

Australian Council of Social Service

Submission to the Inquiry into the extent and nature of poverty in Australia

February 2023

Introduction

We commend the Senate for initiating this important inquiry. ACOSS believes that no one should have to live in poverty, and we advocate for policies, legislation and action by government to address poverty and inequality. We do so drawing on the direct experiences of people affected by poverty and inequality, the expertise of our diverse member base and the best available evidence.

Our policy agenda focuses on Federal Government policy that directly affects people living on low incomes and experiencing disadvantage.

ACOSS's submission to this inquiry sets out the range of policy proposals we have developed to reduce poverty and inequality in Australia. These recommendations cover social security, employment, housing, action on climate change, and other areas.

We do not attempt to synthesise all of ACOSS' work on poverty in this submission, but instead have pulled out key policy recommendations. In a separate submission to this Committee, in collaboration with the Poverty and Inequality Partnership, we outline key research findings on poverty in Australia drawing on the extensive body of Partnership research. In addition, we have provided a number of published ACOSS reports and papers of relevance for the Committee's consideration, including our submission with UNSW as part of the Poverty and Inequality Partnership.¹ For further detail on the recommendations in this submission, and additional proposals to reduce poverty and inequality in the forthcoming Federal Budget, see the [ACOSS Submission to the Federal Budget](#).

¹ Submission to inquiry into the extent and nature of poverty in Australia: ACOSS & UNSW Poverty and Inequality Partnership.

Discussion

Budgeting for wellbeing

Australia is at the beginning of a national wellbeing measurement journey, preceded by Scotland, Italy, the United Kingdom, New Zealand, Germany, Canada, Ireland and Iceland. That enables us to learn from the experiences of other jurisdictions and set standards for ourselves informed by their experiences. While the Government's Budget Wellbeing Statement notes that only a minority of countries have embedded wellbeing approaches into their budgets, ACOSS views this as essential and urges the Government to aim to be best practice in the way the Wellbeing Framework is used to inform budget policy making.

This should require distributional modelling of major policies, including direct and tax expenditures, to be considered in the process of budget policy decision making and published as part of the Budget papers.

A first priority for ACOSS is that the framework includes a poverty reduction goal, targets and relevant indicator(s). Unfortunately, Australia has no national definition of poverty, nor a plan to reduce it. As freedom from poverty is a key determinant of wellbeing, this should be a headline indicator for Australia's framework – commencing with developing an agreed national definition (in dialogue with academic experts, people directly affected by poverty, advocates, and other relevant parties). Any definition and plan must reflect the Sustainable Development Goal (GDP) 1 commitment to halve the number of people living in poverty by 2030, according to national definitions.

Through the Poverty and Inequality Partnership, ACOSS, UNSW and partners have developed a significant body of research measuring the level and depth of poverty and inequality in Australia, using a relative poverty line, after-housing costs and income and wealth inequality indicators. We refer Treasury to this body of work, including the international comparisons contained within our *Poverty in Australia and Inequality in Australia* report series.²

The distributional impacts of government policy and programs would be powerfully illustrated by adopting poverty and inequality indicators, with a focus on the intersectionality of income, wealth, gender, age and other key attributes associated with poverty and inequality.

Recommendations:

- The Wellbeing Framework should be an effective tool for reducing poverty across communities and improving equity in budget policy making,

² See <https://povertyandinequality.acoss.org.au/> for key reports and all data.

including through distributional modelling of impacts of major policy measures.

- The Wellbeing Framework should contain measures both of overall wellbeing and the distribution of wellbeing.
- A headline poverty measure and target should be included in the Australian Wellbeing Framework.

Relevant submissions/reports:

- [ACOSS Submission to 'Measuring What Matters'](#)

Social security

The base rates of JobSeeker, Youth Allowance and related payments are too low to sustain an adequate standard of living. These payments have fallen well behind pensions, wages, and community living standards. JobSeeker is less than half the minimum wage (just 42%) and the gap between JobSeeker and pensions is growing, having gone from being 80% of the pension in 1980, to 65% of the pension today (equating to a \$175 per week difference). Youth Allowance is just 34% of the minimum wage and 54% of the pension. JobSeeker remains the second lowest unemployment payment in wealthy nations as a proportion of average earnings.

The inadequate rates of these payments mean that people go without basic goods and services every day. ACOSS research in 2022³ found that 94% of people surveyed on JobSeeker and related payments and living in private rental were paying more than 30% of their income on rent. Half were in debt with their energy provider or expected to be once their next bill arrived because they couldn't afford the cost. Almost all respondents (96%) suffered poor mental and physical health because they did not have enough money to meet basic needs.

Child poverty currently sits at 16.6%, with one in six children living in poverty.⁴ Family payments have lost their value over time, due to the freezing of indexation for two years in 2017, as well as the removal of wage indexation in 2009. Ensuring Family Tax Benefit payments are adequate to cover the cost of children is crucial to reducing child poverty in Australia.

ANU research shows that the best way to reduce poverty and financial stress among very-low income householders would be to increase working-age payments, including JobSeeker.⁵ Increases to Rent Assistance – while also essential – on their own would have a lesser effect on national poverty rates⁶ because of the limited coverage of the payment, noting that only 37.5% of people relying on Jobseeker

³ ACOSS (2022), [How JobSeeker and other income supports are falling behind the cost of living](#) ACOSS, Sydney

⁴ UNSW & ACOSS (2022) Poverty in Australia 2022: A Snapshot <https://povertyandinequality.acoss.org.au/a-snapshot-of-poverty-in-australia-2022/>

⁵ Ben Phillips & Vivikth Narayanan (2021) 'Financial Stress and Social Security Settings in Australia' https://csrcm.cass.anu.edu.au/sites/default/files/docs/2021/5/FS_and_OPM_paper_SVA_PDF_0.pdf

⁶ Ibid.

currently receive Rent Assistance and that many people on low incomes are ineligible for the payment, amongst other factors.

