term Commonwealth Government investment is crucial.

The sector has endured two, last minute one-year extensions to the National Partnership Agreement on Homelessness without any certainty of further funding. This is not a recipe for delivering consistent client outcomes of encouraging investment in new services models.

Mission Australia's Michael and MISHA projects have shown that with the combination of intensive wrap-around supports and access to housing, significant outcomes can be achieved for some of the most entrenched homeless clients as well as savings to government.

One entering the Michael Project, clients had poor quality of life in psychological, physical, social and environmental measures. After 12 months, their quality of life had improved in all of these areas. There was also a tripling of employment participation (from 6 to 18 per cent).

The Michael Project showed a saving of \$3600 for each person who was assisted over the course of a year through reduced admissions to hospital emergency departments and interactions with police, courts and time spent in custody.

In the MISHA Project, which added a housing first component to the intensive supports from the Michael Project, 97 per cent of clients maintained a tenancy over twelve months, an exceptional result given the complexity of need. Savings generated within the housing system as a result of these tenancies were estimated at \$1880 a client in the first 12 months. The final MISHA Project report will be published before the end of the year.

Case study: Melanie*

Melanie is 18 years old and recently moved into a Mission Australia homelessness crisis service to receive intensive support as she had attempted to commit suicide while living in a semi-independent housing service. She was sexually abused by her uncle but her mother does not accept this and they have a fractured relationship with little contact. Her uncle spends a significant amount of time at her mother's house. Her father is deceased. She has little prospect of receiving support or accommodation from family.

She recently left school because she was overwhelmed by trying to manage the issues in her personal life and coping with completing year 12. She is currently looking for full-time work to support herself financially, but is also finding this difficult. She is also participating in regular counselling.

Ultimately her goal is to finish year 12 through TAFE when she feels she is ready and her life is sufficiently stable.

Government income support (predominately Youth Allowance) is her only source of income at this time. While residing in the crisis service, she is still required to pay a notional fee toward the cost of the service as well as the costs of personal items (medication, clothing, travel fares, education). If Melanie decided to enrol in a TAFE course, any associated fees would have to be met from her own income. If she moved back to semi-independent living, she would also be required to pay for groceries and rent up to a set percentage of her income.

As part of the homeless service system, agencies are required to recoup some of the costs of the service through charges to clients. While the bulk of the service funding comes from the Commonwealth, it is administered by the States. In NSW service funding is allocated on the assumption that notional rents will be collected from clients on the basis of their level of income support.

Melanie is currently not working or studying and if her income was removed for 6 months, she would not be able to remain at the service, or in independent living unless the organisation was in a financial position to absorb the cost.

Homeless service and community housing providers would be left to cover accommodation costs for people under 30 with no income.

Being homeless does not guarantee that someone would be streamed 3 or 4 within the Job Service System, which would entitle Melanie to an exemption from the 6 month waiting period.

*Name has been changed to protect the identity of the client

Young People (Youth transitions and supports)

While the Interim Report proposes that young people would be supported through parenting payments and single unemployment benefits, Mission Australia believes there is good case for considering the different circumstances confronting people aged 16-24 both in relation to income supports as well as service interventions.

a) Youth Payments

Rolling Youth Allowance into a single Child Payment raises questions about the independence of young people in their late teens and Mission Australia would be very concerned if young people who cannot live with family – such as those fleeing domestic violence or who are homeless – could not access their own living allowance or were required to access it through their parents.

As previously discussed, there are also impacts on other parts of the system of limiting payments to parents such as the homeless service system.

Currently YA is also the lowest payment of the working age benefits. Any further modelling of ‘adequacy’ of payments should consider the particular case of young people and not simply assume their living costs are lower than others.

b) Making the Transition

More than a quarter of Australia’s long-term unemployed are aged 15-24 and the percentage of young Australians without a job for a year or longer has almost doubled since 2008. The average rate of youth unemployment is more than double the general unemployment rate of 6.4 per cent (seasonally adjusted) with 14.1 per cent of young people looking for work.^{ix}

The impact of the Global Financial Crisis was disproportionately felt by this group and any changes to welfare structures are also going to be felt keenly by young people.

