

# Preventing financial crisis and exclusion

Submission in response to the proposed  
redesign of the Financial Wellbeing and  
Capability Activity

31 March 2017



## About VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS members reflect the diversity of the sector and include large charities, peak organisations, small community services, advocacy groups, and individuals interested in social policy. In addition to supporting the sector, VCOSS represents the interests of disadvantaged Victorians and advocates for the development of a sustainable, fair and equitable society.

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VCOSS acknowledges the traditional owners of country and pays its respects to Elders past and present.

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# Executive summary

VCOSS welcomes the opportunity to provide feedback on the proposed redesign of the Financial Wellbeing and Capability Activity proposed by the Australian Government Department of Social Services (DSS).

Australia has a well-established, if under-resourced, 'ecosystem' of support for people in financial crisis, stress and hardship, including emergency relief, financial counselling, and financial capability services (collectively, 'financial wellbeing and capability services'). Currently, universal access allows service providers to respond quickly to people in immediate crisis, and to assist people without judgement.

DSS proposes to restrict eligibility for financial wellbeing and capability services. The proposed changes risk excluding many people facing financial difficulty from the service system, potentially worsening financial outcomes for the most disadvantaged Australians. The proposed restrictions would preclude services from intervening early to prevent financial crises and develop people's financial literacy capabilities. VCOSS recommends the Australian Government retain universal access for financial wellbeing and capability services, and equip these services to engage in early intervention and prevention work to prevent financial crises developing in the first place.

DSS also proposes to restrict repeat use of emergency relief services, and require repeat service users to show they are improving their financial management. VCOSS suggests repeat use of emergency relief services indicates the inadequacy of the income support system, high rates of extreme housing stress, and the prevalence of entrenched poverty, including significant numbers of people with high and complex needs accessing emergency relief. Arbitrary restrictions on repeat use are likely to be wasteful and counterproductive, excluding people in legitimate need from accessing assistance, and diverting resources away from service provision to individual eligibility assessments and 'red-tape' compliance activities.

VCOSS supports holistic frameworks for assessing and achieving financial security. It warns against the proposed mandatory service linkages, including with JobActive providers, and mandated conversations about employment pathways and 'work readiness'. A narrow focus on employment outcomes fails to understand the complex needs of people presenting for financial wellbeing and capability services (particularly emergency relief), diverts services from meeting people's immediate needs, and may fracture well-established relationships of trust between service providers and the people they assist.

The DSS redesign is an opportunity to strengthen, rather than diminish, financial wellbeing and capability services, particularly at a time of heightened financial stress. We welcome collaborative reform that acknowledges the extent of financial vulnerability among Australians, and draws on the sector's expertise and on-the-ground experience to develop options for change.

# Recommendations

## Collaborative and co-designed reform is more likely to succeed

- Engage in collaborative, co-designed reform to promote Australians' financial wellbeing.

## Retain universal access

- Retain universal access for financial wellbeing and capability services.

## Intervene early to prevent crisis

- Ensure financial wellbeing and capability services are equipped to intervene early to prevent financial crises, and are not restricted to people facing imminent debt default.
- Provide funding to train skilled workers and volunteers, and promote financial counselling services.

## Managing repeat use

- Allow services the flexibility to manage repeat use depending on the individual needs of the person, and fund more opportunities to provide or link to more intensive support.
- Avoid placing arbitrary and counterproductive limitations on repeat use of emergency relief services.

## Integrating services

- Encourage greater service integration by:
  - increasing resources for networking and collaboration in local areas, including more skilled, long-term workers
  - improving public sector collaboration capacity and referral pathways, including for Centrelink and local government
  - investigating promising models of co-operation between service providers, such as 'virtual hubs' in rural and regional areas.
- Avoid prescribing mandatory linkages which are not based on trust and collaboration, or are inappropriate for people's needs.

## Building financial security

- Develop a holistic framework for assessing financial security outcomes, rather than a narrow focus on employment alone.
- Avoid mandating employment conversations, which are likely to be ineffective and counterproductive.

# Collaborative and co-designed reform is more likely to succeed

## Recommendation

Engage in collaborative, co-designed reform to promote Australians' financial wellbeing.

Australia has a well-established, if under-resourced, 'ecosystem' of support for people in financial crisis, stress and hardship, including emergency relief, financial counselling, and financial capability services. VCOSS and our members continue to build this ecosystem and welcome opportunities to explore ways of better collaborating to reduce the poverty and disadvantage experienced by the Victorian community.

The Australian Government provides some funding to community sector organisations towards providing these services. This funding supplements other sources of revenue, including from state, territory and local governments, and from philanthropic resources including donations and volunteering.

VCOSS is deeply concerned the Australian Government has developed its reform proposals in isolation from the other funders of emergency relief, potentially leading to fragmentation of the sector. VCOSS is also concerned the Department of Social Services (DSS) discussion paper has been developed 'behind closed doors', without the benefit of the sector's expertise and on-the-ground experience.

Successful, durable reform is more likely to be achieved by developing reform proposals in partnership with the sector, and engaging service users in co-design processes to find out how people navigate the services, identify the changes of most benefit, and agree the most productive and seamless process for implementation.

Co-design involves coming alongside people who experience vulnerabilities, to work with them in creating interventions, services and programs which will work in the context of their lives and will reflect their own values and goals.<sup>1</sup> This involves letting go of professional assumptions about a group's perspectives and experiences and actively learning from what people say and do. By engaging service organisations and service users in collaborative dialogue about services design, more effective ways can be found to prevent financial crisis and exclusion.

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<sup>1</sup> Victorian Council of Social Service, Walk Alongside: Co-designing social initiatives with people experiencing vulnerabilities, 2015.

# Retain universal access

## Recommendation

Retain universal access for financial wellbeing and capability services.

In its discussion paper, DSS proposes restricting Commonwealth emergency relief and financial counselling services to people at imminent risk of not being able to pay their debts. Financial capability services would be restricted to people who are receiving Commonwealth income support, pensions or benefits, experiencing family violence, or are immigrants or non-citizens.

VCOSS recommends DSS abandon proposed restrictions for access to financial wellbeing and capability services. The proposed changes risk:

- excluding many people facing financial difficulty from accessing the service system, potentially worsening financial outcomes for Australians
- precluding services from intervening early to prevent financial crises, developing people's financial literacy capabilities, and limiting organisations' ability to connect people to more intensive support where appropriate
- creating a 'two-tiered' services system, with different requirements for Commonwealth-funded services to those funded by philanthropic resources or state, territory or local governments
- creating additional red-tape for services, requiring them to needlessly divert resources to onerous requirements
- breaching Australia's human rights obligations.

## Universal access provides a strong safety net

Because there are no administrative barriers or eligibility requirements impeding service access, financial wellbeing and capability services can respond quickly in emergency situations, such as a pending energy disconnection or potential late rent payment that could spark an eviction and subsequent homelessness. It also permits services to assist people without judgement, allowing services to maintain trusted relationships with people in financial difficulty who may be desperate, ashamed or embarrassed to ask for help.

Funded organisations follow guidelines set by DSS for use of DSS funds. Under the current guidelines for Commonwealth-funded services:

- emergency relief provides immediate financial or material support to ‘people experiencing financial distress or hardship and who have limited means or resources to help them alleviate their financial crisis’
- financial counselling funding is directed to ‘helping people in financial difficulty to address their financial problems and make informed choices’
- financial capability services are intended to ‘help people build longer-term capability to budget and manage their money better and make informed choices’.

Across emergency relief, financial counselling and financial capability services, the primary target groups are people who are:

- participating in income management (priority area)
- Indigenous Australians
- experiencing disability
- in receipt of a Commonwealth pension or allowance or have low or no income
- students
- sick
- unemployed
- experiencing financial stress, or are bankrupt or insolvent or at risk of either
- impacted by a significant event affecting them financially
- unable to access loans or savings products
- making the transition to employment
- individuals and families who are homeless or at risk of homelessness.<sup>2</sup>

VCOSS members report that while there are high unmet demands for financial wellbeing and capability services, the current guidelines give them the flexibility to respond to local needs and ensure they can assist people who would otherwise fall through gaps in the income support and community service systems.

