



Tasmanian Council of Social Service Inc.

Submission to the DSS Discussion Paper *Financial Wellbeing and Capability Activity*

March 2017



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About TasCOSS

TasCOSS is the peak body for the community services sector in Tasmania. Our membership includes individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage, and promote the adoption of effective solutions to address these issues.

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The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on the Discussion Paper *Financial Wellbeing and Capability Activity*.

TasCOSS is the peak body for the community services sector in Tasmania. TasCOSS advocates for the interests of the sector and of the vulnerable and disadvantaged Tasmanians that the sector supports. Our submission reflects consultation with our member organisations who provide services including Financial Counselling and Emergency Relief under the Financial Wellbeing and Capability (FWC) program.

Summary

The discussion paper contains some positive directions, such as suggestions for enhanced training and development for the workers in the FWC sector. However, TasCOSS believes some of the proposed changes would be detrimental to vulnerable people who need access to emergency relief and other financial support. We believe that these proposals would be particularly harmful in Tasmania, because 31.3% of Tasmania's population are in the most disadvantaged socioeconomic status quintile (one-fifth) of Australia's population, a higher proportion than for any other State or Territory.¹

In our view, the discussion paper is vague about the problem(s) needing to be addressed, and provides no evidence base for these proposed solutions. Any redesign of the Financial Wellbeing and Capability system needs to be based on evidence about clients: who they are, their reasons for seeking assistance and whether these are changing, how or if client cohorts are changing, what service providers know about their clients, and specific local issues, challenges and solutions. It also should be based on consultation with clients. Best practice public administration theory and practice recognises the need to place the citizen at the heart of policy considerations, and to involve citizens, particularly the citizen with lived experience of the issue under concern, as active agents in policy making. The case for the proposed changes in this discussion paper does not include evidence of such consultations having occurred, or if they did, what the recommendations of these consultations were.

The discussion paper proposes some changes to the system that TasCOSS believes will not improve outcomes for clients. The focus on targeting clients who receive Centrelink payments would have the undesirable outcome that members of other vulnerable groups are excluded from support. People can be in grim financial circumstances whether or not they currently receive a social assistance payment from Centrelink. Some people, for instance, may not be receiving a payment from Centrelink, even though they are entitled to do so. Australia-wide, in 2016, about 32% of people living below the poverty line received wages as their main income.² Examples of people who may be ineligible for assistance under the proposals include the working poor, people in rental or mortgage hardship, people who are in waiting periods for

¹ Eslake, S. *Education, Productivity and Economic Performance: Tasmania Then, Now and Tomorrow* Address to the Launceston Historical Society, 16 March 2017, p 9.

² ACOSS *Poverty in Australia 2016* p 7. Available at <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>

Centrelink or whose payments have ceased, people who have a healthcare card, but who do not receive a payment, persons experiencing financial abuse and others. Debt and hardship do not discriminate, nor should services that exist to help people in need.

The discussion paper does not address issues such as waiting lists for financial counselling services, and the intensifying demand for emergency relief as costs of living increase faster than incomes.

None of the proposed solutions prioritise early intervention, which is known to be a better strategy than a system that forces people into crisis before they can receive assistance. The paper does not explain how its proposed changes would maintain or enhance good practice models of service delivery, which require respect for the rights and dignity of all people being assisted by FWC, and the importance of a non-judgemental approach to clients.

Furthermore, TasCOSS contends that the imposition of a 'reasonable efforts' test requiring people who access support multiple times to 'reduce costs, increase income or improve budgeting' is inappropriate. Many clients of emergency relief and financial counselling services have incomes well below poverty level. For example, a single person on Newstart Allowance receives \$535.60 per fortnight. About 15% of the Tasmanian population is living in poverty, the highest rate in Australia.³ Given spiraling costs of rent and essential services, and very high unemployment rates, it is very difficult to see how individual action could eliminate their financial hardship. The unemployment rate in Launceston and North East Tasmania is 7.6% (February 2017)⁴ and the youth unemployment rate 19.6% (January 2016).⁵

The recommendations to increase income, and to consult employment services are not well suited to clients in environments of high unemployment, and who often have high and complex needs with challenges such as mental health issues, intellectual disability and low levels of literacy. For some cohorts of clients who seek and receive ER and Financial Counselling, turning things around can take years, and multiple instances of support are appropriate and succeed in keeping people engaged over the long term.