Mission Australia strongly supports the Interim Reports recommendation of greater upfront investment in children and young people as is the case in the New Zealand system, to ensure long-term participation in our community. There are significant social and economic benefits to this approach.

Unfortunately in the Australian context there is little evidence of this approach in recent policy decisions including the rolling six month period where no benefits are received by people under 30 and the discontinuation of the Youth Connections and ACCESS programs.

As the Brotherhood of St Laurence analysis of Housing, Income and Labour Dynamics in Australia survey has shown, those who experience unemployment while young are more likely to be unemployed, have poor health and have lower educational attainment when they are older than those who are not affected by unemployment while young.^x

While the New Zealand model provides a rigorous financial framework – taking an actuarial approach to calculating risk and pricing the return accordingly – early indications from services in New Zealand are that this has also created a very narrow view of successful outcomes, which are focussed predominately on moving off income support to the exclusion of all else.

When this is combined with significant compliance and penalties, this can lead to support workers investing the majority of their time ‘box ticking’ to ensure young people complete the activities required to continue to access payments and risks creating unsustainable employment outcomes. Employment pathways are very important for young people. However, when they have complex needs, focussing exclusively on employment outcomes is not necessarily in their best interests.

Australia should seek to avoid some of these pitfalls by balancing the immediate savings of moving people off benefits when they gain employment, with the long-term social and economic benefits of supporting young people to deal with significant underlying problems and to lead healthy productive lives.

An intensive case management service is needed for young people who exit education but have barriers to work, similar to the Youth Connections program but with an expanded remit around transition to further education and employment.

A survey by the Youth Connections network of young people who participated in the program (and were all disengaged from education and employment on entry) found that 94.2 per cent were in education or employment six months after completing the program. 81.5 per cent of respondents were still in education or employment after two years.^{xi}

This could represent a significant saving to government over time, as illustrated in the vignette below.^{xii}

Youth Connections: An investment in the future

If the 30,000 young people that were supported by Youth Connections each year instead ended up on NewStart the potential cost to government from income support payments alone would be upwards of \$390 million a year or around \$2 billion over 5 years. That’s a potential saving of \$318 million a year accounting for the ongoing funding of Youth Connections and keeping young people off NewStart.

The results from Mission Australia's survey of young Australians also makes it clear that young people growing up in jobless families are less likely to be satisfied at school, they are less likely to work part-time and more likely to be concerned about family conflict.

The services for these families need to have scope and capacity to work with the whole family – not just the young person.

The results of the survey also showed a perceived lack of educational and employment opportunities amongst young Aboriginal Australians, leaving many Aboriginal young people with diminished hopes for their future.

13 per cent of Aboriginal people between 15 and 19 said they did not believe there were opportunities available for study, job training or employment in their local area after high school; almost double the number of non-Aboriginal young people.

Programs that engage young Aboriginal people early and that provide mentoring and support, such as the Indigenous Youth Careers Pathway, have shown promise in helping young people make a successful transition to adulthood and employment.

While achieving a high school education is paramount for all young people, school is not necessarily the best place for everyone to learn. Flexible learning options need to be available so young people can finish their education in different settings – including TAFE but also alternative education providers as is the case in South Australia. This requires either direct funding from the Commonwealth or a change to the way education is funded between the Commonwealth and States to give States an incentive for the education funding to move with the child.

Apprenticeship programs are also an effective way to link young people to real jobs while building job skills and we would encourage the Reference Group to look deeper at these options which would results in greater skill development and workplace attachment.

Trainee programs and employer subsidies can also be effective but need to be carefully designed to avoid a situation where employers simply 'churn' trainees when the subsidy runs out and enrol a new trainee who can access a further subsidy. There is some evidence of this in current school-based trainee programs and this could contribute to the low completion rate of Certificate III and IV.

Supporting Children in the Early Years

a) Child and parenting payments

Raising children is one of the most important activities any of us can undertake, and the costs associated should be recognised in the income support system, including the increasing costs as children get older.

Payment structures also need to take account of the difficulties of being a sole parent (including barriers to work, lack of access to informal care, as well as greater burden of household costs on one income earner) and the Reference Committee should consider a supplement or additional payment for this group.