VCOSS welcomes retaining eligibility for financial capability services for people experiencing family violence or who are immigrants or non-citizens, but notes these groups will be excluded from emergency relief and financial counselling services under the proposed restrictions unless they otherwise face debt default risks. Retaining universal access includes retaining access for these groups, who could be added to the list of target groups.

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<sup>2</sup> Australian Government, Department of Social Services, *Families and Communities Program: Financial Wellbeing and Capability Guidelines Overview*, December 2016, 6-10.

## Eligibility restrictions risk excluding many people

In its discussion paper, DSS proposes restricting Commonwealth emergency relief and financial counselling services to people at imminent risk of not being able to pay their debts. DSS proposes to define people who may be vulnerable to financial crisis as ‘those on income support payments and who may be at risk of bankruptcy’.<sup>3</sup> Financial capability services would be restricted to people who are receiving Commonwealth income support, pensions or benefits, experiencing family violence, or are immigrants or non-citizens. The discussion paper does not explain why DSS needs to restrict eligibility, or why the proposed eligibility criteria are appropriate.

These proposals would narrow the reach of emergency relief and financial counselling services and place more people at risk of financial crisis. The financial capability restrictions also risk excluding many people who require assistance with budgeting and financial literacy.

Financial vulnerability is more common and nuanced than those proposed to be targeted, with two million Australians experiencing severe financial stress or vulnerability, and 64 per cent of Australian adults facing some level of financial stress or vulnerability. Unmanageable debts are a common reason for accessing emergency relief and financial counselling services but certainly not the only reason.

Most at risk are people living in social housing, people experiencing mental illness, people born overseas in a non-English speaking country, people with personal income below \$20,000 per year, and unemployed or underemployed people.<sup>4</sup>

Emergency relief providers and financial counsellors already target services based on systemic trends and local community needs. For example, VCOSS members report some agencies have devoted more resources to assisting family violence survivors, in recognition that emergency relief and financial counselling services can be an entry point for family violence victims to start receiving assistance. In another example, because of a large asylum seeker population, emergency relief needs in the City of Whittlesea, Melbourne, are very different to those in neighbouring Nillumbik Shire.

The proposed restrictions means services will not be available to some or all of the following groups, unless they meet the proposed eligibility criteria:

- people living on low incomes from employment, including part-time, low-wage and under-employed work
- small business owners, including those in regional areas suffering economic dislocation or industry restructuring, or farmers affected by drought or changes in prices for agricultural products

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<sup>3</sup> Australian Government, Department of Social Services, *Discussion Paper: Financial Wellbeing and Capability Activity*, January 2017.

<sup>4</sup> Centre for Social Impact and National Australia Bank, *Financial Resilience in Australia 2015*, August 2016.

- people affected by natural disasters or recovering from emergency events
- people experiencing family violence, which cuts across the socio-economic spectrum, and who may face severe financial hardship but not be at risk of bankruptcy
- people who cannot afford basic necessities
- people who are homeless or at risk of homelessness, some of whom are not in receipt of, or have not applied for, income assistance
- Aboriginal and Torres Strait Islander people, many of whom would benefit from assistance with financial literacy
- people with disability, including people who may need assistance with personal finances, especially in the NDIS transition
- young people who may have limited financial literacy, including young people transitioning from out-of-home care
- prisoners leaving the justice system, who may have limited financial resources and capabilities
- people with low financial literacy or other barriers requiring advice on complex financial products, including affordable loans and provision of credit.

More details on the circumstances and exclusion risks for these groups is provided in the final section of this submission.

## **Eligibility requirements divert resources to dealing with ‘red-tape’**

Generic eligibility restrictions will divert resources away from service provision to individual eligibility assessments and compliance activities. Instead of being able to assist a person with their identified needs, organisations will have to divert time and resources to checking a person’s eligibility, reducing their capacity to provide services.

DSS has not explained what evidence will be required to prove a person is receiving income support, at imminent risk of not meeting debt payments, experiencing family violence, or is an immigrant or non-citizen. Onerous proof requirements will prevent people from gaining help in emergency situations where there is no time to gather relevant documents. Alternatively, instead of receiving immediate assistance, people may have to be turned away and asked to return with appropriate documentation, wasting both that person’s and the organisation’s time.

Such requirements could be impossible or impractical to comply with in some cases; for example, where a person is experiencing mental illness, is homeless, has survived a natural disaster, or is experiencing family violence and cannot access financial documents. It could also place them at additional risk, for instance, in the case of people experiencing family violence.

VCOSS expects mandatory eligibility restrictions will deter or prevent some people from accessing emergency relief, financial counselling and financial capability services.

## Avoid a two-tiered service system

DSS's proposed changes to eligibility are a radical departure from the existing operation of financial wellbeing and capability services. While Commonwealth funds are an important source of revenue for these services, they supplement other sources including from state, territory and local governments, and philanthropy. Imposing strict eligibility criteria on Commonwealth funding risks fragmenting the sector into smaller parts, and reducing integration between funding sources.

Administrative resources will also be further stretched if an organisation must distinguish between restrictive Commonwealth-funded services and more flexible state, territory or philanthropic funded services. 'Two-tier' service provision will make management and administration more complex, time-consuming and resource-intensive.

## Restrictions may breach human rights obligations

Applied to emergency relief, the eligibility restrictions also appear to contradict the government's obligation to give effect to the right to social security (including essential foodstuffs) and the right to an adequate standard of living, including food, water and housing, under the International Covenant on Economic, Social and Cultural Rights and other international human rights treaties to which Australia is a party.<sup>5</sup>

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<sup>5</sup> See the Attorney-General's Department's Public Sector Guidance Sheets on the right to social security and the right to an adequate standard of living, including food, water and housing: <https://www.ag.gov.au/RightsAndProtections/HumanRights/Human-rights-scrutiny/PublicSectorGuidanceSheets/Pages/default.aspx>.

# Intervene early to prevent crisis

## Recommendation

Ensure financial wellbeing and capability services are equipped to intervene early to prevent financial crises, and are not restricted to people facing imminent debt default.

DSS's proposed restrictions will mean people can only access emergency relief and financial counselling once debt problems have reached a critical and advanced stage. By this point, debts are larger and resolution options more limited. People at risk of financial crises will not be able to access financial capability services, unless they are otherwise on income support, experience family violence, or are immigrants or non-citizens. This contradicts DSS's focus on early intervention and prevention.

Services will not be able to engage in much preventative and early intervention work. For example, assisting people with affordable lending products and avoiding risky payday lending, goods rental schemes, insurance, and other consumer and financial products. Rather than helping people exit exploitative consumer deals early on, financial counsellors will be limited to debt assistance at crisis point. Rather than helping people assess affordable loan options, financial counsellors will only see people once they are at risk of bankruptcy. VCOSS warns the proposed eligibility restrictions may increase bankruptcy rates.

DSS's stance runs contrary to the work of VCOSS members and Australian Government regulators (particularly the Australian Securities and Investments Commission (ASIC) and the Australian Competition and Consumer Commission), which are attempting to prevent the spread of exploitative or unlawful consumer products, and avoid people experiencing hardship.

The eligibility restrictions also contradict the Australian Government's National Financial Literacy Strategy for 2014-2017, which requires government stakeholders to 'foster good practice in programs and services providing targeted guidance and support, particularly to disadvantaged and/or vulnerable groups'. In achieving this, the Australian Government is to:

- deliver financial counselling programs and services
- provide practical guidance and support for those in financial crisis, and disadvantaged and/or vulnerable groups, particularly Indigenous people and communities
- promote sources of free, impartial guidance to those who are not in crisis.<sup>6</sup>

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<sup>6</sup> Australian Securities and Investments Commission, *National Financial Literacy Strategy 2014-17: Action Plan*, 8.

