

Submission in response to the Department of Social Services' Financial Wellbeing and Capability discussion paper, March 2017

The Brotherhood of St Laurence and financial wellbeing

Financial wellbeing and inclusion is a key focus of the Brotherhood's research, policy development and program efforts. Our flagship program, Saver Plus, was developed by ANZ and the Brotherhood in 2003. Since 2009, Saver Plus has received support from the Australian Government, along with ANZ funding.

Saver Plus enables people living on low incomes (Health Care Card holders who also earn some independent income) to build their financial capabilities while saving for a purpose related to their child's or their own education. It incorporates MoneyMinded financial education, matched savings up to \$500, and support from a partner community organisation. More than 32,000 people in 60 locations across Australia have completed the program. The vast majority of participants are women, many of them sole parents. RMIT University researchers have estimated a social return of \$5.39 for every \$1 of public funds invested. Evaluations of Saver Plus have demonstrated that 94% of program participants were saving the same amount or more 12 months later and 78% had increased their total savings and assets. The program builds financial resilience, contributes to reduced household stress and improved family life, and increases self-esteem and confidence. Investment of program savings in education has supported program participants to increase their income, improve intergenerational opportunities and financial security. Children of participants enjoy improved school engagement and educational outcomes.

The Brotherhood's Research and Policy Centre is currently completing a major study, *Spinning the plates*, which examines how low-income households manage risk and uncertainty day to day and in the longer term. The research team have also collaborated with RMIT to examine the diverse ways the term financial wellbeing is understood. Our research sheds light on the lived experience of poverty and economic insecurity and the importance of policies and programs that enable financial wellbeing.

Overview

The Brotherhood welcomes the opportunity to comment on proposed policy changes to the Department's Financial Wellbeing and Capability (FWC) activities. This submission comments on both the impacts of proposed changes on programs such as Saver Plus, as well as addressing broader public policy implications of key proposals.

There is a strong case for investment in prevention and early intervention, rather than crisis welfare responses, as a way of minimising the risk of financial stress and its consequences. Likewise, investment in building economic participation is a critical strategy to increase economic security. The Brotherhood

agrees with these premises in the DSS discussion paper. However, without significant investment in areas outside the scope of this paper, such as job creation, enhanced employment support for disadvantaged jobseekers, and income support payments that meet the poverty line, we anticipate that some of the reform propositions will have serious unintended consequences. We are particularly concerned that FWC service participants and their children could face additional hardship, that there will be cost shifting to other parts of government as well as the welfare sector and that Australia's social cohesion could be negatively impacted.

The Brotherhood strongly supports the strengthening of the evidence base and investing in outcome-based evaluations of the FWC sector. However, in our view the discussion paper does not provide a compelling evidence based argument to warrant some of the changes that are being proposed.

Tightening eligibility for FWC support will have adverse impacts on vulnerable households

We concur with the DSS position that prevention and early intervention rather than crisis welfare responses are the most effective and efficient means of minimising the risk of long-term financial stress and consequences such as mental ill-health, family breakdown and health problems.

We are concerned, however, that the DSS proposal to significantly tighten eligibility for certain services seems to contradict a preventive or early intervention approach.

Eligibility for emergency relief and financial counselling: Restricting eligibility for Emergency Relief and Commonwealth Financial Counselling to those who are at *imminent risk* of being unable to pay their debts risks escalating the financial crisis before people can access help or shutting them out of critical support. For example, we have concerns that:

- It will increase vulnerability to predatory lending. Financial counsellors do preventative work such as helping link people to safe affordable finance and renegotiate payday loans 'before trouble hits'.
- It will be harder to reach victims of abuse. For example, older adults experiencing elder abuse are known to access emergency relief for food or other essentials. Similarly, victims of economic abuse/family violence are known to access relief in order to feed their children, because their abusive partner is controlling the money.

Eligibility for financial capability support: We welcome the DSS proposal that financial capability support (financial literacy education, information and coaching) should be available for people experiencing family violence, immigrants and non-citizens, in addition to those in receipt of government benefits. We note the 2016 Impact Report on MoneyMinded provides evidence that financial education can contribute to both the protection against, and recovery from, family violence. The authors found that MoneyMinded plays an important role in assisting support services to address the financial issues that their clients face after experiencing family violence.

