

National Housing Conference 2005

Title

Welfare to Work Reforms, Labour Market Participation and Subsidised Housing Tenants

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Abstract

This paper will discuss the potential impact of the Government's Welfare to Work reforms on subsidised housing tenants in receipt of the Disability Support Pension, Parenting Payment and Newstart Allowance. For the purpose of this paper, Subsidised/assisted tenants means tenants entitled to a significant rental rebate, whereby their rent totals 25% of their net income. Tenants may be in Government housing programmes or Community Housing programmes. Disincentives to work, security of housing tenure, client motivation to participate in community and employment programmes, public and community housing eligibility and length of tenure are some of the issues emerging with welfare reform.

JOB *futures* is one of the largest community-based Job Network employment agencies, with over 160 sites operating in all States and Territories. The network provides training, education, case management and group-based programmes to create employment opportunities for clients. The majority of employment services are funded by the Department of Employment and Workplace Relations. Recent figures from the NSW Department of Housing's 2003 Annual Report indicate that 90% of Government housing participants are in receipt of a Centrelink benefit, with a high proportion being Disability Support Pension and Parenting Payment recipients.

Melanie Hughes discusses social, economic and labour market programmes delivered to subsidised housing tenants in public housing estates in South Australia, New South Wales and Victoria. A point of particular importance emerging in the paper is the lack of programmes taking into account the needs of subsidised tenants, including those housed through community housing providers in the private rental market in generalised employment services. While needs-specific services are essential in creating a bridge from non-participation in community or labour market programmes, it is also of great importance to enhance wider community participation of subsidised tenants participating in generalist services that are accommodating to any specialised needs.

The implications of welfare reform will be explored within the framework of emerging opportunities to build community and Government partnerships to support an overall increase in labour market participation of subsidised housing tenants.

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Introduction

This paper will discuss the potential impact of the Government's Welfare to Work reforms on subsidised housing tenants in receipt of the Disability Support Pension, Parenting Payment and Newstart Allowance. Subsidised/ assisted tenants means tenants means tenants entitled to a significant rental rebate, whereby their rent totals 25% of their net income. Tenants may be in Government housing programmes or Community Housing programmes. Disincentives to work, security of housing tenure, client motivation to participate in community and employment programmes, public and community housing eligibility and length of tenure are some of the issues emerging with welfare reform.

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Areas of Commonality - Our Shared Client Groups.

At JOB *futures*, we recognise the importance of stable circumstances in job seekers' lives in order for them to effectively participate in job search activities, training and employment. As mentioned, our primary role is to assist people to become job ready and enter the labour market. It is our belief that labour market participation to the degree of an individual's capacity to engage brings benefits, both economic and social to the individual and the community.

A significant number of job seekers on our caseloads across the spectrum of programmes we offer are affected by homelessness, in unsuitable accommodation, or in Government or community housing.

In NSW, we refer to figures supplied by the NSW Department of Housing.² In 2003, it reported that 90% of its tenants in that year were in receipt of a Centrelink allowance. Of that 90%, 26% were on Disability Support Pension (DSP), 18% were on Single Parent Pension, and 9% were on Newstart allowance. There has been a significant shift at employment services site level to engage current participants in receipt of the DSP and parenting payment on a voluntary basis.

In the Sydney area, JOB *futures* has sites near the high density housing estates in Maroubra, East Sydney (Surry Hills), Redfern and Campbelltown. Community housing programmes with housing stock near employment services sites include Eastern Suburbs Housing and Rental Association, Resamen Men's Housing, and Marrickville Area Cooperative Housing with a combined stock of 575 units and in the Claymore/Airds area Argyle Community Housing has over 800 properties. From these figures, and given the nature of eligibility criteria for subsidised housing, it is clear that a number of residents

¹ NSW Department of Housing (2003), *Annual Report 2003 – People First*, Department of Housing, Ashfield, NSW.

² NSW Department of Housing (2003), *Annual Report 2003 – People First*, Department of Housing, Ashfield, NSW.

will be moving into labour market programmes and mutual obligation participation as part of the Welfare Reform process.