New requirements, such as establishing and maintaining formal relationships with other organisations and workforce development and training would need additional resources for many organisations. TasCOSS is aware that Tasmania's community service organisations are already working cooperatively in the best interests of clients, so we are unclear about the need or rationale for heightened contractual specification in this area.⁶

³ ACOSS *Poverty in Australia 2016* p 7. Available at <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>

⁴ http://lmip.gov.au/default.aspx?LMIP/LFR_SAFOUR/TAS_LFR_LM_byLFR_UnemploymentRate

⁵ The Brotherhood of St Laurence *Australia's Youth Unemployment Hotspots Snapshot March 2016*. http://library.bsl.org.au/jspui/bitstream/1/9004/1/BSL_Aust_youth_unemployment_hotspots_Mar2016.pdf

⁶ Social Policy Research Centre 2016 *The State of Tasmania's Community Service Sector, 2015* pp 36-40.

A 'one size fits all' model seems to be implied in the discussion paper, with national training and common rules for services. This does not seem consistent with evidence about the best ways to meet the diverse needs of clients and communities, drawn from consultation with those clients and communities.

Where increased administrative and operational requirements are proposed for organisations, the discussion paper does not estimate the additional costs nor explain how these might be funded. Under current arrangements, services such as ER are only partially funded by the Commonwealth Government and organisations have limited capacity to use Commonwealth funds for administration (the amount is capped).

Organisations typically supplement FWC funds from their own resources (from fundraising, volunteers and businesses such as op-shops). These additional sources of income increase the benefits to clients well beyond the level of government funding. According to the *State of Tasmania's Community Service Sector 2015 report*, two-thirds (66.7%) of the community sector organisations involved in 'Financial support, employment promotion and social enterprise' raised money to support their activities through business activities (such as op-shops), and over half (53%) received income from donations and fund raising. This compares to 46.7% receiving income from the Tasmanian Government, and 53.3% receiving income from the Australian Government.⁷

In other words, the community sector currently leverages greater resources and delivers greater outcomes than the Commonwealth Government actually pays for. This 'partnership' with the community sector is ignored in the discussion paper.

⁷ Social Policy Research Centre 2016 *The State of Tasmania's Community Service Sector, 2015* pp 42-53.

Questions from the discussion paper are addressed below.

1.1 What impacts do you expect restricting eligibility criteria in the manner proposed above will have on your service?

The proposed eligibility restrictions are that

- ER and Commonwealth Financial Counselling (CFC) services would be restricted to those at imminent risk of not being able to pay their debts
- Financial Capability would be restricted towards
 - People in receipt of an Australian Government social welfare allowance, pension or benefit
 - People experiencing domestic and family violence
 - Immigrants/non-citizens

In our view, these restrictive criteria will have the effect of excluding members of vulnerable groups such as the working poor from critically needed services. This is an undesirable and presumably unintended impact. The income cutoff point for a single person on Newstart is \$1036.34 per fortnight.⁸ On this income, a person could easily struggle with the costs of rent, food, energy and other essential services.

Also left without access to support that could keep them from crisis will be

- people who wish to remain independent from the system of Centrelink income support payments,
- 18-22 year olds who are denied income due to the parental income and assets test but who are living on very low earnings and are therefore eligible for Health Care Card, and
- people who are just managing to stay in work (which may be seasonal, casual or precarious).

All these groups would have no access to support that could avert a crisis that prevents them from working. This seems contrary to the stated aim of assisting people to “escape poverty, become independent and engage with education and employment” (p6).

It is very difficult to see how the criteria of ‘imminent risk’ would be implemented. Would people have to present with unpaid bills? In Tasmania, there are waiting lists to access financial counselling services so additional delays could mean that people will have their power disconnected or have legal proceedings underway by the time they get help. This does not appear to be a workable proposal.

In Tasmania, people in financial hardship can face a choice between heating their homes, paying their rent or purchasing appropriate food. Research demonstrates that people in hardship prioritise paying essential bills at the expense of their food budget, making the choice

⁸ <https://www.humanservices.gov.au/customer/enablers/income-test-newstart-allowance-partner-allowance-sickness-allowance-and-widow>

to purchase poor quality, low nutrient value but cheap food in order to keep utilities connected or to avoid eviction.⁹ It would seem inappropriate to assess the head of a family living on Weetbix and 'two minute noodles' as ineligible for assistance due to not being 'at imminent risk of not paying debt' when they have prioritized paying a bill over purchasing proper groceries.

The burden on counsellors who are forced to turn away people in desperate need because they are 'ineligible' would be significant. It has been suggested that such refusals could even put staff at risk.

According to research into the Salvation Army Financial Counselling service, 80% of those seeking assistance from the financial counselling service stated that their main source of income was a government pension or allowance.¹⁰ First, this suggests that support is quite well targeted already. Second, excluding the remaining 20%, up to one in five people experiencing financial hardship from assistance, seems likely to exacerbate the negative effects on health and wellbeing that are associated with financial stress. As a result, individuals and families would suffer more, and costs to the health system and potentially to the legal system would increase.