DSS' proposal to otherwise restricting financial capability support to those in receipt of Australia Government welfare benefits is concerning. It would impede preventative work with key groups, including the working poor (particularly the growing number of people who are underemployed in low-paid, casual or seasonal work and those self-employed in the 'gig' economy); those who have fallen out of Centrelink payments (perhaps due to compliance issues); sole parents who are working; people with mental ill-health; and people experiencing unexpected or catastrophic life events.

FWC services do not have expertise in work readiness and employability skills

The Brotherhood agrees with DSS that boosting employment and earning capacity is an effective way to improve financial stability. However, we are concerned about the proposal by DSS that FWC providers be required to address work readiness, employability and work prospects. If implemented, it would duplicate existing efforts—which would be an inefficient use of scarce resources, divert FWC providers from their areas of specialty and could alienate potential FWC service users from critical supports.

Duplication of existing employment support services: According to the DSS discussion paper, the majority of people accessing FWC services are in receipt of income support. Presumably those with employment-related participation requirements are already linked into *jobactive*, Disability Employment Services or other Commonwealth-funded employment supports. These services are mandated to address work readiness and employability skills. Accordingly, the proposal for FWC providers to duplicate these efforts is puzzling. While mindful that recent iterations of mainstream employment services have struggled to support disadvantaged jobseekers into sustained work (in 2015–16, only 25.5% of Stream C jobseekers held a job for at least three months after participating in *jobactive*, and the majority were employed in casual roles), we believe the proposal to have FWC services address this deficit is misguided.

FWC and employment services have different expertise: The skill sets and networks of financial counsellors and staff delivering financial literacy and related support are quite distinct from those of employment specialists. Those in the financial world are focused on debt structures, consolidating and negotiating debts, budgeting and saving plans, safe access to affordable financial products, energy efficiency measures and grant programs, consumer protection, and mobile phone and other contracts.

By contrast, through our long experience of delivering tailored employment support for disadvantaged jobseekers, we know that effective employment specialists require different skills. Assessing work readiness, building employability and improving a person's work prospects is an intensive process that involves:

- understanding the local labour market and building connections with local employers
- identifying each jobseeker's goals and aspirations
- assessing language, literacy and numeracy capacity
- recognising skills from previous experience of work
- assessing 'soft skills' that impact on employability
- assessing capacity for work, considering health, carer responsibilities, housing or other issues that may impact on employment readiness
- capacity to navigate the training sector, and its multiple providers of varying quality
- follow-up with jobseekers and support employers to ensure sustainable job outcomes.

FWC staff and programs are not geared to deliver employment advice: Even if FWC providers were equipped with a work readiness assessment tool, it is unrealistic to expect that they would have the capabilities or networks to effectively perform this task, let alone the resources within existing program budgets. It would be even more problematic on the frontline of emergency and food relief support, which is typically powered by volunteers.

From a Saver Plus perspective, the program has not been designed as an employment program (although evaluations indicate that participants who have invested in their own education experience improved employment outcomes and the next evaluation will look more closely at employment outcomes). Since the Saver Plus staff have not been trained as employment specialists, the proposed change would require recruiting additional staff with different skills and experience.

Further, requiring FWC providers to provide employment advice would understandably confuse participants about the respective roles of Centrelink, employment service providers and FWC services, and potentially alienate them from accessing critical FWC supports.

Many FWC users do not have work participation requirements: Many users of FWC services do not have workforce participation requirements: they include recipients of parenting payments; those on disability support pensions aged over 35 years (and those under 35 years assessed as having limited employment capacity); and older people including jobseekers over 55 years who can discharge their *jobactive* participation requirements through volunteering. It would be unrealistic to expect FWC providers, particularly ER staff, to distinguish among their clients the individuals who ought to be given employment advice.

There is opportunity to build a mutually reinforcing approach between FWC and employment services: We recommend the introduction of measures to build a more mutually reinforcing environment between financial wellbeing and employment supports where:

- FWC providers are better equipped to support linkages to local employment service providers
- Centrelink and employment service providers are better equipped to support linkages to FWC services
- participation in financial literacy or capacity building programs is a recognised activity that satisfies jobseeker participation requirements
- opportunities for FWC clients to volunteer (such as through food collection, food packing and community gardens) are encouraged and recognised as satisfying jobseeker participation requirements. Volunteering can provide an important stepping stone to employment, and build social capital.
- Centrelink and employment services are better equipped to support clients to connect with support services that address key factors underlying financial distress, such as substance abuse, family violence and gambling.

