

Welfare Review Interim Report  
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# REVIEW OF AUSTRALIA'S WELFARE SYSTEM

Review of the Interim Report:  
*A New System for Better Employment and Social Outcomes*



The Youth Affairs Council of Western Australia  
**August 2014**

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# **YOUTH AFFAIRS COUNCIL OF WESTERN AUSTRALIA**

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The Youth Affairs Council of Western Australia (YACWA) is the peak non-government youth organisation in Western Australia with a membership of over 300 youth service organisations, community organisations, academics, individuals and most importantly young people themselves. Established in 1980, YACWA has worked tirelessly for 30 years to deliver high-level representation and advocacy for the Western Australian youth sector and young people.

YACWA seeks to be the leading peak body working to ensure that young people and the workforce that support them are valued, informed and have opportunities to influence public policy.

YACWA seeks to develop a Western Australian community where all young people are empowered and have their human rights maintained. A community that values young people's skills and knowledge and engages them in decision-making.

The Youth Affairs Council of Western Australia is thankful for the opportunity to submit to this review. Welfare reform is an important issue politically and with young people struggling to afford basic costs of living, it is more important now than ever to ensure Australia retains a strong and effective welfare system.

## **INTRODUCTION**

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Australia's social security system provides support for people who are unable to work for a number of reasons. This includes disability, old age or sole parenthood. However in spite of this there are roughly 2.6 million Australians living below the poverty line. Nearly one quarter of which are children and young people<sup>1</sup>. Youth unemployment is increasing and workforce participation is slowing. Young people, now more than ever, need a strong, efficient and adequate federal income support system. Young people suffer disproportionately during economic downturns and they are often the group with the most inadequate income support. Any changes to Australia's welfare system must not only increase protection for young people but must also ensure successful programs are retained and expanded.

### **International obligations**

Australia has made a raft of commitments under international instruments. Article 9 of the International Covenant on Economic Social and Cultural Rights, to which Australia is a state party, states that it is "the right of everyone to social security". This is in addition to article 11.1 which states that countries have an obligation to ensure their citizens achieve "an adequate standard of living for [themselves] and [their] family, including adequate food, clothing and housing, and to the continuous improvement of living conditions". Countries are obliged to take "appropriate steps" to "ensure the realisation of this right" which implies the provision of social security.

In spite of these commitments, the delivery of income support payments to Australians is incredibly vulnerable to changes in the economic, social or political

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<sup>1</sup> B. Phillips, R. Miranti, Y. Vidyattama & R. Cassells, *Poverty, Social Exclusion and Disadvantage in Australia*, NATSEM, Canberra, 2013, p.8

climate. While the ICESCR has not formally been incorporated into Australian domestic law it is listed among the international instruments included in the *Human Rights Parliamentary Scrutiny Act 2011*. The Act gives the Parliamentary Joint Committee on Human Rights the responsibility to examine Bills and Acts before parliament for compatibility with human rights.

YACWA calls on the Federal Government to operate within the *United Nations Common Understanding of a Human Rights Based Approach to Development Cooperation* framework when considering the practical effects of all proposed welfare reforms, in particular ensuring:

- Programs assess the capacity of rights-holders to claim their rights, and of duty-bearers to fulfil their obligations;
- People are recognised as key actors in their own development, rather than passive recipients of commodities and services;
- Strategies are empowering, not disempowering;
- Programmes focus on marginalised, disadvantaged, and excluded groups;
- Situation analysis is used to identify immediate, underlying, and basic causes of development problems; and
- Measurable goals and targets are important in programming;

YACWA emphasises the need for increased investment in professional youth and social workers in order to support the work done with individuals and families in the social and community sectors.

## STREAMLINING COMPLEX PROCESSES

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Complicated eligibility and compliance arrangements for accessing income support risk resulting in young people inadvertently doing the wrong thing or failing to receive all the support to which they are entitled<sup>2</sup>.

