

The Impact of Welfare Reform on the Rental Crisis Speech Notes

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The Australian Government announced a package of reforms in the 2005-2006 Budget, aimed at making Australia's welfare system more sustainable while retaining a strong safety net. Under the Welfare to Work reforms, more people living with mental illness or disability are being asked to look for work in line with their capacity. Many people who were receiving higher benefits due to caring for dependents or living with a disability or mental illness, will be placed on lower NewStart payments and required to meet participation requirements.

The move to put more people on lower payments is estimated to save the Government around \$800 million over the first three years.

While being supportive of the Government's aim of moving people into work and its increased investment in employment assistance and childcare, ACOSS remains concerned about the effects of the Welfare to Work policy.

In terms of numbers of people worse off, ACOSS has estimated that the greatest effects are: 158,000 new applicants for payments, including 81,000 people with disabilities and 77,000 single parents, will be on lower payments over the first three years after introduction of the changes in July 2006.¹

Queensland has the highest number of people worse off (46,000), followed by NSW (43,950), Victoria (30,500), Western Australia (18,250), South Australia (10,200), Tasmania (4,100), NT (3,100) and ACT (2000).

Before I go into the details of the impacts of Welfare to Work, I want to briefly recap the situation with housing:

Brief recap on housing unaffordability

- The cost of an average rental in WA increased 25-30% in the past 12 months
- The rent for an average 3 bedroom property is now ~\$250-\$300/week
- Many are questioning whether home ownership has become out of reach: with the median price ~\$420,000.

WACOSS use a measure household affordability as 30% of income. Therefore, based on an average income of \$42,000, 30% of average weekly earnings would be \$245.10.

Clearly many people will be paying more than 30% of their income on rent when the average rent is now about \$250 to \$300 a week.

¹ This is the number of recipients estimated by the Government to go onto lower payments, or no payment, instead of DSP or Parenting Payment Single, as a result of the policy.

So, who hurts most when rents go up? We can easily identify:

- the working poor, households receiving low incomes
- people in crisis, such as domestic violence
- people receiving income assistance including the unemployed, seniors, people with disabilities, people on single parent benefit, people living with mental illnesses.

Taking a closer look at each of these groups:

First, the working poor: Poverty amongst employed people is often as a result of them working insufficient hours to maintain a reasonable quality of life or an inability to secure appropriately paid employment.

Recent research by ACOSS shows that 'the working poor' now represent 15% of all Australians living in poverty.

Currently, 1 in 4 jobs are now part-time, with many of these being precarious low-wage jobs.

The next group we identified is people in crisis.

- There is a greater need for crisis accommodation when people are evicted because they can't afford the rent. They then join the others in need of crisis accommodation, like victims of domestic and family violence.
- When private rental costs escalate, there are more people in need of public housing.
- The lack of affordable private rentals and public housing means there are reduced opportunities for people to move out of crisis accommodation.

The last group to take a closer look at is people receiving income assistance like NewStart or pensions. For these people in private rental accommodation,

- The maximum Commonwealth Rent Assistance is about \$50/week.
- The NewStart allowance is between \$210 and \$250/week.

Again, it is clear that on this income in today's housing market they would struggle to find affordable accommodation.

Though it's hard to imagine, it can get even worse.

The Welfare to Work reforms have instituted an 8 week non-payment period.

This is a punitive measure for not meeting the participation requirements, like missing appointments, quitting a job, or refusing a job.

People receiving NewStart payments must comply with measures intended to help them back into employment. But if you fail to participate 3 times, and do not meet a narrow definition to qualify for Financial Case Management, then your payments are suspended for 8 weeks. You have a right to appeal, and payment is not suspended until the appeal is decided.

Recent evidence at Senate Estimates suggests that of the 18,000 expected to face eight-week penalties in the first year, only 4000-5000 will be eligible for financial case management.

You may only receive the assistance of Financial Case Management once.

Those people who incur the penalty but are classified by the Government as 'exceptionally vulnerable' will be offered financial case management. Agencies will identify with exceptionally vulnerable job seekers their urgent expenses that need to be paid and arrange for this. These include food expenses, living expenses such as rent and mortgages, medical expenses, rates, electricity expenses, phone expenses and car costs.

Of course, for those who don't qualify for Financial Case Management will be without income support for 8 weeks.

This is likely to have an impact on community services:

- There is likely to be a need for more crisis accommodation,
- more emergency relief may be needed (with less funding in WA this year),
- and there is a greater need for advocacy on behalf of those who are disadvantaged.

The Community Services Sector is already stretched. Last year ACOSS Community Sector Survey reveals that in WA 5,926 people who were eligible were turned away from services due to lack of capacity. There was a 42% increase in need for services. Clients presented with more complex needs and a number of problems.

In support of the Government's goal of moving more people into work and in light of the opportunity presented by both a large Federal Budget surplus and low official unemployment levels, ACOSS supports the following principles for change to the Welfare to Work Policy:

- do not put people on lower payments,
- increase investment in employment assistance,
- guarantee activity requirements for people on payments are reasonable
- legislate to protect disadvantaged people against harsh penalties

ACOSS also has made 10 specific recommendations for change, which you can learn about on the ACOSS website.

So, let's finally look at what you can do: Agencies can participate in this year's community sector survey, and collect data on the impact of Welfare to Work reforms on the people you help. ACOSS has launched a Case Study Library to collect this data. These are available from the ACOSS website.

Everyone is invited to go to the ACOSS website and join the ACOSS Action Network to express your concerns about Welfare to Work directly to your elected Parliamentarians.