TasCOSS does not support tightening the eligibility criteria for access to emergency relief, financial counselling and financial capability services.

1.2 What strategies can be employed to ensure that services are accessible for those who need them most?

A system that includes diverse providers and service models can be a benefit to clients. While a 'case management' model can provide intensive support, it increases waiting time for appointments, as is already the case with financial counselling. Fast turnaround assistance may be more suitable for some people in some circumstances. Psychological studies have demonstrated that when people are in crisis they focus first on what they require for survival: food and shelter.¹¹ It is only when these are assured that people can start to think about their safety – physical safety, safety from stress, steps to ensure their health and wellbeing, and their financial security.

Individuals' needs are more complex if people have histories of trauma, or have mental ill health, or have intellectual disabilities.

⁹ Flanagan J & Flanagan K 2011 *The Price of Poverty*, Anglicare Tasmania, Hobart.

¹⁰ Brackertz, N 2012 *I wish I'd known sooner: the impact of financial counselling on debt resolution and personal wellbeing* <http://www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf>

¹¹ Maslow, A. H. (1943). A Theory of Human Motivation. *Psychological Review*, 50(4), 370-96.

Some people present with needs, such as an inability to feed their families, that require immediate concrete assistance. Other people and families require longer term and more complex assistance, including assistance to access hardship programs, perhaps legal advice, domestic violence support services, personal counselling, gambling help and the like. In addition, financial literacy and capability building will often be of benefit to the client (although our members consistently confirmed that inadequate income is not resolved by better management).

We note that section 4 of the discussion paper states “Clients are also increasingly showing a preference for service delivery that takes into account the time poor nature of modern families, including online or phone services and the FWC Activity must adapt to this social change.” While TasCOSS acknowledges the potential for services to support people in a variety of ways including phone and online, we would strongly recommend against a reduction of face-to-face services. A large number of clients of ER and Financial Counselling have low literacy, and Tasmania comes last in the Australian Digital Inclusion Index 2016.¹² Adding additional channels for information and support is welcome, but not at the expense of vulnerable Tasmanians who would be excluded by this kind of service delivery. It is also worth noting that people may need money to use phone and internet services, and not all areas have access to reliable phone and internet connections.

The proposed emphasis on area-based provision of services needs to be more nuanced. In small communities, there may be only one provider of financial support through ER or Commonwealth Financial Counselling (CFC), and a community member may be reluctant to access that provider for reasons of privacy. In parts of Tasmania, it would be common for the provider to know or be related to a client, and while services will have systems in place to manage this, it is regularly the case that clients self-refer to an alternative area. Consultation with ER providers in Tasmania shows that many Tasmanians from smaller rural centres seek assistance from agencies in larger cities, for reasons including anonymity and privacy. Similarly it can be important for members of smaller communities such as migrant communities or Aboriginal communities to have the choice of Aboriginal and CALD services AND mainstream services. Any system redesign should accommodate these specific needs and preferences, as well as supporting place-based services.

2.1 What would help you to strengthen cooperation with other services in your community? What additional support would you need to achieve this?

We note that Tasmania’s community sector is client-driven and in most cases is already looking for and implementing better ways to operate and cooperate. Additional support could include

¹² Thomas J, Barraket J, Ewing S, MacDonald T, Mundel IM & Tucker J 2016. *Measuring Australia’s Digital Divide: The Australian Digital Inclusion Index 2016*, Swinburne University of Technology Melbourne, for Telstra.

resource development, project officer time and additional funding for the work of ongoing relationship management.

Any change to service design should accommodate discretion with respect to referrals – a person may not want multiple agencies to be privy to their financial challenges, and especially if the other agency is related to employment, this may be a barrier to seeking help. Many people are reluctant to seek help, sometimes due to feelings of shame, and problems worsen when assistance is delayed, so additional barriers are highly undesirable and counterproductive.

2.2 What effect will the requirement to formalise relationships with other organisations have on your service?

In Tasmania, there is a high degree of cooperation and mutual understanding within the community sector generally and between providers of ER and Financial Counselling, in particular.¹³ Unless there is evidence that a lack of effective cooperation is impeding outcomes in specific jurisdictions or areas, we would see little need to impose new requirements.

While there can be benefits to formalising relationships with other organisations, this will take time and energy, from operational staff and from Boards. Any such requirement should be introduced cautiously, and with plenty of time and resources provided to organisations to adapt to a new requirement. We note that it will further burden organisations to adjust their formal arrangements whenever a new agency is granted a contract to deliver relevant services, and we would strongly suggest that a more streamlined and agile approach to encouraging cooperation is developed.