In 2012, the Australian Youth Affairs Coalition consulted young people about their experiences in dealing with Centrelink<sup>3</sup>. While most of the young people surveyed were grateful for the support they received they expressed frustration regarding how difficult it often was to negotiate Centrelink's confusing payment and compliance requirements. AYAC's report states that<sup>4</sup>:

*The young people were frequently critical of the contact they had with Centrelink staff about their entitlements and, in particular, were frustrated at contradictory advice, rude staff and unexpected payment cuts. The young people typically found the system confusing and did not have the eligibility criteria explained to them in a way they understood. This suggests an area for improved communication<sup>5</sup>.*

AYAC also cited a number of consistent administrative issues young people faced, they included<sup>6</sup>:

- Being unaware which payment category they were entitled to;

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<sup>2</sup> National Welfare Rights Network (NWRN) 2013a, Supplementary submission to the 2015 Employment Services Review: Jobseeker compliance arrangements, retrieved from, <<https://www.welfarerights.org.au/sites/default/files/news/Jobseeker%20Compliance%20Arrangements.pdf>>.

<sup>3</sup> Australian Youth Affairs Coalition (AYAC) 2012, Beyond learn or earn, retrieved from, <<http://www.ayac.org.au/uploads/AYAC%20Beyond%20Learn%20or%20Earn%205.7MB.pdf>>.

<sup>4</sup> Ibid, 4

<sup>5</sup> Ibid, 29

<sup>6</sup> Ibid, 30

- Not understanding why they were entitled to a certain type of support over another;
- Their income support payments being discontinued for ambiguous reasons or because the institution at which they were studying hadn't received Centrelink accreditation;
- Being unable to obtain official identification papers; and
- Centrelink's database not being updated resulting in young people having to provide staff the same information on several occasions.

These issues were even more pronounced for homeless young people, for young people who spoke English as a second language, young people with mental health problems and those with low levels of literacy and numeracy<sup>7</sup>. The consequences of making a mistake in the application process are also more severe for these already vulnerable groups.

## **YOUTH ALLOWANCE**

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Youth Allowance was introduced in 1998 and was intended to increase youth participation in education and training and at the same time to reduce disincentives for study<sup>8</sup>. The basic premise upon which youth allowance was built is that until a young person turns 22 their parents should be able to support them through study, provided they're living at home. While providing support for young people undertaking full

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<sup>7</sup> Australian Youth Affairs Coalition (AYAC) 2010, Submission to the Senate Community Affairs Committee Inquiry into Social Security and other Legislation Amendment (Welfare Reform and Reinstatement of the Racial Discrimination Act) Bill 2009, retrieved from, <[http://www.ayac.org.au/uploads/AYACSubmissionSocSecLegislation0312\\_FN2.pdf](http://www.ayac.org.au/uploads/AYACSubmissionSocSecLegislation0312_FN2.pdf)>.

<sup>8</sup> 'Youth Income Support in Australia', *Face the Facts Briefing*, Australian Clearinghouse For Youth Studies, 1:3 June 2013, 5.



time study or participating in a full time apprenticeship program it can also assist young people who are under 22 and looking for full-time work. The Parental Income Test and the Family Assets Test have been used to establish whether a family is able to support the young person and hence determine whether they are eligible for Youth Allowance<sup>9</sup>.

The payments for young people receiving Youth Allowance or Newstart are significantly lower than pensions, in spite of their relative costs of living. A 2011 report by the Australian Council of Social Services stated that the difference between pensions and income support is unjust<sup>10</sup>. Furthermore the difference between the payments is increasing. Since 2003 the single pension rate has increased by 84% while the Newstart and Youth Allowance payments have increased by 33 and 31% respectively<sup>11</sup>. While pensions are formally indexed to at least 25% of the average male weekly earnings the Allowances are instead adjusted with reference to the Consumer Price Index<sup>12</sup>. The National Welfare Rights Network stated, in a 2011 report, that allowing this discrepancy to widen to current levels has caused “entrenched and endemic levels of poverty amongst unemployed people, students and young people and some single parents and people with disabilities on Newstart Allowance”<sup>13</sup>.

