

# Inquiry into the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017

MARCH 2017

## Introduction

The Youth Affairs Council of South Australia (YACSA) is pleased to provide feedback to the Inquiry into the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017.

YACSA is the peak body in South Australia representing the interests of young people, youth workers, organisations and networks throughout the non-government youth sector. Policy positions are independent and not aligned with any political party or movement. YACSA supports the fundamental right of all young people to participate in and contribute to all aspects of community life, particularly the decision-making processes that impact upon them.

The Omnibus Bill contains measures for projected savings that are set to disproportionately affect young people across the country and particularly those that are already marginalised. The government has developed these budget savings based on a belief that many young people just need some motivation to enter the job market<sup>1</sup>.

This is a persistent policy position of the federal government and perennially fails to recognise the dire employment market that young people are trying to enter and the other barriers to employment and study currently impacting on young people.

The Youth Affairs Council of South Australia has serious concerns regarding some of the proposed amendments contained within this Bill, and the potential for these legislative changes to increase hardship and impact negatively on the health and wellbeing of young people across the country. As such YACSA urges the Committee to reject changes in the areas addressed in this submission.

## Comments on the Bill

The following presents the key areas of the YACSA response to the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017:

- YACSA opposes increasing the age at which a young person can access Newstart Allowance from 22 to 25 years. This change will increase existing levels of hardship as young people will now have to wait three more years to access a higher rate of allowance.
- YACSA strongly opposes the one month waiting period to access benefits for those under 25 years. This policy change is underpinned by an assumption that;
  - the individual has a family or support network which can support them financially while they look for work, and;

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<sup>1</sup> G Mitchell, Students among worst-affected by proposed Newstart changes, The Age, February 8, 2017, <http://www.theage.com.au/federal-politics/political-news/students-among-worstaffected-by-proposed-newstart-changes-20170208-gu8jt8.html>, viewed 16 Feb 2017.

- there is a robust and accessible employment market that can provide young people with suitable employment and an income that allows them to live independently.
- Excluding young people from a means of income can lead to both long and short term impacts to their access to food, housing, utilities and their experience of health and wellbeing.

### *The current job market*

The changes proposed in this Bill are predicated on three key assumptions. Firstly that Australia has a robust job market, secondly that young people just need encouragement to go out and get a job and finally, that young people up until the age of 25 have a familial base that can support them financially while waiting out the four week exclusion period and while being in receipt of income support that is set well below the poverty line.

Unfortunately, these assumptions are not based in reality nor are they supported by labour force data. Nationally there is an unemployment rate of 5.7%, and a youth unemployment rate of 13.5% which means 720,200 people (and this isn't counting the underemployed) are vying for one of the 182,000 available jobs across the country. In South Australia the figures are even starker. Here we have an unemployment rate of 6.4% and a youth unemployment rate of 16.9% with 56,600 individuals vying for 9,600 jobs<sup>2 3</sup>.

In addition, young people are not only competing with each other for scarce employment opportunities but they are also competing with older people with more skills and experience who are more attractive to employers. Young people who are lucky enough to get a job often find themselves in the most insecure and low paid employment that pays well below the poverty line.

The statistics nor the reality that young people exist in supports the notion that forcing them to wait a month before being able to access income support or changing the eligibility for higher paying benefits - to lock out those under 25 - will result in any more young people being employed in a job in which they can live independently.

### *Age requirements for access to Newstart*

YACSA opposes increasing the age of eligibility for Newstart allowance from 22 to 25 years. The difference in allowance between Youth Allowance and Newstart equates to around \$45 per week which is a significant amount of money for a young person on a low income. Individuals in receipt of Youth Allowance already find it difficult to make ends meet on an allowance that is \$453.95<sup>4</sup> below the minimum weekly wage<sup>5</sup> and \$208.39 under the poverty line weekly earnings<sup>6</sup>.

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<sup>2</sup> Australian Bureau of Statistics (ABS), Labour Force, Australia 2017. ABS cat. no. 6291.0.55.001, Canberra: ABS, 2017, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Jan%202017?OpenDocument>, viewed 16 Feb 2017.

<sup>3</sup> Australian Bureau of Statistics (ABS), Job Vacancies Australia, 2016. ABS cat. 6354.0, Canberra: ABS, 2016, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6354.0Nov%202016?OpenDocument>, viewed 16 Feb 2017.

<sup>4</sup> Based on the single, no children, 18 years or older and need to live away from parent's home rate of \$437.50 per fortnight.

<sup>5</sup> Fairwork Ombudsman, 'Minimum Wage', The Australian Government, July 2016, [file:///C:/Users/Richard/Downloads/Minimum-wages%20\(1\).pdf](file:///C:/Users/Richard/Downloads/Minimum-wages%20(1).pdf), viewed 27 Feb 2017.

<sup>6</sup> Melbourne Institute of Applied Economic and Social Research, 'Poverty Lines: Australia', ISSN 1448-0530 June Quarter 2016,

With the provisions of this Bill proposing to increase the minimum age at which an individual can apply for Newstart to 25, greater numbers of young people up until their mid-twenties will face increasing hardship on an allowance that is inadequate to live independently while looking for work or studying.

Eligibility for the independent rate for a range of income support payments should be based on an understanding that not all young people have familial supports to call on for financial assistance and instead should be based on personal circumstances and not based on age.