## Expand workers' skills and promote advice

### Recommendation

Provide funding to train skilled workers and volunteers, and promote financial counselling services.

In addition to retaining broad eligibility for financial wellbeing and capability services, DSS can better support prevention and early intervention opportunities by providing more funding for skilled workers and volunteer training. It can also fund comprehensive advertising of financial counselling services, to deter people from using exploitative commercial debt management services.<sup>7</sup> Improving the skills of people delivering financial wellbeing and capability activities, and greater awareness of the availability of financial counselling services, helps prevent financial crises occurring in the first place.

There is significant need for skilled workers to give preventative advice and conduct early intervention action in relation to loans and other consumer and financial products.

'Payday' and other high-interest lending poses considerable risk to low-income households that struggle to access affordable finance, find information on loan options, or are vulnerable to being coerced into high-interest credit deals. People experiencing poverty and disadvantage are disproportionate users of payday lenders. For example, among people using the Salvation Army's community support services in 2016 who had run out of money, 30 per cent had sold belongings to Cash Convertors or other pawnbrokers, and 18 per cent had applied for a loan through payday lenders. The Salvation Army noted this 'short term and risky strategy often resulted in further hardship for individuals as they were not able to pay back loans which incurred higher interest rates'.<sup>8</sup>

There is more need than ever for preventative action by financial counsellors, who can warn of payday lending risks, help people assess affordable loan options, and renegotiate payday loans before 'trouble hits'. While payday lenders represent only 0.4 per cent of the total consumer credit market in Australia, their impact is growing, with overall loan value increasing by 125 per cent between 2008 and 2015.<sup>9</sup> In 2015, ASIC conducted a review of payday lending files, revealing most payday borrowers face significant risks. In the majority (62 per cent) of cases, the payday lender had entered into loans with customers who were known to be potentially unsuitable for lending; that is, at risk of hardship.<sup>10</sup>

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<sup>7</sup> See Australian Securities and Investments Commission, *Paying to Get Out of Debt or Clear Your Record: The Promise of Debt Management Firms*, report no. 465, 21 January 2016.

<sup>8</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 11, 38.

<sup>9</sup> Australian Securities and Investments Commission, *Payday Lenders and the New Small Amount Lending Provisions*, report no. 426, March 2015, 7.

<sup>10</sup> Australian Securities and Investments Commission, *Payday Lenders and the New Small Amount Lending Provisions*, report no. 426, March 2015, 32.

A financial counsellor can also advise people of the relative risks of payday loans and rent-to-buy schemes. Good Shepherd research found many NILS applicants were more willing to enter a rent-to-buy contract than a payday loan, and perceived the latter as more expensive and worse than goods rentals. Goods rentals are a prevalent and largely unregulated form of fringe credit. People on low incomes can especially benefit from proactive, accessible financial counsellors' advice about other options before contracts are entered into.<sup>11</sup>

Financial counsellors can also help people wanting to avoid or end 'junk insurance' deals for cars, credit cards and loans that do not in fact offer any meaningful coverage.<sup>12</sup>

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<sup>11</sup> Agathe Randrianarisoa and Kate Eccles, *Pathways to Resilience: The Impact of Financial Conversations on the Financial Capability of NILS Applicants*, Good Shepherd Microfinance, 2016, 55; see also Consumer Action Law Centre, *The Hidden Cost of 'Rent to Own'*, available at <http://consumeraction.org.au/report-the-hidden-cost-of-rent-to-own/>.

<sup>12</sup> See Consumer Action Law Centre, *Junk Merchants: How Australians are Being Sold Rubbish Insurance, and What We Can Do About It*, December 2015, available at <http://consumeraction.org.au/junk-merchants-report-how-australians-are-being-sold-rubbish-insurance-and-what-we-can-do-about-it/>.

# Managing repeat use

## Recommendation

- Allow services the flexibility to manage repeat use depending on the individual needs of the person, and fund more opportunities to provide or link to more intensive support
- Avoid placing arbitrary and counterproductive limitations on repeat use of emergency relief services.

In its discussion paper, DSS cites early data showing that 17 per cent of emergency relief users present five or more times in a six month period, and that almost half of all clients have presented for emergency relief services three or more times in six months. DSS states this 'suggests a sizeable proportion of ER clients have become dependent on crisis services', and proposes to place limitations on repeat use of emergency relief.<sup>13</sup>

VCOSS is deeply concerned about DSS's interpretation of the available data. VCOSS suggests that repeat use of emergency relief services indicates the inadequacy of the income support system, high rates of extreme housing stress, and the prevalence of entrenched poverty, including significant numbers of people with high and complex needs accessing emergency relief. The appropriate response is to provide more intensive levels of support to this group to achieve financial sustainability, not restrict them from accessing the service system.

Income support payments are inadequate and drive poverty. The Newstart allowance provides only \$37 per day to live on. Many social security payments fall below the poverty line, even when Rent Assistance and other supplementary payments are added to household income. People are being forced to make trade-offs between basic needs, like rent or groceries, and electricity or transport.<sup>14</sup> The Business Council of Australia (BCA) has noted the rate of Newstart allowance 'no longer meets a reasonable community standard of adequacy and may now be so low as to represent a barrier to employment.' Following deep community sector advocacy, the BCA has called for income support payments to be increased.<sup>15</sup>

High rates of housing stress are driving emergency relief and financial counselling needs, as we explain in the discussion below. Many income support recipients experience extreme housing stress, with housing costs taking up more than 50 per cent of income for more than a quarter of

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<sup>13</sup> Australian Government, Department of Social Services, *Discussion Paper: Financial Wellbeing and Capability Activity*, January 2017, 13.

<sup>14</sup> Councils of Social Service, *Payment Adequacy: A View from those Relying on Social Security Payments*, Australian Council of Social Service, 2015.

<sup>15</sup> <http://www.bca.com.au/publications/submission-to-the-senate-inquiry-into-the-adequacy-of-the-allowance-payment-system-for-jobseekers-and-others>.

Newstart recipients, 25 per cent of Disability Support Pension recipients, and 24 per cent of Parenting Payment recipients.<sup>16</sup> More low-income households now rent in the private sector, due to a lack of growth in social housing availability. A disproportionate share of income is being spent on housing costs, leaving less money available for food, utilities, transport, medicine and other essentials, and driving demand for credit in other areas—including payday loans.

Household debt is at a record high of 187 per cent of household income.<sup>17</sup> This is mainly comprised of mortgage debt, but also includes credit card and other debt. Household income is under more pressure than ever before.

Repeat emergency relief users have different needs, requiring different responses that optimise people's chances of achieving financial sustainability. For example, for some people, repeat emergency relief use is a necessary and viable path to financial independence. VCOSS members note it can take multiple visits to emergency relief and associated services before some clients begin to engage with and start to address their financial problems. This could take six months or more in some cases. Repeat use should therefore not be deterred where it is a productive engagement strategy.

VCOSS recommends individual service providers retain the discretion and flexibility to manage repeat use in their own ways, in response to local needs and demand spikes. Emergency relief providers are well aware of the need to address underlying drivers of emergency relief use through client advocacy, additional services (e.g. housing and homelessness services) and referral processes. Emergency relief services already manage repeat use in their own ways. For example, the Salvation Army developed the 'Doorways' approach for clients seeking assistance with multiple issues, or repeat clients needing more intensive supports. The Doorways approach promotes integrated services, individual capacity-building and a 'hand up, not a hand out' model of social welfare support. It works with people to address the root causes of persistent deprivation, incorporating case management, mentoring and referrals.