We see this mutually reinforcing approach in action through Brotherhood designed (and Victorian Government funded) Work and Learning Centres that provide tailored employment support for public housing residents and other disadvantaged jobseekers. These Centres have close relationships with local FWC services, *jobactive* providers, and housing, health and other supports to enable jobseekers to address a range of issues to put them on a trajectory to work. The staff also engage closely with local employers and training providers and support connections with local sporting and service clubs.

Emergency relief is a lifeline for vulnerable households

The Brotherhood is deeply concerned about the proposal to curtail access to emergency and food relief by repeat users.

Australia has a structural poverty problem: The proposal ignores the structural dimensions of poverty. Many people in Australia are doing it tough financially. Around 3 million are living in poverty, over 57% of whom rely on social security as their main income source.¹ The Newstart Allowance for a single person with no children is just \$528.70 per fortnight, which is well short of the poverty line² of \$1053.54 (including housing) or \$709.02 (other than housing) as at June 2016. More broadly, wage growth has stagnated, unemployment remains at 5.7% and over 1.13 million workers are underemployed (the majority of them women). Household debt has increased. Energy costs are rising. Escalating housing costs and associated housing stress have been widely reported.

In these circumstances, it is not surprising that many households rely on emergency relief for survival, and may not be in a position to simply reduce their spending, increase their household income or improve their financial management as suggested in the DSS discussion paper. Material aid can make all the difference to low-income households who don't have enough to feed themselves or pay the bills or lack savings to fall back on when faced with unexpected costs (e.g. arising from an accident or illness). Income support recipients and age pensioners reliant on the private rental market are particularly vulnerable. Anglicare's 2016 Rental Affordability Snapshot indicated that just 13 out of Melbourne's 17,330 private rental listings are affordable and appropriate for people on Commonwealth income support.

Providers already restrict access to emergency relief, according to local need: Organisations that dispense emergency relief are already rationing support and imposing eligibility restrictions to respond to the local demand and ensure their funds can stretch through the year. They are managing repeat users in their own ways, often by making referrals to other services within their agency and/or to other community services and supports. This is to be encouraged. A community organisation we spoke with advised that they invite repeat users for an interview with a financial capability worker to assess their circumstances and develop a tailored response—such as an assurance that ongoing relief will be provided during a period of illness or making connections with more appropriate supports. The discussion paper highlights the Salvation Army's Doorway program, but does not indicate the cost or outcomes of the case management approach; nor does it indicate whether DSS is contemplating boosting funding for this type of support. Case management is one response, but not always the best one for repeat use. Local organisations need to have the discretion to make sensitive decisions and tailor solutions that maximise the impact of their finite budgets.

ER is powered by volunteers: Requiring frontline ER staff to determine whether a repeat client is 'making real efforts to improve their financial management' would be unreasonable. Volunteers—often older adults—make up the lion's share of the ER workforce. CISVic (a peak body for emergency relief providers) advises that among its members, the ratio of volunteer to paid staff is 10:1. The government's funding model is predicated on this volunteer contribution. However, requiring

¹ A report published in 2016 by ACOSS and the University of NSW found that 2.99 million Australians were living in poverty in 2014.

² As measured by the Melbourne Institute of Applied Economic and Social Research in June 2016.

volunteers to interrogate and turn away people in crisis would be burdensome and stressful, and potentially burn their goodwill. These volunteers and organisations are pivotal to social cohesion within their community.

The NZ approach is different: The discussion paper points to the New Zealand Government's approach to dispensing Special Needs Grants. There are a number of vital differences between NZ's approach and what is being proposed in the discussion paper:

- The NZ scheme is dispensed by government, rather than the community sector.
- Repeat users (3–5 times per year) need to go for further applications to a service centre, where we assume that the NZ Government workforce is trained to assess their circumstances and whether they have taken reasonable steps to manage their finances.
- Case management support is available for these repeat users. The discussion paper does not indicate whether casework support will be funded for repeat users of emergency relief in Australia.
- Government funded budgeting support services appear to be widely available in NZ, without the tight eligibility restrictions being proposed in the discussion paper.

Cost shifting: If eligibility emergency relief is too restrictive, problems will be displaced elsewhere—with likely impacts in homelessness and crime.

For further information

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