Mission Australia recommends that the Reference Group conduct further detailed analysis of the payment structure around families with children and if a base rate is set, what add-ons would be required to meet the different circumstances of: single parents; families with pre-school, school or adult dependent children; as well as the circumstances of people with other caring responsibilities (such as an aged family member or child with a disability). It is not clear in the current income support proposals how the different circumstances of carers would be accommodated.

b) Early Intervention

There is significant evidence that supporting children who are at risk through early intervention and prevention programs is particularly effective and Mission Australia would welcome additional investment in this area. The recently released Forrest Review, has similarly supported an expansion of these kinds of services.

The more effective we are in the years 0-7 in providing nurturing and responsive relationships and preventing toxic stress, the less likelihood there is of children needing help later in life in relation to a number of issues including mental health, violence, anti-social behaviour and welfare dependency.^{xiii}

In order for the Australian welfare system to support early intervention, a combination of services is required – intensive, targeted, and universal (linked to childcare and education).

There are existing not-for-profit and government funded early intervention services – such as Communities for Children, Brighter Futures and Circles of Care – which have been very successful but these are not part of an actuarial model. As the Interim Report has identified, they are currently split between State and Federal Governments. A coherent national strategy with clear delineation of responsibilities is required.

The Interim Report also notes the parallel inquiry by the Productivity Commission on childcare and its Draft Report stresses the importance of quality early childhood education for the most vulnerable families and has recommended a new program of early intervention services linked to Early Childhood Education and Care (ECEC) services. The Government should consider rolling out support

services attached to long-day-care and pre-schools in disadvantaged communities as these can also be an effective way to boost early intervention in targeted communities.

Integrating services can also help boost participation of at-risk families in early intervention programs by offering a non-confronting entry point (as opposed to child protection services) and the use of existing infrastructure can help to improve access in regional communities where it would be difficult to justify funding a stand-alone service.

The Australian Research Alliance for Children and Youth (ARACY) recognises that an integrated approach is the most efficient way of promoting child development, ameliorating family risk factors and enhancing child and family wellbeing.^{xiv}

Well designed wrap around services can also help aid attendance and retention in early learning when families are in hardship or difficulty.

Mission Australia's Secure Families

Playford Secure Families is a model Early Intervention service integrated into an Early Learning Centre in Elizabeth Vale in South Australia, which works with parents and their children. The three tier support program includes a free weekly playgroup, confidential support and volunteer in home support, with referrals from the Centre when staff identify family difficulties which could prevent the child attending.

There are also close links between the provision of childcare subsidies to disadvantaged families, boosting participation amongst this group, improved development outcomes for vulnerable children from taking part in quality early learning services, and early intervention services.

Boosting vulnerable families' participation in high quality ECEC (including those who are unemployed) should be a goal of both early learning and welfare policies.

The Government should ensure that children from disadvantaged families (including where neither parent is employed) have free or near free access to high-quality ECEC and as such subsidies like the current Child Care Benefit and Childcare Rebate (or their replacement) become an essential part of the social safety net.

However, the child protection system should not be used as a means to determine access to childcare subsidies, as was raised by the Productivity Commission. This would likely be impractical, it would stigmatise families, and create a barrier to vulnerable children accessing quality ECEC.

Mission Australia's survey of parents accessing childcare showed that the most disadvantaged quintile were also the most likely to say they would stop working if the childcare subsidies were reduced (33.3 percent saying they would do so), and yet they are the group we can least afford to disengage.

Early childhood education has been found to be a sound financial investment with return on investment ratios estimated at around 7 to 1 or higher and the greatest benefits accruing to the most disadvantaged groups,^{xv} so there is ample reason to pursue this policy.

Mission Australia Centre Kingswood

The MAC Kingswood which opened in late 2012 is an integrated children and families 'hub' which provides services ranging from homelessness interventions through to main-stream family day care. A small number of community housing properties are collocated and they are rented out to families at risk of homelessness by MA Housing, while homeless support services offered on site also support families in other community housing properties scattered in neighbouring suburbs. Play groups operated at the MAC Kingswood provide an informal setting to improve parenting and the family day care managed on site gives access to early learning for a large number of children. These services also act as non-threatening entry point for more intensive services.

More than 1000 families and children access the MAC Kingswood each year and it is currently the subject of a longitudinal study to track the outcomes for families and their children.