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<sup>9</sup> Ibid, 5

<sup>10</sup> Australian Council of Social Services (ACOSS) 2012, Who is missing out? Material deprivation and income support payments: ACOSS Paper 187, retrieved from, <[http://acoss.org.au/images/uploads/Missing\\_Out\\_2012\\_ACOSS.pdf](http://acoss.org.au/images/uploads/Missing_Out_2012_ACOSS.pdf)>.

<sup>11</sup> National Welfare Rights Network (NWRN) 2013, ‘Young & neglected– Youth Allowance increases by less than \$100 pf in a decade’, media release, 9 April, retrieved from, <<https://www.welfarerights.org.au/sites/default/files/news/Young%20%26%20neglected.pdf>>.

<sup>12</sup> Youth Income Support in Australia’, *Face the Facts Briefing*, Australian Clearinghouse For Youth Studies, 1:3 June 2013, 5.

<sup>13</sup> National Welfare Rights Network (NWRN) 2011c, ‘Tax forum offers opportunity to restore balance and fairness to the welfare system’, media release, 2 October, retrieved from, <[http://taxwatch.org.au/ssl/CMS/files\\_cms/277\\_Tax%20Forum%20Release%20%20October.pdf](http://taxwatch.org.au/ssl/CMS/files_cms/277_Tax%20Forum%20Release%20%20October.pdf)>.

The McClure Report's proposals to streamline Newstart and Youth Allowance payments are not without merit. However any changes need to ensure that both payments aren't further reduced; they are already disproportionately too low. In 2012, Homelessness Australia compared a combination of Youth Allowance and Rent Assistance payments with the top five essential items a young person is likely to need while living away from home. Homelessness Australia found, based on 2012 costs, that a person on Youth Allowance and Rent Assist would be left with 75 cents a fortnight after meeting basic costs<sup>14</sup>. On Newstart that same young person would be left with an additional \$10 a week<sup>15</sup>.

## **INCOME MANAGEMENT**

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*“Income management could also be used to build capabilities as part of a case-management approach to assist the large number of disadvantaged young people not fully engaged in either education or work.” – Page 83*

Compulsory income management is a tool through which half of a recipient's income support payments are only accessible through a BasicsCard. The premise of income management is that it forces recipients to manage their money efficiently. It

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<sup>14</sup> Homelessness Australia 2012, Submission to the Senate inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market, retrieved from, <[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=eet\\_ctte/completed\\_inquiries/2010-13/newstart\\_allowance/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/completed_inquiries/2010-13/newstart_allowance/submissions.htm)>.

<sup>15</sup> Ibid

purportedly intends to encourage recipients to learn to better manage their finances in the long term<sup>16</sup>. Place-based compulsory income management currently operates in<sup>17</sup>:

- The Northern Territory;
- The Perth Metropolitan, Peel and Kimberley regions, as well as Ngaanyatjarra Lands and Laverton Shire, in Western Australia;
- Logan, Rockhampton, Livingstone and Cape York, in Queensland;
- Bankstown, New South Wales;
- Playford, Anangu Pitjantjatjara Yankunytjatjara Lands, and the Ceduna regions, in South Australia; and
- Greater Shepparton, Victoria.

In certain circumstances, disengaged young people receiving income support can be subjected to compulsory income management. The proportion of the payment quarantined is generally 50% however some young people have their entire income supplement managed<sup>18</sup>. In July 2013 the Federal Government extended compulsory income management to groups of “mainly vulnerable young people”<sup>19</sup>. This extension generally targeted young people receiving youth allowance at the ‘Unreasonable to Live at Home’ rate. Ninety of the young people having their incomes compulsorily managed applied for exemptions on the grounds that income management would psychologically harm them or would impact on the stability of their

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<sup>16</sup> National Welfare Rights Network, State of Play: Income Management in 2014, 2014 <<https://www.welfare-rights.org.au/sites/default/files/news/Income%20Management%20Analysis%20Mach%202014.pdf>>

<sup>17</sup> Ibid.