#### *Exclusion periods (Schedule 15 & 16)*

YACSA strongly opposes the planned exclusion period for income support for those people under the age of 25. If the jobs simply aren't out there, forcing young people to live without an income and forcing those normally eligible for a higher rate of income support to apply for benefits substantially below the poverty line is not only unconscionable but also a serious breach of international human rights<sup>7</sup>.

#### *Compounding factors*

Inextricably related to this proposed change is the recent decision by the Fair Work Commission to reduce penalty rates for retail and hospitality workers on Sundays. This decision, supported by the Federal Government, seeks to reduce the hourly penalty rate for full time and part time workers when working on Sundays. As we know, young people aged 18 to 24, comprise a significant proportion of those people most likely to work any type of unsociable hours and therefore will be most affected by a drop in penalty rates<sup>8</sup>.

This will significantly compound the situation for young people who will be excluded from government income support for at least a month and up until the age of 25 will only be eligible for the lower paying Youth Allowance. If they are lucky enough to get a job in our weak employment market (and if they work in retail or hospitality) the drop in penalty rates will mean it's less likely that they will be able to live independently.

#### *The Social Determinants of Health*

It is important to recognise the effect of income on the health and wellbeing of an individual<sup>9</sup>. It has been demonstrated that those individuals who experience social and economic disadvantage throughout their life cycle experience lower levels of good health, including increased mortality,

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<https://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty%20Lines%20Australia%20June%202016.pdf> viewed 20 Feb 2017.

<sup>7</sup> (Articles 22 and 25) of the United Nations Universal Declaration of Human Rights, The United Nations, 1943, <http://www.un.org/en/universal-declaration-human-rights/>, viewed 27 February 2017.

<sup>8</sup> T Daly, Evenings, nights and weekends : working unsocial hours and penalty rates, Centre for Work and Life, University of South Australia, [http://www.unisa.edu.au/Global/EASS/HRI/CWL/publications/PenaltyRatesReport\\_Oct2014%20Final\\_R1.pdf](http://www.unisa.edu.au/Global/EASS/HRI/CWL/publications/PenaltyRatesReport_Oct2014%20Final_R1.pdf), viewed 16 Feb 2017.

<sup>9</sup> R Cannon, The Social Determinants of Health, SACOSS Information Paper, December 2008.

morbidity and a lower quality of life as compared to wealthier citizens<sup>10 11</sup>. Also, a low level of personal income is a significant contributor to social and financial exclusion. Therefore feeling a connection to your community and broader society is determined by how you are able to financially participate in the world around you<sup>12</sup>.

Personal income impacts upon our lives in a variety of ways. It determines our standard of housing, our living conditions, our ability to pay for utilities, the quality of the food we eat, our access to quality health care, and quality education and our mobility.

It is reasonable to suggest that as people who subsist on low levels of income have been shown to experience a negative standard of health; excluding young people from income support for at least four weeks will be damaging to their living conditions and potentially damaging to their long term health and wellbeing.

### *The purpose of income support*

It is pertinent to remind ourselves why we have income support for young people. Youth Allowance has the dual function of providing short-term income support to prevent young people falling into the trap of long-term poverty, while also encouraging and facilitating their search for work or study. Unfortunately, as Youth Allowance rates are so low, young people who are not able to easily find work can instead find themselves languishing in poverty<sup>13</sup>.

In addition, rates of Youth Allowance are based on the notion that young people can exist on less money than older people which is simply not true. Young people are expected to pay the same amount for utilities, rent, petrol, health-care and food that older Australians pay.

This is of great concern to YACSA as the rate of income available via Youth Allowance doesn't adequately cover many of these basic elements needed to live, look for work or study and does nothing to close the disparity in income levels between young people and the rest of the population<sup>14</sup>.

## **Conclusion**

Despite youth unemployment being at record levels across the country - particularly in rural and remote regions - the government has again decided to target those in the community already doing it tough to recoup budget savings.

The potential for negative consequences of this policy are significant and have not gone unnoticed by government who have set aside "emergency relief funding" for young people who find themselves in hardship during their exclusion period. These changes will reconfigure the welfare system and reframe

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<sup>10</sup> R Wilkinson and M Marmot, *Social Determinants of Health: The Solid Facts*. 2nd edition, World Health Organisation, Denmark, 2003.

<sup>11</sup> I Kawachi, B Kennedy, K Lochner, D Prothrow-Stith, 'Social capital, income inequality and mortality', in, *American Journal of Public Health*, vol. 87, no. 9, pp. 1491-1498, 1997.

<sup>12</sup> R Cannon, *The Social Determinants of Health*, SACOSS Information Paper, December 2008.

<sup>13</sup> Australian Association of Social Workers, *Position Statement: Income Support and Young People*, 2014, <https://www.aasw.asn.au/document/item/6400>, viewed 28 Feb 2017.

<sup>14</sup> E Han, *Tough choices for students on Youth Allowance*, *Sydney Morning Herald*, April 17, 2012, <http://www.smh.com.au/national/education/tough-choices-for-students-on-youth-allowance-20120416-1x3vd.html>, viewed 16 Feb 2017.

our historical safety net. For young people in particular, the new vision for the welfare system that has been consistently proposed by the Coalition since their 2014 election removes supports for young people in key stages of their lives and has the very real potential to negatively impact upon them both now and into the future.

Young people need and deserve our support, not coercion and retribution for circumstances beyond their control.

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