DSS should further consult with the sector about how services can be better supported to manage repeat emergency relief use. We note intensive supports for repeat emergency relief users require higher levels of staff expertise and training than many organisations have. DSS can explore ways of addressing this and other barriers to improved management of repeat emergency relief use.

DSS proposes 'clients who present on multiple occasions within a certain timeframe would be required to demonstrate that they have taken reasonable steps to reduce their costs, increase their income or improve their financial management'.<sup>18</sup>

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<sup>16</sup> Councils of Social Service, *Payment Adequacy: A View from those Relying on Social Security Payments*, Australian Council of Social Service, 2015, 7.

<sup>17</sup> Reserve Bank of Australia, *The Australian Economy and Financial Markets*, Chart Pack, March 2017.

<sup>18</sup> Australian Government, Department of Social Services, *Discussion Paper: Financial Wellbeing and Capability Activity*, January 2017, 14.

DSS further states:

Eligibility for further ER will be dependent upon a client making real efforts to improve their financial management. This may include, for example, demonstrating that they regularly prepare and follow a budget, or that they are seeking assistance for other issues compounding their financial stress. Service providers will have the flexibility to determine whether client actions constitute an improvement in financial management.<sup>19</sup>

VCOSS warns that this measure is likely to be wasteful and counterproductive. Any mandatory requirement to assess a person's financial management actions will waste organisational resources and Commonwealth funds where these assessments do not actually assist organisations to manage repeat use. Such a requirement will also divert resources away from service provision to individual eligibility assessments and compliance activities, and increase red-tape. It also potentially undermines relationships of trust in service providers, which may discourage people from accessing the services system, leading to deeper and more harmful financial crises.

Arbitrarily restricting repeat use of emergency relief may exclude people in legitimate need from accessing assistance. Despite people's best attempts and supportive services' work, some people will 'fall through the cracks' and require more regular emergency relief, particularly where housing needs cannot be met. Low-income Australians are experiencing a housing crisis that is driving emergency relief use. It could well be impossible to show an 'improvement in financial management' in the face of entrenched structural barriers such as inadequate income support payments, record low wage growth, record underemployment and very high housing costs.

Repeat emergency relief use can also arise at particular times of crisis or need, and may reduce when these conditions pass. For example, following a natural disaster, a major climate event (such as drought) or industry shutdown, people may need emergency relief on multiple occasions within a relatively short period before regaining independence. Seasonal changes can also drive repeat use. Certain cost pressures—particular winter or summer utility costs—are more pronounced at different times of the year, producing greater need for emergency relief.<sup>20</sup> Rural and regional areas particularly experience seasonal employment fluctuations (for example, based on tourism or farming trends), producing more need for emergency relief during cyclical employment downturns.

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<sup>19</sup> Australian Government, Department of Social Services, *Discussion Paper: Financial Wellbeing and Capability Activity*, January 2017, 14.

<sup>20</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 68.

# Integrating services

## Recommendations

- Encourage greater service integration by:
  - increasing resources for networking and collaboration in local areas, including more skilled, long-term workers
  - improving public sector collaboration capacity and referral pathways, including for Centrelink and local government
  - investigating promising models of co-operation between service providers, such as 'virtual hubs' in rural and regional areas.
- Avoid prescribing mandatory linkages which are not based on trust and collaboration, or are inappropriate for people's needs.

Emergency relief and financial counselling are important springboards to other services. DSS proposes to strengthen service integration and referral pathways. VCOSS members strongly support service integration and welcome initiatives that help them create strong, respectful relationships with other service providers and establish referral pathways. Many organisations already offer integrated services and referral pathways, whether on a formal or informal basis.

Individual organisations are deeply connected with local communities and have a strong understanding of people's needs. Those needs differ between rural, regional and metropolitan regions, and even within a relatively limited geographic area. Service providers require discretion and autonomy in determining how to form linkages and partnerships with limited resources.

In collaboration with the community sector, DSS can explore ways of better supporting organisations to deliver responsive services and develop place-based solutions; for example, this might involve funding data collection and analysis by individual organisations and across communities.

Any requirement for formal relationships with specified providers would contradict the research on 'what works' and VCOSS members' experience in delivering successful integrated services and referrals. Good Shepherd research shows both informal and formal relationships are effective in delivering financial support services, but crucially, people can often be best supported through informal, agile, locally-responsive networks. Following a review of local service networks, Good Shepherd found the financial support sector needs abundant and dynamic links between services in order to provide quality referrals, respond to changing community needs, and learn from other services in meeting these challenges. Good Shepherd observed:

The design of service systems (at the national, state and local levels) needs to recognise the critical importance of local context and avoid a one-size fits all approach. Geography, history and other local and cultural variations require that service systems are bespoke. However, all services need to support the horizontal networking activities that lead to collaboration and innovation in the community sector... Networks add value and need to be acknowledged and adequately resourced by service funders. Cost-savings could be achieved by shifting away from models that have intuitive appeal, but which may lack evidence of effectiveness in practice (e.g. co-location). These savings could be redirected into new models or investment in existing staff.<sup>21</sup>

We recommend DSS work with the community sector to strengthen service integration. VCOSS would welcome further consultation on service integration and a more comprehensive discussion of how integration could be improved.

Rather than requiring mandatory formal relationships with specified service providers, research shows DSS could strengthen service integration by:

- providing resources explicitly for networking and collaboration
- maintaining service diversity and ensuring a locality has a mixture of small and large service providers, who build and contribute to a network in different ways
- upskilling Centrelink and local government workers to connect people with financial support services
- funding more paid workers and enabling organisations to retain skilled staff with strong 'corporate knowledge'
- recognising the number of links among organisations is affected by structural factors such as partnerships and staffing resources, and more local factors such as distance and worker longevity.

Good Shepherd research shows informal networks work best with paid staff or a combination of paid and volunteer staff, and that networks are relational and often driven by personality, requiring limited staff turnover. In conjunction with the community sector, DSS can develop measures that help address these factors; for example, virtual hubs can strengthen cooperation among service providers in rural and regional areas.<sup>22</sup>

Good service integration requires considerable administrative and management resources, appropriately trained staff, and funding certainty over a sustained period, as the following case study shows.

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<sup>21</sup> Kathy Landvogt, *Collaborating for Outcomes: Networks in the Financial Support Service System*, Good Shepherd Youth & Family Service, July 2014.

<sup>22</sup> Kathy Landvogt, *Collaborating for Outcomes: Networks in the Financial Support Service System*, Good Shepherd Youth & Family Service, July 2014.

### **There is appetite for better service integration – but it needs resourcing**

The Salvation Army has told VCOSS that ‘one mechanism for better service integration that has been explored in Salvation Army services has been to utilise shared assessments with another community agency. The benefit to the client is that they don’t have to share their story multiple times to different stakeholders and can access a range of assistance types through one provider. However, the success of this kind of approach relies on agencies establishing mutual agreement on eligibility criteria, assessment processes, data capture, referral protocols, privacy and confidentiality of information, and follow up procedures. The agreement needs to be consistently maintained, reviewed, and subject to revision as circumstances change or new learnings occur. Few services are sufficiently resourced to engage in such work.’<sup>23</sup>

At present, service providers are free to develop integrated services at their own discretion. In a significant change, DSS proposes emergency relief, financial counselling and financial capability providers be contractually required to establish formal relationships and referral pathways with other providers and relevant services, including family relationship services and JobActive providers.

VCOSS opposes this proposal for more regulation and red-tape, particularly any requirement for service providers to collaborate with JobActive agencies. This will likely compromise relationships of trust between service providers and the people they assist, and deter people from accessing services.

VCOSS members report that people accessing services provided by JobActive agencies are often unhappy with the service and treatment they receive. Being forced to make referrals to agencies with a poor reputation among service users is likely to erode the trust between organisations and the people they work with. This may discourage people from accessing financial support, potentially making their financial circumstances worse, and leading to deeper and longer financial crises.