Mutual Obligation and the Active Participation Model

The Welfare Reform Package involves significant changes to mutual obligation and labour market participation requirements for those in receipt of the DSP and the Parenting Pension, both single and partnered, and the very long term unemployed in receipt of Newstart Allowance. Employment Services Contracts, round 2 and round 3, have seen increased mutual obligation activities for all recipients across a range of programmes. Those with personal barriers and disabilities will be increasingly required to engage in pre-vocational programmes such as the Personal Support Programme. Others will be encouraged under the mutual obligation framework to engage in labour market programmes under Job Network such as Job Search Training, Intensive Support Customised Assistance and Work for the Dole. These requirements come under the category of “mutual obligation”, and participation is staged according to length of time out of the workforce and level disadvantage as assessed by Centrelink.

Welfare Reform

For Clients with a Disability

After 1 July 2006, clients with a disability applying for the DSP will be assessed against the 15 hour a week work test. If a client is assessed as being able to work 15 hours per week in a standard workplace at award wages, he/she will be placed on Enhanced Newstart. Enhanced Newstart is a lesser rate than DSP, but the recipient receives the Pensioner Concession Card, Pharmaceutical Allowance and Telephone Allowance. Recipients with disabilities who receive Enhanced Newstart will be required to engage in mutual obligation activities such as job search and Work for the Dole on a part time basis to match their work capacity.

Single Parents /Partnered Parents

From 1 July 2006, when a parent’s youngest child turns six, parents will be moved to Enhanced Newstart allowance and be required to engage in mutual obligation activities to secure part time work of at least 15 hours per week.³

The Very Long Term Unemployed

This group of participants refers to those who have been out of work for three years or more. Following a second period in Intensive Support Customised Assistance, following specialised assessment job seekers may be referred into the Personal Support Programme, the CRS Vocational Rehabilitation Programme or Disability Open Employment Services. Wage Assist subsidies will be available for this group when they are placed in employment and payable through the job seeker account. A major change for this client group is the introduction of increased hours Work for the Dole. If a participant is identified by their employment services provider as not making a genuine commitment to find work, they will be referred to Work for the Dole for ten months a year, with a requirement of 25 hours per week. It is expected that this option is for those jobseekers who have already undergone two periods of Intensive Support Customised Assistance,

³ Andrews, Hon Kevin (2005), Welfare to Work Factsheet – Increasing Participation of Parents, Federal Budget 2005–2006.

two periods of Work for the Dole and are not currently experiencing other barriers which may prevent them from gaining work. For those who are experiencing other barriers, there is the option of further assessment and referral to other programs such as the Personal Support Programme or Disability Open Employment services.

Case Studies: The DSP Pilot Programme

In 2004, The Department of Workplace and Employment Relations initiated a pilot program to engage clients in receipt of the DSP on a voluntary basis in employment services programs. Financial disincentives for clients were offset by Working Credits for up to three months and also by Jobseekers' being able to keep their Pensioners' Concession Card for twelve months. Job Futures Burwood site, the Inner West Skills Centre, marketed their services to all clients on DSP in the Inner West area, and were successful in engaging a number of clients from public housing in receipt of the DSP in the pilot project.

Clients were mainstreamed into the Intensive Support Customised Assistance Programme and allocated a case manager experienced in working with clients with a disability, particularly mental health. Both clients in the case studies were living in NSW Department of Housing accommodation and had been for at least the previous five years.

Michael presented to the service after being contacted as part of a marketing exercise. Michael was 42 years old, and disclosed he suffered from a mental illness, namely schizoaffective bi-polar disorder. He had several previous psychiatric admissions of up to two months duration and was currently medicated under a court order with medication monitored by a case manager at the local Community Mental Health Service. Michael had been a public housing tenant for seven years, after being granted priority housing following a severe and prolonged psychotic episode. He lived in a two bedroom apartment in a high density public housing area. He had been allocated a two bedroom property to allow for a carer where the need arose.

Michael told consultants he was prepared to work in any job, as long as he had some type of regular income. He spoke about wanting to feel part of the wider world and not being kept apart due to his illness. Consultants prepared a resume for Michael and began the process of reverse marketing. A job was sourced in a factory close to Michael's house. Michael was successful in gaining a position on a permanent casual basis. The JSKA was used for Michael to purchase work boots and work clothes, and he began to work the early morning shift at the factory.