<sup>18</sup> Ibid

<sup>19</sup> Ibid, 6

accommodation<sup>20</sup>. Only 25 applications were successful. Young people are also permitted to apply for an exemption if they:

- Are studying full time on Youth Allowance;
- Are a student apprentice on Youth Allowance;
- Are participating in regular paid employment;
- Are participating in an approved exemption activity; or
- Have dependent children who are participating in approved activities.

YACWA is very concerned by suggestions in the Report that income management could be used as a tool incorporated in a case management approach for disadvantaged young people receiving income support. Conceptually, compulsory income management is fundamentally unsound. As an involuntary measure compulsory income management is counter-productive with respect to strengthening the decision-making capacity and financial capabilities of young people.

There is almost no verifiable evidence that indicates income management has any tangible social, economic or health benefits for those subjected to such measure. Reports have however indicated that income management can adversely impact on a young person's sense of self-worth and independent decision-making capacity. Further, income management:

- Is expensive to administer. Current income management measures around Australia cost roughly \$8,000 per person per year. Between 2005-06 and

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<sup>20</sup> Ibid, 6

2014-15 the Federal Government will have spent upwards of \$1 billion administering compulsory income management schemes<sup>21</sup>;

- Has not been proved to achieve its intended outcomes<sup>22</sup>;
- Disempowers and demeans the people subjected to it and undermines their ability to develop the skills required to manage their own finances;
- Can be embarrassing for recipients; and
- Diverts funds away from proven reengagement and education programs.

The 2008 Report of the Northern Territory Emergency Response (NTER) Review Board ('the Yu Report') highlighted the equivocal effectiveness of income management and was highly critical of its potential psychological impact. The Yu Report states that the blanket imposition of the income management scheme led to "widespread disillusionment, resentment and anger in a significant segment of the...community"<sup>23</sup>. This was echoed in the findings of the Equal Rights Alliance Survey into compulsory income management in the Northern Territory. One participant succinctly expressed a large part of the community's frustration by stating that she felt Centrelink were telling them that they "can do a better job of managing your life than you can". Another woman stated that the card made her feel "more diminished...so small"<sup>24</sup>.

YACWA recently consulted several young Western Australians about the psychological effect of compulsory income management. One participant stated that they couldn't "walk into a shop and use a BasicsCard without being close to tears".

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<sup>21</sup> Ibid, 5.

<sup>22</sup> Ibid, 5.

<sup>23</sup> Yu Report, Chapter 2.

<sup>24</sup> Ibid

The young person went on to explain that “no one wants to be relying on welfare, but at least it’s your private business” but with a BasicsCard when you “try to buy groceries...everyone in the area can see that you’re buying them on one of those dole cards”. Other young people stated that income management:

- “Doesn’t teach you very much about appropriate personal budget decision-making”;
- Will cause young people “to give up, become angry” and “create a greater sense of hopelessness”; and
- Can lead to “labelling”, “shame” and increased feelings of inequality.

YACWA also included youth workers in the consultation with one worker stating that BasicsCards are “unnecessarily embarrassing” for young people. Another worker added that it “takes away people’s dignity and is patronising to say that people don’t know how to budget because they are unemployed.”

The compulsory imposition of income management schemes that aren’t based on any assessment or examination of a person’s capacity to meet certain social obligations generates indignation and anger. Place-based income management means that there are no “opportunit[ies] extended to those living in the affected communities to negotiate” exemptions to the scheme<sup>25</sup>. Fundamentally the only determinant used is whether an individual lives in a prescribed area. Age-based income management schemes have similar effects.

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<sup>25</sup> National Welfare Rights Network, State of Play: Income Management in 2014, 2014 <<https://www.welfarerights.org.au/sites/default/files/news/Income%20Management%20Analysis%20Mach%202014.pdf>>

YACWA disagrees with the Report's assertion that "the evidence to date suggests income management has assisted individuals and families to stabilise their financial circumstances" while also helping them "to meet priority needs...and protect them from financial harassment and exploitation"<sup>26</sup>. There has been almost no research to suggest that income management can support positive change. There has in fact been very little research on the impacts of income management generally. Income management began as an exceptional response to an "emergency" in the Northern Territory and YACWA now fears that there is a danger income management will become the rule rather than the exception with no concrete evidence of its effects.