VCOSS also believes that the focus of the discussion paper on mandatory linkages to JobActive providers appears misplaced. There are likely other services with a much higher priority for linkages and referral pathways given the immediate needs of people seeking financial support, including:

- housing and homelessness services
- health services, including mental health care and alcohol and drug treatment services
- family violence support services
- child and family services.

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<sup>23</sup> Communication with the Victorian Council of Social Service.

# Building financial security

## Recommendations

- Develop a holistic framework for assessing financial security outcomes, rather than a narrow focus on employment alone.
- Avoid mandating employment conversations, which are likely to be ineffective and counterproductive.

There are many dimensions to a person's financial security. This includes the stability and reliability of income sources, as well as the nature of and capacity to control the living costs they face, and their financial literacy and ability to make informed financial decisions.

A narrow focus on employment outcomes fails to understand this complexity. People's ability to find paid work is affected by their personal circumstances, including their education level, the presence of a disability or physical or mental health condition, their role as a parent or carer, the availability of transport to potential employment opportunities, or the availability of work in their location. Even if employment is achieved, it may be insecure work, meaning a person's income from employment may be unreliable and fluctuating. People in employment may still face significant financial insecurity.

There is a growing body of evidence about the effect of financial stress on people's cognitive capacity, which can prevent 'rational' financial management actions. The World Bank observes:

both poor people and people who are not poor are affected in the same fundamental way by certain cognitive, psychological, and social constraints on decision making. However, it is the context of poverty that modifies decision making in important ways. The constant, day-to-day hard choices associated with poverty in effect tax an individual's bandwidth, or mental resources. This cognitive tax, in turn, can lead to economic decisions that perpetuate poverty.<sup>24</sup>

Given the impact of financial stress on people's cognitive capacity, VCOSS encourages DSS to think more broadly about financial security and wellbeing outcomes, including that indicators of success may look different for different people, and at different stages of their pathway to financial security.

A holistic financial security framework might include whether:

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<sup>24</sup> World Bank, *World Development Report: Mind, Society and Behaviour*, December 2014, 81.

- the person has a reliable and adequate income stream, whether from income support, employment (including self-employment) or income-producing assets
- the person can control the costs they face, such as costs relating to housing, healthcare transport, energy and food, including accessing appropriate concessions and support providers
- the person is using appropriate financial products, including banking and insurance products and credit providers
- the person has the financial literacy and skills to budget, and make informed choices about expenditure and financial products.

DSS states ‘a range of options are being considered to strengthen pathways to employment for those who access FWC services [emergency relief, financial counselling and financial capability services]. These include changing program guidelines to require:

- financial counsellors and financial capability workers to address work readiness and employability skills alongside financial literacy skills (this could be through referral to an appropriate employment service or providing financial literacy support to someone transitioning to or from employment)
- 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, and
- clients to be provided with appropriate referrals to other services (including JobActive providers) that can strengthen their capability and stabilise their financial situation.<sup>25</sup>

A mandated employment conversation would divert service providers from meeting people’s immediate needs. As its name suggests, emergency relief is about stabilising people in financial crisis. It allows people to access food, shelter, clothing, medicine and other essentials in times of severe and immediate need. For example, one VCOSS member noted that where emergency relief is a systems entry point for family violence victims, the victim’s safety and immediate needs must be the focus, not a discussion about employment pathways.

People accessing emergency relief are badly placed to receive information about employment and ‘explore pathways to increase employment’. Emergency relief is unlikely to be the right site for these interventions. Once people’s immediate needs have been satisfied employment support can occur, whether by other service streams within large organisations, or by external organisations that specialise in employment assistance. By analogy, we would not, for example, expect a road trauma victim who is being stabilised in a hospital emergency department to begin receiving physiotherapy at the same time. Nor can we expect people in immediate crisis to begin addressing longer-term issues like unemployment within the context of emergency relief.

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<sup>25</sup> Australian Government, Department of Social Services, *Discussion Paper: Financial Wellbeing and Capability Activity*, January 2017, 13.

Mandated employment conversations and employability skill development would also be difficult and inappropriate for financial counselling and capability services. Employment support can be appropriate in some cases, but it is imperative this occurs on a client-by-client basis. Service providers need flexibility and discretion around such initiatives. VCOSS members report employment conversations have to be very carefully managed and well-targeted, or else trust relationships can be lost and people can withdraw from important supports.

Currently, emergency relief, financial counselling and financial capability services are seen as safe spaces for non-judgmental support. These services have worked hard over many years to build-up relationships of trust with local communities. This reputation will be compromised if services are seen as an extension of Centrelink and employment agency networks, deterring people from seeking assistance and making it harder to reach people in financial stress and crisis.

Some emergency relief and financial counselling services are already delivering or linking with employment-related supports where they are well-placed to do this, and are able to make quality referrals. A prominent example is the Employment Pathways project, which provides training and work to people facing employment barriers, including supported places with service providers. A similar approach is described below.

### **Valuable training and employment experience for long-term unemployed people**

The Southern Peninsula Community Support and Information Centre delivers emergency relief and other support services to vulnerable community members in the southern Mornington Peninsula area. The Centre developed an Employment Engagement Program to assist long-term unemployed people or people disengaged from paid work. The program offered people tailored volunteer community work through the Centre's programs, including food program delivery. Volunteer work was supported by a skilled employment engagement worker, who mentored participants and offered personalised opportunities to increase skills. The program enabled disengaged people to discover, or rediscover, the value of employment, occupation and community engagement, and learn diverse skills valuable to employers.

Any employment supports need to be cognisant of the major structural factors limiting people's ability to find and maintain employment. Most emergency relief recipients are women, and most of these women are low-income single parents.<sup>26</sup> Childcare is limited and expensive for low-income families, making it harder to look for work and maintain employment.<sup>27</sup>

Among people who used the Salvation Army's community support services in 2016, 70 per cent of people who were completely out of the labour force were prevented from gaining employment

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<sup>26</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 62-63; The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 18; Sue King, John Bellamy, Natalie Swann, Rachael Gavarotto and Philip Coller, *Social Exclusion: The Sydney Experience*, Anglicare Diocese of Sydney, June 2009, 5-6; Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 10.

<sup>27</sup> Ben Phillips, 'Child Care Affordability in Australia', AMP/NATSEM Income and Wealth Report Issue 35, June 2014.

because of a physical or mental health condition. Among people looking for work, the major barriers to finding employment included having a physical or mental health condition, parenting responsibilities, prolonged periods of unemployment, age, and level of education, training or skills.<sup>28</sup>

Finally, we note mandated employment conversations would duplicate employment assistance among Commonwealth-funded organisations. There is already a wide network of JobActive providers, non-government organisations and specialist agencies (for example, disability employment support services) that help people prepare for and find work, including vulnerable people. The Australian Government spends a very significant amount on services in this area. It would seem a better use of public funds to ensure specialist financial support services remain the focus of emergency relief, financial counselling and financial capability providers, and employment support remain the focus of other organisations.

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<sup>28</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 35.

# People at risk of financial exclusion

DSS's proposed eligibility restrictions will exclude the following groups of people from emergency relief and financial counselling services, unless they are otherwise at imminent risk of not being able to pay their debts. We emphasise debt difficulties are not the only driver of need for emergency relief or financial counselling services.

## People in employment with low or insecure incomes

The proposed restrictions will exclude many financially vulnerable people, including working people living in poverty. People with inadequate or irregular waged incomes may need to supplement income with credit, and therefore require advice about affordable loans and other financial products in order to avoid exploitative deals and prevent unmanageable debts.