Michael was able to use the Tenant Employment Incentive Scheme and his rent was not adjusted for the first twelve weeks of work. Michael also had working credits, which meant his income from the pension was not reduced immediately, but there was a staggered drop in the pension amount over the first twelve weeks. He reported an increase in income of several hundred dollars per fortnight.

Michael has remained in the same position for over twelve months. Initially assessed as having a reduced work capacity of 8-15 hrs, Michael now works full time.

Jane responded to the marketing activities under the DSP pilot. Jane was 30 years old had been on DSP for five years, and suffered from severe depression and anxiety. She also had a problem with compulsive gambling. She had a general practitioner who also was able to provide ongoing counselling for the gambling problems and a psychiatrist who managed her anxiety. Jane lived in a medium block of Department of Housing accommodation. She reported in her assessment that she was concerned about the other residents' response to her looking for work, as none of the other tenants worked, were looking for work or were engaged in labour market programs. Using strength based model, Jane identified her skills and began applying for work in the administration field. New clothes were purchased for Jane from the Job Seeker Account, and skills based coaching on increasing confidence and self recognised abilities was delivered on a weekly basis. Jane also participated in Working Life, the vocational program delivered in house at Job Futures sites.

Jane was successful in gaining a casual position as a telephone receptionist. She utilised working credits and the Tenant Employment Incentive Scheme, and found the balance to working was made easier as a result. As she stayed in work, Jane reported a lessening of anxiety, a lessening in the compulsion to gamble and an increase in her self belief that she could be successful. Jane has remained in employment for over twelve months. She worked on a casual contract for the first 8 months and was recently moved to a permanent part time position. She told consultants that as she remained in work, the attitude of her neighbours became more supportive as opposed to predicting her failure.

Case studies are applied in consultant training programs. Consultants are encouraged to use the Job Network income calculator to show clients the actual increase in their income as a result of working to part time capacity. Consultants work together to find solutions to problems that arise, from both a social and economic perspective as illustrated above. "Jane's income, taken from the above case study is used as a training tool.

Jane's Income

Jane works 15hrs per week @ \$13.34 per hour

She can earn \$116 per fortnight without affecting her payment. Over this amount, her payment is reduced by 40c in every \$

Jane pays 25% of her income to DOH. On DSP, this is \$117.50 per fortnight (\$58.75 per week)

What rent will Jane be paying with her new income? (\$756.20 per fortnight)

What is her rental increase per week? *Jane will be paying \$189.05 per fortnight or \$94.52 per week, which is an increase of \$35.77 per week.*

Note: If Jane's income for the Department of Housing was assessed on the 20% of income as suggested in the model below as an incentive figure, her rent on \$756.20 per fortnight would equal \$151.24 or \$75.62. This would equal an increase in take home pay of \$18.92 per week or 37.80 per fortnight.

Innovations and Strategies for Best Practice YP4 – A Partnership approach with young homeless jobseekers

YP4 was developed over 2002-2004 to address the poor outcomes of current forms of employment assistance to homeless youth. The focus of the project, based on evidence gathered was that an integrated approach through partnerships with housing and employment services would lead to stronger, sustainable outcomes.

The power of 4 was listed as the combination of four factors, being a purpose (a job) a place (a home) personal support (what agencies are able to offer) and proof (evaluation and outcomes).

The project is designed with a collaborative and comprehensive approach to addressing the job seekers needs, identifying and resolving barriers, and supporting the job seeker to sustain employment and a tenancy. The partnership model developed by the YHJP Working group (2003) ⁴highlights the strengths of working together to support sustainable outcomes, recognising that often barriers to employment interlink into each other, and the solution lies in designing a holistic, solution focused, medium term intervention. The project is funded for three years, and is delivered by four Victorian social housing providers in partnership with Job Network agencies.

Employment outcomes will be used as the evidence base measuring the success of interventions, as the policy of the project is that employment is the stepping stone from which health and social outcomes will follow.

Addressing Financial Disincentives

The cultural and community context of subsidised tenants varies widely, from those housed in high density estates to those housed in the private rental market at rebated rents through community housing programmes. Participation in community life and the labour market also varies widely, with a myriad of variables affecting engagement and employment outcomes.