Income management can be an effective budgeting tool if it is implemented on an entirely voluntary basis. The evidence reveals that if individual young people want to take advantage of a voluntary income management scheme they should be permitted to do so. Further, YACWA does not believe income management programs can't be made temporarily compulsory for child protection purposes, particularly if alcohol and other drugs are being abused to the detriment of children. YACWA recommends that no additional compulsory age-based income management schemes be implemented in Australia. YACWA also recommends that all aged-based income management schemes currently in operation be made available on a voluntary basis to young people who choose to have a percentage of their income quarantined.

## **DISABILITY SUPPORT**

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<sup>26</sup> Page 83

*“To align Disability Support Pension with contemporary disability policy the payment needs to better differentiate between permanent and temporary incapacity”-*

Page 47

YACWA is concerned by the Report’s suggestion that people with mental illness should be moved off the Disability Support Pension. Approximately 27% of 18-25 year olds experience mental health problems each year<sup>27</sup>. Three quarters of mental illnesses emerge before a person turns 25. Mental health and substance use disorders account for 60-70% of the diseased burden among 15-24 year olds. These are issues that disproportionately affect young people and as a result YACWA believes there needs to be very careful and very extensive consultation conducted before changes of this type are implemented.

Currently the proportion of people with disabilities receiving the Disability Support Pension (DSP) is 37.3%<sup>28</sup>. At any given time there are roughly 489,000 Australians living with severe mental illness. In 2013 there were 258,640 people receiving the DSP due to psychological disability<sup>29</sup>. This is almost a third of all people receiving the DSP.

Young people experiencing severe and persistent mental illness often find it profoundly disabling. This in turn affects their day-to-day lives and social functioning. In addition to this, problems with memory and organisation can severely restrict a young person’s ability to engage with support services regularly.

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<sup>27</sup> Mental Health Council of Australia, *Mental Illness and the Income Support System*, 2014 <  
[https://mhca.org.au/sites/default/files/docs/mental\\_illness\\_and\\_the\\_income\\_support\\_system\\_key\\_issue\\_s\\_paper.pdf](https://mhca.org.au/sites/default/files/docs/mental_illness_and_the_income_support_system_key_issue_s_paper.pdf)>

<sup>28</sup> Ibid

<sup>29</sup> Ibid



Young people with psychosocial disabilities often exhibit more than one indicator of disadvantage, including:

- Financial hardship;
- Housing instability and homelessness;
- Social exclusion;
- Underemployment and unemployment; and
- Chronic and persistent physical health problems.

While YACWA agrees with the Report's observation that "the current participation framework for younger people on Disability Support Pension...could be enhanced so that people have a plan of activities, support services and path[s] to education and employment"<sup>30</sup> this needs to be in addition to, not in place of, DSP payments. The Federal Government's July 1 changes to the DSP now require recipients under 35 to participate in compulsory activities that are intended to assist them to find work. While this is a superficially plausible policy change it fails to take into consideration that the workforce participation rate amongst people with psychosocial disabilities is significantly lower than it is for people with other disabilities. The Mental Health Council of Australia stated, in a 2013 report, that the reasons young people with mental illness and psychosocial disability experienced these lower rates of workforce participation include<sup>31</sup>:

- Suffering from symptoms that fluctuate in severity and impact;
- Generally lower educational attainment as a result of their mental illness;

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<sup>30</sup> Page 81

<sup>31</sup> Mental Health Council of Australia, *Mental Illness and the Income Support System*, 2014 <[https://mhca.org.au/sites/default/files/docs/mental\\_illness\\_and\\_the\\_income\\_support\\_system\\_key\\_issues\\_paper.pdf](https://mhca.org.au/sites/default/files/docs/mental_illness_and_the_income_support_system_key_issues_paper.pdf)>

- Limited work-relevant skills as a result of time spent out of the workforce;
- Much higher rates of housing instability;
- Multiple levels of disadvantage; and
- A lack of confidence due to experiences of stigma and discrimination.