ACOSS reports almost a third of Australians in poverty rely on wages as their main source of income.<sup>29</sup> An increasingly large group of people is forced to survive on meagre, unpredictable incomes, due to record high underemployment rates, and the prevalence of contingent work with irregular hours, such as casual, contract and labour hire work.<sup>30</sup>

General unemployment is currently at 5.8 per cent, underemployment is historically high at 8.6 per cent. We note 1,098,500 people are underemployed in Australia, far more than the number of people unemployed and likely receiving income support (738,000 people).<sup>31</sup> For those with employment, wage growth is at a record low of 1.9 per cent.<sup>32</sup>

## Women, including those experiencing or recovering from family violence

The proposed restrictions will disproportionately affect women. Women comprised 64 per cent of people accessing the Salvation Army's community support services in 2016, including emergency relief and financial counselling. Women are consistently overrepresented among emergency relief users, partly because women are overrepresented in vulnerable cohorts such as single parents, homeless people, and family violence victims. Sole parents, particularly women, make up a significant proportion of people using emergency relief.<sup>33</sup> Women are more likely than men to

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<sup>29</sup> Australian Council of Social Service and the Social Policy Research Centre, *Poverty in Australia 2016*, Australian Council of Social Service, 2016.

<sup>30</sup> Anthony Kryger, 'Casual Employment in Australia: A Quick Guide', Parliament of Australia Research Paper Series, 2014-15, 20 January 2015.

<sup>31</sup> Australian Bureau of Statistics, Labour Force, February 2017, cat. no. 6202.0.

<sup>32</sup> Australian Bureau of Statistics, Wage Price Index, Australia, December 2016, cat. no. 6345.0.

<sup>33</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 62-63; The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 18; Sue King, John Bellamy, Natalie Swann, Rachael Gavarotto and Philip Collier, *Social Exclusion: The Sydney Experience*, Anglicare Diocese of Sydney, June

become financially vulnerable throughout the life course, partly because of lower-paid work, higher rates of part-time and casual work, and time out of the workforce to care for children and other family members.<sup>34</sup>

Family violence can be a factor in emergency relief use. The Salvation Army's 2016 survey found people affected by family violence experienced the highest level of extreme housing stress, spending nearly 75 per cent of income on housing and accommodation costs. Family violence was the main reason for women moving in the preceding 12 months, which generally involved children having to change schools and, in some cases, adjusting to living in a refuge or crisis accommodation, or becoming homeless.<sup>35</sup>

Among people using the Whittlesea Community Connections (WCC) emergency relief service, 17 per cent indicated a family member had been affected by family violence in the preceding 12 months. Financial abuse was reported in 67 per cent of family violence cases. Almost all households experiencing family violence said it affected their capacity to meet basic household needs.<sup>36</sup>

The WCC data suggests 'where family violence is or has been present, women are facing financial challenges that drive them to seek emergency relief'. For women who have left violent relationships, emergency relief can be a lifeline due to the financial stress of sudden sole parenting and increased housing costs, and can help prevent homelessness.<sup>37</sup>

Accessible financial counselling is also very important for family violence survivors. The Victorian Royal Commission into Family Violence heard 'the role of financial counsellors in assisting victims of economic abuse to have debts waived, enter into hardship arrangements and assist with accessing Centrelink services is central to the recovery of many women.'<sup>38</sup> Organisations such as Good Shepherd offer financial counselling to support women to recover from family violence and economic abuse.

Family violence survivors' needs go beyond debt management. The Royal Commission found:

Financial security for victims of family violence is not just about meeting the daily cost of living and resolving the financial implications of debt, personal property and tenancy issues but also about women re-gaining control over their lives and counteracting the disempowerment they experienced as a result of relationship abuse.<sup>39</sup>

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2009, 5-6; Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 10.

<sup>34</sup> Zuleika Arashiro, *Money Matters in Times of Change: Financial Vulnerability Through the Life Course*, Brotherhood of St Laurence, April 2011, 40.

<sup>35</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 11, 25.

<sup>36</sup> Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 16.

<sup>37</sup> Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 16.

<sup>38</sup> State of Victoria, *Royal Commission into Family Violence: Report and Recommendations*, vol IV (2014-16) 108.

<sup>39</sup> State of Victoria, *Royal Commission into Family Violence: Report and Recommendations*, vol IV (2014-16) 114.

Women who have experienced family violence may have been kept financially dependent on their abusive partner, restricted from making financial decisions, or accessing bank accounts, bills and other financial details. The Royal Commission identified financial literacy as a tool for both the prevention of economic abuse and economic recovery following family violence. It recommended the Victorian Government support the expansion of initiatives that deliver financial literacy training and education for family violence victims.<sup>40</sup> While DSS intends to retain financial capability services for people experiencing family violence, VCOSS considers it vital for Commonwealth financial counselling services to also be widely accessible to family violence survivors given the Royal Commission's findings.

There may also be a role for financial counsellors in helping to prevent family violence, by assisting people with financial stresses that may increase family violence risks. Research by the New South Wales Bureau of Crime Statistics and Research indicates that higher levels of financial and personal stress are strongly associated with an increased risk of violence against women, and that the risk of violence increases progressively with the level of financial stress.<sup>41</sup> While more research is required on the links between financial stress and family violence, it is important potential or actual perpetrators are able to access financial counselling services that may help prevent violence. This can include assistance with job loss, serious accident or illness, and gambling problems.

## People who cannot afford food, shelter, medicine and other basic necessities

Debt problems are not the only driver of emergency relief use. In the experience of Victorian emergency relief agencies:

households in financial hardship typically juggle a range of expenses, paying essential bills and debts first, and then seeking assistance with 'discretionary' items such as food and medical costs.<sup>42</sup>

This was borne out by a study of Victorian emergency relief use between 2007 and 2008. The major reasons for accessing emergency relief were food (40 per cent of people) and lack of money (20 per cent of people). These reasons ranked ahead of utility bills and housing costs.<sup>43</sup> The study concluded:

A combination of high costs of living and inadequate income create the demand for ER, coupled with a lack of resources to create a financial buffer against hard times. People

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<sup>40</sup> State of Victoria, *Royal Commission into Family Violence: Report and Recommendations*, vol IV (2014-16) 116, 128.

<sup>41</sup> Don Weatherburn, 'Personal Stress, Financial Stress and Violence Against Women', *Crime and Justice Bulletin: Contemporary Issues in Crime and Justice*, NSW Bureau of Crime Statistics and Research, no. 151, August 2011.

<sup>42</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 66-67.

<sup>43</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 67.

without resources such as savings or an ability to seek assistance from friends or relatives, are particularly vulnerable to increases in the cost of living and can find it especially difficult to cope in a crisis situation. *As household resources are depleted, essential goods such as food and medicine are sacrificed, in order to keep the rent paid and electricity, gas and water connected. The end result is deprivation.*<sup>44</sup>

The St Vincent de Paul Society (SVdP) has similarly found that meeting major expenses and debts often drives emergency relief use. Between 2011 and 2014, SVdP's food expenditure increased by 20 per cent in Victoria, despite a food CPI increase of only 0.20 per cent over the same period. Much of the increase in food demand was driven by significant rises in utility, housing and transport costs. As SVdP explains:

The expenses that drive households to seek emergency relief are most often large expenses that are difficult to cut back on in the short-run like utilities, housing and petrol. ... In addition, the aid these households are likely to receive is often not in the form of direct assistance with these expenses, but instead comes in the form of other goods like food. This suggests emergency relief recipients are likely to pay for expenses like rent themselves and then reduce consumption of other goods that are easier to cut back on in the short-run. It is in these categories where consumption has been reduced that emergency relief is often needed, even though that may not be the expense that caused the reduction. In economic terms, this suggests that goods like utilities, housing and transport are relatively inelastic, while others like food and cash are relatively elastic.<sup>45</sup>

Similar needs drive Salvation Army service use, including emergency relief and financial counselling. Along with SVdP, Anglicare and other organisations, the Salvation Army is one of Australia's largest emergency relief providers. The needs of people using its services are a sound proxy for the sector as a whole.