3.1 What strategies can you utilise to support a client to improve their financial and/or employment outcomes.

TasCOSS sees substantial problems in this section of the discussion paper.

The discussion paper refers to requiring ‘all FWC services to emphasise employment as a key goal when working with clients on Newstart Allowance, and explore pathways with clients to increase employment prospects’ (p 13).

A person who is receiving an unemployment-related Centrelink payment such as Newstart will already be engaged with a Job Active provider as part of their eligibility for that payment. So requiring FWC services to emphasise employment is redundant. There are additional privacy issues involved in specific referrals – for instance, why should the provider of services related to employment or education outcomes also know about a client’s financial challenges?

¹³ Social Policy Research Centre 2016 *The State of Tasmania’s Community Service Sector*, 2015 pp 36-40.

The proposal that financial counsellors work with clients on employment outcomes is confusing and its rationale is unclear. Financial counselling and employment support involve different skill sets and knowledge bases. There is a risk of duplication since the relevant client group will be likely to already be involved in employment-related mutual obligation activities through Centrelink.

The current model of financial counselling is that it is free, non-judgemental and not tied to compliance or obligation. Given the centrality of trust to the work of financial counselling, 'obligation' conversations may be inappropriate. A consistent theme from TasCOSS members who work with clients in the areas of financial counselling, ER and hardship is that it is critical to keep the client engaged while they are on a pathway to resolving financial issues. This does not rule out support for or referral to employment pathways, but it means this must be aligned to the particular client's circumstances, and not a 'one size fits all' compliance arrangement.

We know from face-to-face workers that building trust with a client takes time, and making changes at a time of crisis is not always optimal. A vulnerable client's capacity to commit to new goals and new challenges might not emerge instantly, so ensuring that the right information is provided at the right time and in a context of trust and support is crucial to ensure the best chances of success rather than failure and disengagement. Pacing of support and suggestions to suit the client's circumstances requires flexibility within the service model.

With respect to clients who present on multiple occasions, it should not be assumed that a person in financial hardship who is on a very low income is struggling financially because of a personal inability to budget. Research into the experiences of people accessing the Salvation Army financial counselling services in 2012 reveals that more than half (55%) had been experiencing persistent financial stress for 2 years or more.¹⁴

The combined costs of rent, power bills and food can easily exceed an individual's or household's income, and costs can only be cut so far. Recommending budgeting, or increasing income is often unrealistic for many clients. TasCOSS does not support the imposition of blanket requirements to 'reduce costs, increase income or improve financial management' on people who are already living in poverty.

4.1 Do ER and CFC/FC workers need to build capacity? If so, how might this be done?

4.2 What 'tools' do you see as integral to the further development of the FWC services in Australia?

¹⁴ Brackertz, N 2012 *I wish I'd known sooner: the impact of financial counselling on debt resolution and personal wellbeing* <http://www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf>

A focus on strengthening workforce capacity is a positive direction. Funds for the delivery of co-ordinated training and development (discussion paper p 17) will be welcome. Three cautionary notes: first, training more staff will not help the sector to deliver services unless there is money to pay for their employment. Second, there are significant regional and jurisdictional variations across Australia, and even within states, so there will need to be locally informed training as well as nationally co-ordinated training. Third, making staff available for training is a business cost to organisations, which may be difficult to manage within the current cap on administration costs. The need to resource people's time to participate in training is a critical element of capacity building, but it may involve the cost of backfilling a role, or compromising the availability of service to clients.

Increasing professionalism in the sector may necessitate increasing employment of paid workers in place of volunteers – this may improve services to clients and would definitely require more expenditure on salaries. Funding for more highly qualified staff will be critical.

Introducing these new requirements would need to be paced so that a suitably skilled and trained workforce is available, and so that the changing roles and opportunities for volunteers can be managed appropriately. More discussion and more evidence to explain why such a change is desirable, and how to resource it is needed.

Increased availability of Financial Counsellors would benefit clients of FWC services in Tasmania. There have long been waiting lists for Financial Counsellors, suggesting that more are needed. In one outer Hobart area, a Financial Counsellor is available one day per fortnight, so it can take some weeks before an appointment can be made. TasCOSS would support training for more Financial Counsellors and money to fund their positions as part of FWC redesign.

In conclusion, we would like to reiterate our strong opposition to the proposal to exclude those not in receipt of Commonwealth income support payments from receiving assistance through the FWC Program. It not only constrains and undermines the work of those providing services, but it also will leave those in need - including those who are participating in the workforce in low-paid, seasonal, casual and precarious jobs – with nowhere to turn for help.