Research shows there are positive economic and social outcomes to be gained from stable, affordable and adequate housing.⁵ The negative impact on long term unemployment in conjunction with other social factors is also well documented – social isolation, length of time out of the workforce, lack of vocational skills, health issues, and a high prevalence of mental illness and domestic violence, especially in the single parent population.⁶ Engagement in the labour market in the longer term would assist in ameliorating the negative impacts of unemployment and community isolation. Tenure in secure and affordable housing would offset financial and personal disadvantage and create opportunities for the community, as well as labour market participation on a wider scale.

Disincentives to enter employment exist for those on Centrelink benefits and in subsidised housing in the form of high effective marginal tax rates and the complex interaction between benefit taper rates, family tax benefits and subsidised assistance. Eringa⁷ outlines the financial difficulties experienced by clients when entering the workforce, and Hulse and Randolph⁸ investigated the impact of housing assistance in terms of people entering employment. Results illustrated that high Effective Marginal Tax Rates (EMTRs) acted as a strong financial disincentive for recipients to enter employment.

⁴ Horn, M (2004 A New Approach to Assisting Young Homeless Jobseekers Hanover Welfare Services

⁵ Hazel and Blunden (2005), 'Public Housing and Non-Housing Outcomes – A Background Paper', Shelter NSW.

⁶ Butterworth, P., Estimating the Prevalence of Mental Disorders among Income Support Recipients: Approach, Validity and Findings.

⁷ Eringa, K. (2004), 'Workforce Disincentives in Public Housing', Shelter WA, Occasional Paper 1.

⁸ Hulse K and Randolph B, (2004), *Work Disincentives and Housing Assistance*, Australian Housing and Urban Research Institute.

In terms of finding solutions, this issue needs to be viewed from two perspectives. Firstly, the interaction between housing agencies, employment services and Centrelink, and secondly the transitional phase of clients from welfare dependent to income based self reliance.

Each agency has set policies, procedures and methods of communication with other agencies. The establishment of the silo effect often means that each agency will not know what initiatives are being taken, by whom, and why. A shared basis of information and interagency discussion may prove effective in addressing this. In Employment Services, it is standard practice for interagency stakeholder meetings between DEWR, Centrelink and Employment Services as a forum to discuss joint concerns and issues.

Whilst there has been strong interaction between employment services, welfare services and housing agencies in terms of pilot projects in NSW metro, Upper Hunter, Victoria and Adelaide, it would seem essential to create stronger links at a policy and practice level to comprehensively address labour market participation and financial disincentives from all agencies point of view.

Establishing a working committee to review practical strategies of reducing disincentives could work together at developing integrative solutions, including overseas intervention models. A Process Improvement Group could be comprised of members from the three main stakeholders with client consultation included an integral part of the process. Social Housing tenants committees could be one way of capturing tenant experiences and ideas. Another is to utilise the research of interviews and experience captured by Hulse and Randolphe (2004) which illustrated tenants' experience and financial realities and disincentives in entering the workforce.

For example, in the United States and Canada, Berlin (2000)⁹ summarised practical programs of welfare and work assistance that had the goal of encouraging labour market participation whilst reducing poverty. In the study, three different programs developed initiatives to manage the complex interactions between work, assisting people to maintain a liveable wage and welfare. The design of the programs provides a practical and effective means of encouraging people to stay in work. Cash subsidies were provided on a monthly basis for those in full time work, and based on their previous month earnings. There was a higher margin of ability to earn before payments were reduced, and a longer time frame people could receive subsidies whilst working.

In the Canadian program, participants were able to continue receiving subsidies for up to three years. For United States participants, not only was there the option of cash subsidies but also for the Earned Income Tax Credit for low wage earners, a refundable benefit in the form of tax credits. Low income earners could claim up to 40% of their wages back as part of the EITC. Such a combined response directly addresses the issue of high tax rates for low income earners, and provided a steady financial incentive to remain in work.