The much lower workforce participation rate suggests that people receiving the DSP for mental illness require more support, not less.

### **Receiving the Disability Support Pension**

In spite of suggestions that too many young people with episodic mental health problems receive the DSP actually accessing disability payments is a particularly arduous process<sup>32</sup>. Applicants are required to, at their own expense, obtain medical reports from their personal GP as well as any other treating specialists. In order to be eligible for the DSP the GP and specialist need to state that the mental illness the applicant is suffering is expected to last for more than two years and also provide detailed evidence outlining the extent of the disability. The evidence is then assessed by the Department of Social Services in order to make their determination as to whether or not the illness is sufficiently serious. If the applicant's condition is deemed sufficiently serious they are then required to undergo a Job Capacity Assessment to assess their capacity to work more than 15 hours per week. The final step is for the person to demonstrate that their mental illness has not only been diagnosed and is

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<sup>32</sup> Ibid

being treated but also that it has “stabilised”. Generally applications take two months to process<sup>33</sup>.

## **RENT ASSISTANCE**

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YACWA supports the McClure Report’s assertion that current levels of rent assistance are insufficient to meet people’s needs. Accommodation costs constitute young people’s greatest single expenditure. When young people are forced to supplement their wholly inadequate rent assistance with their already low-income increased stress is placed upon their ability to meet their other essential needs. Ultimately this can lead to young people becoming caught in a cycle of insufficient welfare that acts as a serious barrier to transitioning off income support. After accommodation expenses the average young person on Newstart and Rent Assistance payments will have roughly \$17 per day to spend on all other necessities, including food, clothing, utilities and education expenses<sup>34</sup>. Young people living so close to the poverty line are at a much-heightened risk of homelessness. This should be of particular concern to the Federal Government given that homelessness already disproportionately affects young Australians. Around 50% of all homeless people in Australia are under the age of 25<sup>35</sup>.

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<sup>33</sup> Ibid

<sup>34</sup> P. Whiteford, *Submission to Senate Education, Employment and Workplace Relations References Committee inquiry into the adequacy of the Allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market*, Crawford School of Public Policy, Australian National University, 2012, retrieved from, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=eet\\_ctte/completed\\_inquiries/2010-13/newstart\\_allowance/submissions.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/completed_inquiries/2010-13/newstart_allowance/submissions.htm)

<sup>35</sup> YFoundations, *Youth Homelessness Facts and Figures*, n.d., retrieved via [https://yfoundations.org.au/index.php?option=com\\_content&view=article&id=50&Itemid=93](https://yfoundations.org.au/index.php?option=com_content&view=article&id=50&Itemid=93)

YACWA notes the Report's reference to the important role of public housing. Children and young people occupy a quarter of all public rentals<sup>36</sup>. This is in part due to the fact that young people are often unfairly excluded from the private rental market for reasons outside their control. Thus highlighting how critical Australia's social housing system is for young people. Consequently, YACWA stresses that any proposed changes to the rent assistance allowance should ensure that the payment complements public housing. Rent assistance should not only be adequate to cover increasing prices in the private market but it should be indexed to ensure that it doesn't stagnate and fall behind the market.

## **RECOMMENDATIONS**

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1. YACWA recommends that income supplements should be adjusted to better reflect the cost of living.
2. YACWA recommends that the Rent Assistance allowance needs to be increased to ensure it adequately reflects the cost of private rental accommodation. This change should be accompanied by an indexation to fluctuations in the average rental price.
3. YACWA recommends that public housing availability needs to be increased to cater for the demand from young people who have been unfairly excluded from the private rental market.
4. YACWA recommends that no additional compulsory age-based income management schemes are implemented in Australia.
5. YACWA recommends that all compulsory aged-based income management schemes currently in operation are no longer compulsory but are made available

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<sup>36</sup> Ibid

on a voluntary basis to young people who choose to have a percentage of their income quarantined.

6. YACWA recommends that complicated eligibility and compliance arrangements for accessing income support be streamlined to ensure they are widely and easily accessible.

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