Getting into Work

Mission Australia agrees with the need for more coordinated efforts from government, employers and jobs service providers to ensure pathways for people into meaningful work.

The first step in any serious reform of the employment support system is a much more effective assessment process to ensure people's barriers to employment are accurately assessed, that they get the assistance they need and their level of work capacity is identified.

Mission Australia also supports changes to the job services system, some of which have been adopted in the recent Exposure Draft of the new Jobs Services Australia (JSA) contract. It is our view that we should be moving to a system with a greater focus on outcomes; and with more flexibility in the supports so that people receive the right help, when they need it rather than focussing JSA on compliance.

Greater focus on outcomes payments would also encourage innovation from JSA providers, by encouraging greater flexibility in how they support people into work.

The administrative burden of the existing JSA system has driven up the overall cost of provision without a commensurate improvement in job outcomes, and a shift to a risk based quality assurance regime would be beneficial. If the system moves toward an outcomes-based payment framework, this will help ensure that JSA providers are conducting their operations to meet the best outcomes for job seekers.

For the most disadvantaged job seekers, there is a need for greater up-front investment in service support to overcome barriers to work. The current rates of the Employment Pathway Fund make it difficult to access the services needed, despite the evidence from our own EPF expenditure review demonstrating a correlation between intensive upfront use of EPF and sustainable long-term job outcomes.

Longer-term contracts (in the order of 5 years) will also encourage providers to build better networks in local communities to ensure job seekers are accessing local services that are funded through other means and improve case management across agencies. It will also improve networks with employers and enable providers to adapt to the changing labour market.

As the Interim Report highlights in Appendix E, it is important to note that the labour market is fundamentally different from what it was even 10 years ago and is different from one area to the next. Low skilled entry level jobs have been decreasing for some time. This means that increased investment in training for growing sectors will be essential to improving the job prospects of people who are unemployed.

This is particularly so for young people. As noted earlier, while Australia may have avoided the worst of the GFC, youth unemployment spiked as businesses stopped hiring. Investment in further training for young people will be essential, including basic 'work ready' skills.

Mission Australia supports the notion of working towards demand lead initiatives – which allow JSA providers to work more closely with large and national employers to place job seekers.

However, it is important to keep demand lead initiatives in perspective as there is limited concrete evidence of success to date:

- While engaging employers in the process of increasing participation is clearly necessary, this generally occurs in the majority of cases without government support.
- In the case of the long-term unemployed and the most disadvantaged job seekers, the support and services required are often beyond what employers are willing to provide, as demonstrated by the mixed success of past and current

demand lead pilots.

- These pilots suggest that along with cooperation between government, JSA providers and employers, there is an ongoing need for publicly funded services to improve the participation outlook for the most disadvantaged.

Mutual Obligation and Income management

Mission Australia supports mutual obligation where it leads to a genuine path into employment and is used to engage people, not punish them.

Activities which do not resemble 'real work' and have little prospect of resulting in employment are expensive and counterproductive. However, in targeted projects where real work-experience is gained, programs such as Work for the Dole can be effective.

In our experience the vast majority of people who are unemployed and have some capacity to work want to work, including people who have a disability.

As an organisation that supported more than 100,000 job seekers last year, we believe that it is an unhelpful myth that the primary cause of joblessness is people's unwillingness to work. The ratio of available jobs to number of people unemployed is currently 5:1, which suggests that with all the good will in the world, and an infinite number of job applications, it would be impossible for everyone to find work.

Where people have participation requirements there is also a role for government to invest in supporting them into employment. This means that upfront investment (particularly in the most disadvantaged) needs to be increased, including covering the costs of further training.

At present there is little evidence to show the effectiveness of compulsory income quarantining.

We would recommend that voluntary income management could certainly play a constructive role, and this was the genus of income quarantining in far North-Queensland, but that any further expansion of compulsory income quarantining should be put on hold until further evidence and evaluation of current programs is available.

Income management is particularly expensive to administer and it is Mission Australia's view that the money spent on compulsory income management could be better targeted to supporting individuals through case management, additional access to support services, training and employer subsidies.

Building Community Capacity

Mission Australia supports a place based community development model for the most disadvantaged communities to build resilience over time.