Among people using Salvation Army community support services across Australia in 2016, high housing costs left people on income support with approximately \$16.96 per day to live on, which is well below the poverty line. Across all households, families with children lived on \$14 to \$16 per day. Both renters and homeowners were in extreme housing stress, spending nearly two-thirds (62 per cent) of their equivalised disposable income on housing expenses, more than double the standard housing expenses benchmark. Women escaping family violence spent nearly 75 per cent of income on housing costs.<sup>46</sup>

As a result of high housing costs and severe income reduction, 86 per cent of adults experienced severe deprivation, i.e. were unable to afford five or more essential items. Because of financial hardship, 50 per cent had cut down on basic necessities and 43 per cent had gone without meals.

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<sup>44</sup> Benno Engels, Rivkah Nissim and Kathy Landvogt, 'Financial Hardship and Emergency Relief in Victoria' (2012) 65(1) *Australian Social Work*, 70 (our emphasis).

<sup>45</sup> Patrick Rehill, *Examining Changes in Emergency Relief Provision: An Analysis of 2011-14 Emergency Relief Data*, St Vincent de Paul Society, 17.

<sup>46</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 5, 32.

For households with children aged 17 or younger, approximately 50 per cent could not afford up-to-date school items or provide money to participate in school activities, and 20 per cent could not afford medical treatment or prescribed medicine.<sup>47</sup>

At a local level, similar needs were found among people who use emergency relief services in the City of Whittlesea, Melbourne. The City of Whittlesea has high levels of social and economic disadvantage, and is one of the fastest growing and most diverse areas in Victoria. Whittlesea Community Connections (WCC) is a major emergency relief provider for the area. In 2014, the most common reason for seeking emergency relief was difficulties paying housing costs (57 per cent of people). Debt payment difficulties were a significant reason for assistance (20 per cent of people), though not the leading reason. Other reasons included Centrelink payment interruptions (13 per cent of people), transport costs (13 per cent of people) and medical costs (13 per cent of people). Food expenses were a cause of financial hardship for 69 per cent of people.<sup>48</sup>

For people accessing emergency relief in this area, severe housing stress was a trigger for assistance, with 40 per cent of people spending 50 to 75 per cent of weekly family income on housing, and 22 per cent of people spending more than 75 per cent of weekly family income on housing. Despite these enormous costs, the majority (54 per cent of people) indicated they were always able to pay their housing expenses on time. However, 42 per cent said that after paying these expenses they were frequently unable to meet other basic household needs, and a further 50 per cent said they were sometimes unable to meet these needs.<sup>49</sup>

Similar to WCC, Anglicare Sydney found significant financial debt was an issue in 19 per cent of emergency relief visits in 2009; however, other problems also compelled emergency relief use, such as hunger, physical health, housing needs, parenting problems, and mental health issues. The pressures of unemployment were a more significant problem than personal debt, arising in 24 per cent of visits.<sup>50</sup>

## People experiencing or at risk of homelessness

Among people using the Salvation Army's community support services in 2016 (including emergency relief and financial counselling), 17 per cent were homeless or living in temporary accommodation.<sup>51</sup>

People who are homeless do not necessarily face debt payment difficulties. It is essential emergency relief and financial counselling services remain available to people experiencing

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<sup>47</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 11.

<sup>48</sup> Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 14.

<sup>49</sup> Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 15.

<sup>50</sup> Sue King, John Bellamy, Natalie Swann, Rachael Gavarotto and Philip Collier, *Social Exclusion: The Sydney Experience*, Anglicare Diocese of Sydney, June 2009, 6, 29-30.

<sup>51</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 25.

homelessness. Despite the existence of specialist homelessness services, people experiencing homelessness can be overwhelmed by basic needs (like relieving hunger and finding shelter) and therefore access emergency relief services rather than specialist services. People who are hesitant or do not know how to access specialist services may still access emergency relief. The Council to Homeless Persons notes where emergency relief is provided by or in conjunction with specialist homelessness services, it provides a valuable link to these services, and a 'powerful opportunity to engage with people experiencing or at risk of homelessness.'<sup>52</sup>

Emergency relief and financial counselling can also help prevent homelessness, including in the absence of debt payment issues. The data discussed above indicates emergency relief is helping people sustain tenancies and mortgage payments in the face of extreme housing stress, by providing food and other necessities after people pay housing costs.

There is evidence people at risk of homelessness can benefit from appropriate financial counselling that provides assistance with budgeting and financial skills, accessing income support entitlements, and paying existing arrears.<sup>53</sup>

#### **Financial counselling helps prevent women's homelessness**

The Justice Connect Women's Homelessness Prevention Project (WHPP) addresses legal issues placing women at risk of homelessness (e.g. sustaining a tenancy) and links clients with a range of other supports, including financial counselling. For example, the WHPP supported 'Paula', a single mother, to pay rent arrears and maintain her tenancy, and then linked Paula with a financial counsellor to help with future budgeting. Paula also received some food vouchers, warm clothing for her children, and help with school-related costs. Paula remained in her house, entered into a two-year lease, and kept employment.<sup>54</sup>

As this case study shows, it is vital specialist homelessness prevention services be able to refer people at risk of homelessness to financial counselling services, even if debt problems do not arise or have been resolved.

## **Aboriginal and Torres Strait Islander people**

Aboriginal and Torres Strait Islander people experience significant economic deprivation and financial stress, and therefore require universal access to emergency relief and financial counselling services. Among people using the Salvation Army's community support services in 2016, 16 per cent identified as Aboriginal and Torres Strait Islander people (compared with an Australian population proportion of 3 per cent).<sup>55</sup> Indigenous Australians experience higher levels

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<sup>52</sup> Council to Homeless Persons, *Position Paper on the Victorian Homelessness Action Plan Reform Project: A Framework for Ending Homelessness*, 2013, 31.

<sup>53</sup> Adam Steen and David MacKenzie, 'Financial Stress, Financial Literacy, Counselling and the Risk of Homelessness' (2013) 7(3) *Australasian Accounting, Business and Finance Journal* 31.

<sup>54</sup> Justice Connect Homeless Law, *Women's Homelessness Prevention Project—Two-month Snapshot*, June 2014.

<sup>55</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 19.

of financial stress than the non-Indigenous population. Financial literacy levels are low, connected with low literacy and numeracy levels, language barriers, and difficulties dealing with financial institutions and consumer products.<sup>56</sup>

It is particularly detrimental to restrict financial counselling services to Indigenous Australians at risk of exploitative, unaffordable and potentially unlawful consumer sales. Work by the Australian Securities and Investments Commission, the Australian Competition and Consumer Commission, and the Indigenous Consumer Assistance Network shows Aboriginal and Torres Strait Islander people are targeted by door-to-door sales, goods rental and purchase schemes, 'education product' sales, life and funeral insurance providers, and high-interest loan providers.<sup>57</sup> Financial counsellors help build financial literacy in the face of these risks, assist people to exit 'dodgy' deals, and prevent accumulation of large, unmanageable debts that can cause significant financial stress, as the following case study shows.

### **Financial counsellor gets exploitative consumer deals cancelled**

'A financial counsellor working in an Aboriginal community received complaints from Karen and Tom about a door-to-door salesman who had sold them a vacuum cleaner. They said they hadn't understood that they were entering into a contract, and didn't know why a direct debit was coming out of their bank accounts and attracting dishonour fees.

A financial counsellor investigated the complaints and, in particular, how the salesman had assessed each customer's capacity to pay. It was found that in one afternoon this salesman had signed up 36 people in the community to buy vacuum cleaners at a cost of \$2000 each.

As a result of the financial counsellor's enquiries, all 36 contracts were waived and any payments already made were refunded. Dishonour fees incurred through the direct debit payment system were also refunded. ...