The American and Canadian programs provide an interesting parallel model for the Australian experience. In NSW, clients entering the labour market are eligible for the Tenancy Employment Incentive Scheme (TEIS) if they inform the Department of

⁹ Berlin, G 2000 Encouraging Work, Reducing Poverty – The Impact of Work Incentive Programs MDRC Working Paper

Housing they are working within 28 days. Participation in the TEIS allows a tenant twelve weeks where their rent is not adjusted upwards following a shift in income.¹⁰

The issues surrounding high EMTRs and the sudden cessation of welfare payments upon reaching a certain income level, combined with the current time frame of the TEIS, create a dynamic whereby it may be less financially viable to remain in work in the first six months after the reduction in benefits.

Potential for Pilot Projects

If the model trialled in work incentives programs in the United States and Canada was trialled here for public housing tenants, incentives could exist in the form of either a cash allowance or rental reduction for a transitional period over and above the TEIS scheme. The structure of such a scheme would be based on monthly earnings and the rental reduction in effect for the next calendar month. For example, when a tenant returns to work, his rent charged could be 20% of total income done on a monthly basis over a longer period of time. The Ann E Casey Foundation study into models of assistance with highly disadvantaged long term unemployed (2004) found that the minimum transitional time to allow for interim changes in terms of employment and welfare related attitudes for highly disadvantaged long term unemployed was 12 months.

With a tenants work incentive model, with rental reductions based at 20% of a minimum wage full time job, the rental income earned from the property of those in work would be above that received whilst the person was on benefits.

For those impacted by the welfare reforms, a significant proportion of those engaging in labour market programmes will be seeking part time work due to disability-oriented reduced work capacity and parenting responsibilities. For the purposes of work incentives, working to assessed capacity, eg 8 hrs or 16 hrs would qualify as “full time” being the full capacity of that person due to disability or parenting responsibilities.

Working credits is a Centrelink scheme which aims to assist clients make the transition into work. Working credits are earned by job seekers by participating in mutual obligation activities. Working credits are applied when a person enters work and offsets the amount of the benefit reduction for each dollar earned. In this way, benefit recipients have a gradual adjustment from income derived from benefits to income derived from a combination of income and benefits to work-earned income only.

A model that delivers actual financial incentives for returning and staying in work would also assist clients in addressing the second area of financial disincentives, being client capacity to focus on skills development in financial settings.

For those who have been on low incomes for a significant period of time, the ability to budget and plan long term may be an under-developed skill. Community partnerships with agencies such as the Commonwealth Bank’s Financial Literacy Programme, training modules as part of work preparations and financial planning and counselling provided by agencies such as Credit Line and Wesley Mission Counselling services may assist participants. A key strategy in addressing this issue is to work with clients to assist them to gain longer term financial perspective, which would be made definitively easier if the

¹⁰ NSW Department of Housing, *Policy and Procedure Manual*, online at www.housing.nsw.gov.au/, Policy SUB 0044a, ‘Rental Subsidies’.

financial gains upon entering employment were immediately visible in terms of dollar for dollar increase.

A pilot program of this type could be developed and delivered for tenants serviced through housing agencies and able to participate at generalist employment services sites, with ongoing involvement from Centrelink. It is essential for any pilot program to be effective to ensure that tenants and job seekers understand the ways in which the agencies and systems interact. At present, Centrelink requires a projected earnings figure to be disclosed for the next fortnight. For the purposes of a trial partnership, perhaps streamlined strategies regarding reporting of earnings could be developed to allow for a positive interaction between housing agencies and Centrelink.

The success of any pilot program could be measured with employment placements and length of time in employment. For those who are able to maintain employment for a twelve month or other defined period, with a liveable minimum wage, their rent, and dependent on earnings could be gradually increased to that of the affordable housing bracket at 30% of income earned. The option of affordable housing for those moving from benefits to employment as they become used to being actively engaged in the labour market, could provide a staggered transition to the private rental market, again dependent on income earned.

Whilst financial disincentives exist at present, it is also important to note the positive gains to be made by those engaging in the labour market under the current system. Examples of this can be seen through current holistic models being trialled and implemented and case studies of those successfully engaged in the labour market.

Models such as those implemented successfully overseas and outlined in this paper work due to the absence of the “Silo effect”, which occurs when different agencies work with shared clients in isolation to and unawareness of the other. Working together, the trialling and development of integrated practice methods with measurable outcomes in employment and income would maximise positive options for tenants, housing service providers and employment service providers under the new Welfare to Work Reforms.

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