This requires better analysis of the fundamental needs of the community and integration of service provision. To be effective, prioritisation of needs and design of services should be conducted in consultation with communities as their support and participation is crucial.

In our experience, it's necessary for a Community Development Facilitator to be embedded within the community long-term (a number of years at least but preferably a commitment of closer to a decade) to build small group capacity, social capital and mobilise residents.

It takes time for a local facilitator to create cycles of Asset Based Community Development which involve fostering and strengthening community groups and local organisations to take responsibility for developing and implementing solutions to problems in their communities.

One useful example in Mission Australia's experience is in the Richmond housing estate, where women who have come to Australia from countries in the Horn of Africa have created a group to commence a language school for their children.

Evidence around quality and effective community development in Australia is limited, but internationally Asset Based Community Development programs have been successful in reducing risk factors for a range of social problems. For example, in the Beacon Hill public housing estate in the UK, this approach has seen:

- The crime rate on the estate halved, with 87 per cent of those in the community now saying they feel safe.
- The number of children on the child protection register has fallen from 23 to 4.
- Children's exam results have improved dramatically: among 10 and 11 year old boys, numbers achieving level four in national tests at a key stage have doubled.
- The number of childhood accidents has also fallen 50 per cent.

Mission Australia also restructured its own services twelve months ago to ensure an integration of all our services with local management of everything from employment to homeless supports. This is to ensure clients receive more holistic service and are not shunted from one provider to another. The structure also encourages local management to more deeply engage community groups and leaders so that services can be responsive to changing needs.

Mission Australia is also currently undertaking an outcomes measurement project to investigate the impact on clients' wellbeing where they are engaging in multiple services in their community rather than just one service, to quantify the impacts on their health and wellbeing.

We believe service integration and community development is the right model to meet complex needs of highly-disadvantaged communities. However, we would note that these models involve a long-term commitment to communities, change management in service delivery, a commitment to

invest in approaches that increase social capital and complimentary impact measurement tools to track changes in wellbeing.

We recognise that this signifies potentially higher up-front costs (though also the opportunity for long-term savings).

ⁱ OECD (2012) *Activating Jobseekers: How Australia Does it*, OECD, Paris

ⁱⁱ ABS (2012) *Survey of Income and Housing*, ABS, Canberra

ⁱⁱⁱ National Housing Supply Council (2012) *Housing Supply and Affordability Key Indicators, 2012*, NHSC, Canberra.

^{iv} Australian Institute of Health and Welfare (2013) *Australia's Welfare 2013*, AIHW, Canberra, p 114

^v Australians for Affordable Housing (2013). *Opening Doors to Employment: Is housing affordability hindering job seekers*. Retrieved from <http://housingstressed.org.au/wp-content/uploads/2011/09/Opening-doors-to-employment-2013.pdf>.

^{vi} Australian Institute of Health and Welfare (2013) *Australia's Welfare 2013*, AIHW, Canberra

^{vii} *Ibid.*

^{viii} Jane-Frances Kelly (2013) *Renovating Housing Policy*, Grattan Institute, Melbourne

^{ix} ABS (2014) 6202.0 – *Labour Force, Australia, July 2014*, Australian Bureau of Statistics, Canberra

^x Brotherhood of St Laurence (2014) *On the treadmill: young and long-term unemployed in Australia*, Brotherhood of St Laurence, Fitzroy, Victoria

^{xi} Youth Connections (2013) *Destination Study – Where are they now? Survey data from Youth Connections clients who participated in Youth Connections in 2011*, Youth Connections Network

^{xii} Calculations are based on the base rate of NewStart of \$501 per fortnight and assumes Youth Connections costs \$72 million per year given its four year budget of \$288 million under the National Partnership Agreement on Youth Attainment and Transitions.

^{xiii} Oberklaid F. (2008) *It's time: the future of school health*, in *Australia Journal of Paediatrics and Child Health*, Volume 26, Issue 5, pages 244-251

^{xiv} Brechmans-Toussaint, M and Kogler, E (2003) *Review of international and national integrated services models for young people in the preadolescent years: benefits, barriers and enablers*, Paper prepared from ARACY Seed Funding Collaboration.

^{xv} Hirokazu Yoshikawa et al (2013) *Investing in our future: the evidence base on preschool education*