The financial counselling intervention resulted in \$72,000 worth of contracts being cancelled and an estimated \$2000 in finance dishonour fees refunded to an already economically-disadvantaged Indigenous community.'<sup>58</sup>

People need to be able to access financial counselling before they are at risk of not being able to pay debts. Financial counselling can only fulfil an educative, preventative and early intervention function if the service is accessible to people at an early stage of need.

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<sup>56</sup> Arjun Ravi and Taimur Siddiqi, *Social Return on Investment Forecast of the Indigenous Money Mentor Program: Report*, 15 October 2013, 14-17.

<sup>57</sup> See <https://www.moneysmart.gov.au/life-events-and-you/indigenous>; Indigenous Consumer Assistance Network, *Unconscionable Conduct and Aboriginal and Torres Strait Islander Consumers*, 2010; Indigenous Consumer Assistance Network, *Annual Report, 2014-2015*, 13.

<sup>58</sup> Financial Counselling Australia, *Annual Report, 2014-2015, 2015-2016*, 4.

## Asylum seekers and newly-arrived migrants

Asylum seekers and newly-arrived migrants on low incomes have a particular need for emergency relief and financial counselling, due to severe economic deprivation and financial stress which does not necessarily manifest in debt payment difficulties.

Asylum seekers are especially vulnerable, due to inadequate income, work and education opportunities. The proposed eligibility restrictions will have serious ramifications for communities with a high proportion of asylum seekers, such as the City of Whittlesea in Melbourne, which has approximately 1000 asylum seekers living in the community. Whittlesea Community Connections has seen a sharp increase in the number of asylum seekers accessing emergency relief services, and has found 'limited eligibility for a range of services and the cost of daily living expenses on minimal or no income has edged many asylum seekers into serious financial hardship'.<sup>59</sup> After paying housing and accommodation costs, asylum seekers have very little left over for food and other necessities. A 2013 Red Cross survey found 40 per cent of asylum seekers had experienced food insecurity in the preceding 12 months, mainly because of household bill expenses and low income.<sup>60</sup>

Specialist migrant financial counselling services across Victoria will be affected by the proposed eligibility reforms. The reforms will exclude low-income migrants who have needs unrelated to debt payments, such as difficulties understanding and accessing the Centrelink system, Centrelink payment delays (including where people do not understand documentation requirements), or a need for advice about affordable loans, insurance products, or problems with unwanted utilities, household goods, and telco contracts.<sup>61</sup>

## People living in rural and regional areas affected by industry loss, drought, high transport costs and other burdens

Regional Victoria is struggling. In 2015-16, GDP growth rates were 4.4 per cent in Melbourne versus -1.0 per cent in regional Victoria. Victoria's economic growth is concentrated in Melbourne, which represents over 80 per cent of the Victorian economy.<sup>62</sup>

There appears to be a connection between struggling regional economies and emergency relief use. People from regional and rural areas are overrepresented in Salvation Army service use (50 per cent of all service users), including emergency relief and financial counselling.<sup>63</sup>

Emergency relief needs vary between metropolitan and regional areas. The SVdP research shows even greater demand for food relief in regional areas, which may indicate overall living cost

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<sup>59</sup> Whittlesea Community Connections, *2014 Emergency Relief Survey: Investigating the Community's Changing Needs and Reasons for Seeking Emergency Relief Services*, 13.

<sup>60</sup> Australian Red Cross, *Inaugural Vulnerability Report: Inside the Process of Seeking Asylum in Australia*, June 2013, 17.

<sup>61</sup> Esther Gregory, 'Refugee Background Migrants and Social and Economic Exclusion' (2005) 18(1) *Parity* 18.

<sup>62</sup> SGS Economics and Planning, *Australian Cities Accounts, 2015-16*, March 2017.

<sup>63</sup> The Salvation Army, *Out of Reach: National Economic & Social Impact – Survey 2016*, 19.

increases that manifest in food needs. Transportation was a significant driver of SVdP emergency relief use in regional Victoria, due to large petrol price rises and greater reliance on private vehicle transport than in metropolitan areas. This is consistent with previous studies showing petrol prices are more often the main reason for emergency relief use in regional Victoria than in Melbourne.<sup>64</sup>

VCOSS is particularly concerned about the impact of eligibility restrictions on rural and regional Victorians, including people affected by major industry loss (such as Latrobe Valley residents), people living in struggling dairy regions, and people living in agricultural areas more likely to be affected by drought and other major climate events. While economic pressures will often give rise to debt payment difficulties, people living in rural and regional areas will continue to need emergency relief and financial counselling for other reasons, including a lack of food due to prioritisation of debt payments and other expenses, job loss, transport needs, access to finance/loans, and other factors.

## People affected by natural disaster and other catastrophic events

People affected by natural disaster and other catastrophic events often rely on emergency relief and financial counselling to assist them through times of crisis. These supports are particularly necessary for people experiencing poverty, who are disproportionately impacted by emergency events. People in poverty are more vulnerable before, during and after a catastrophic event, having fewer resources, less social support and transport and housing options at their disposal. VCOSS has previously noted:

The capacity to purchase insurance, secure temporary accommodation, repair or build a new house, buy new clothes and household goods, access ongoing medical treatment and take time off work clearly contributes to the recovery of a person or a household from a disaster or emergency. Limited financial options can contribute to stress that, in turn, can adversely affect personal relationships, with disadvantage further compounded.<sup>65</sup>

In these circumstances, people's emergency relief and financial counselling needs extend well beyond debt payment difficulties, and include assistance with:

- transport costs, including where people have to relocate out of their community
- moving, rental bond payment and other housing costs
- replacing essential household items
- food supplies
- insurance claims.

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<sup>64</sup> Patrick Rehill, *Examining Changes in Emergency Relief Provision: An Analysis of 2011-14 Emergency Relief Data*, St Vincent de Paul Society, 18-19, 31-32.

<sup>65</sup> Victorian Council of Social Service, *Disaster and Disadvantage: Social Vulnerability in Emergency Management*, 2014, 10.

While specialist relief services are generally available at times of natural disaster, there is a complementary and ongoing role for emergency relief and financial counselling services in these circumstances. That role will be curtailed if eligibility is restricted to people who face imminent debt default. For example, financial counsellors would not necessarily be able to negotiate insurance claims. As VCOSS stated in response to the 2011 Victorian floods review:

It was noted by many [organisations] consulted for this submission that those who are able to strongly advocate to insurance companies are more likely to receive compensation. This points to the critical role of case workers and financial counsellors who have the skills to provide advice and advocacy on behalf of people who because of trauma, exhaustion, education level or personal circumstances are not able to strongly advocate for themselves. Inadequate insurance coverage and the financial hardship this causes is a fundamental aspect of the context in which local and state government recovery programs and community supports operate, and to which they need to respond. In this context the additional state and federal government investment in financial counselling services, employment and apprenticeship support has been crucial.<sup>66</sup>

We also note people in rural and regional areas are more likely to be affected by natural disaster and other catastrophic events than people in metropolitan areas. Combined with rural and regional economic decline, this compounds the need for accessible emergency relief and financial counselling services for people in these areas.

## Other groups

VCOSS members also identify other groups in need of financial wellbeing and capability services, including:

- people with disability—as more people with disability transition to independent living under the National Disability Insurance Scheme, VCOSS anticipates increasing demand for financial literacy/capability services to manage private renting, general household budgeting, and other needs
- young people leaving out-of-home care who are managing household budgets for the first time
- people needing advice about affordable loans and other financial and consumer products before entering these arrangements, particularly given the growth of payday lending and the prevalence of goods rental schemes and ‘junk insurance’
- prisoners, who can benefit from financial capability services that help people to manage debts and secure housing, income and other essential supports on release.

In the face of widespread financial vulnerability, financial wellbeing and capability services should be broadly available to help people make informed choices and avoid financial crisis.

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<sup>66</sup> Victorian Council of Social Service, Submission in response to the Victorian Floods Review, 3 June 2011, 10.

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