Recommendations:

ACOSS calls for the following reforms to income support to reduce poverty:

- Lift base rates of income support payments like JobSeeker and Youth Allowance to the same level as the single pension (\$513 per week, including pension supplement) and index all working-age payments twice per year in line with Consumer Price Index (CPI) and wages.
- Improve the adequacy of payment supplements to meet additional living costs, including by lifting the maximum threshold for Commonwealth Rent Assistance (CRA) by 50% (resulting in a 100% increase in the payment), and establishing a Disability and Illness Supplement and a Single Parent Supplement (to replace Family Tax Benefit Part B).
- Restore wage indexation of Family Tax Benefit Part A either by reconnecting the indexation of the payment to pensions or directly lifting the payment in line with wages or CPI (whichever is greater).
- Remove unfair waiting periods for payments and improve financial assistance for people seeking asylum and temporary migrants, including by restoring funding to the Status Resolution Support Service and increasing financial assistance to parity with allowances.
- Establish a social security commission to provide independent expert advice to the Parliament about the setting of social security payment rates (including family payments), covering adequacy, means test settings and indexation. The EIAC could perform this function with adequate resourcing and appropriate independence.

Relevant submissions/reports:

- [Briefing note: Addressing inadequacy of income support](#)

Employment

Supporting people who are most disadvantaged in the labour market and who are trying to get secure employment is vitally important to reducing poverty.

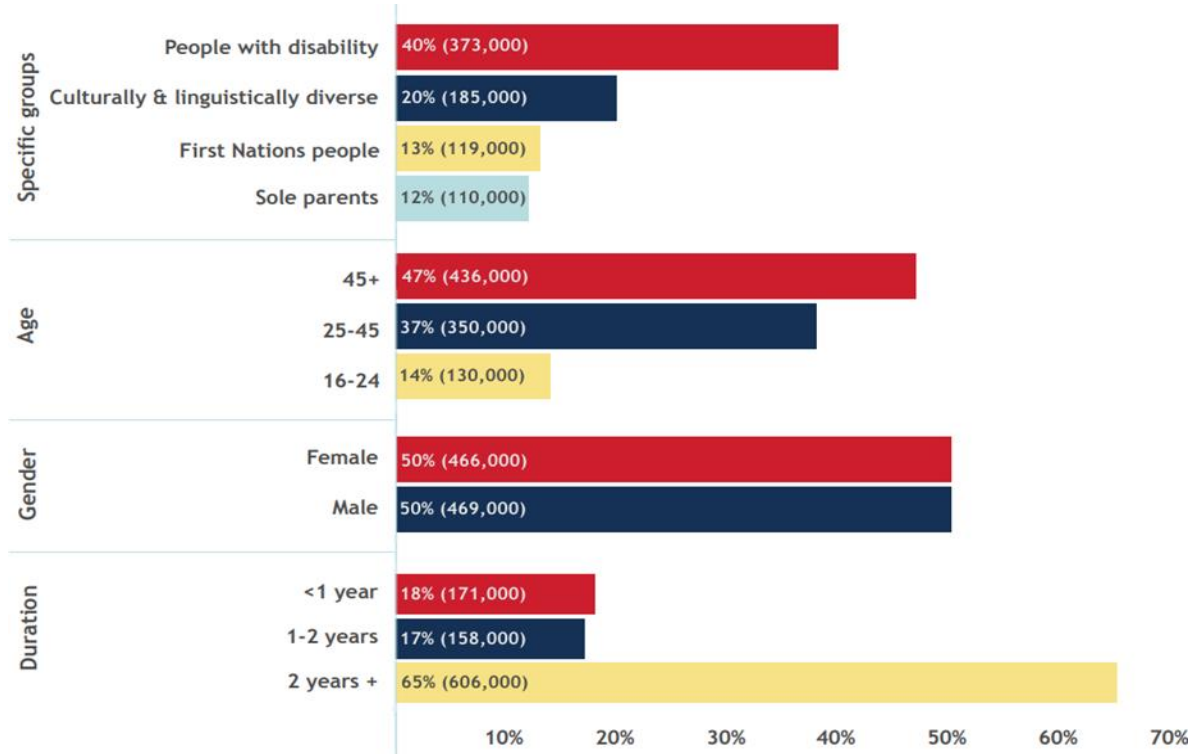
Australia is close to achieving **full employment**, but we are not there yet. Sustained full employment has the potential to greatly improve wellbeing and overall living standards, lift the incomes of people lacking paid work and those on low wages, improve the quality and security of employment, and ease entrenched income and gender inequality. The government should set a full employment target and embed the target both in a new agreement with the Reserve Bank and in its

forthcoming Wellbeing Framework. In addition to restoring full employment, the government should take advantage of the current tight labour market conditions to bring people who have been left behind into paid employment. That requires major reform of employment services and a shift from the present compliance-heavy system of mutual obligations towards one in which people receive the help they need to secure a decent job.

The government has taken some important urgent steps to curb inflation, including through intervention in the energy market but must go further, both to ease hardship and to avoid the blunt and brutal alternative of higher interest rates, which would cruel our chances of achieving full employment.

In March 2021, 80% of the 840,000 people on unemployment payments (665,000 people) had received income support for more than a year (70% for over two years). These long periods on income support reflect the disadvantaged profile of people on those payments. The graph below shows that of people on unemployment payments in March 2022, 40% had a disability, 47% were 45 years or older, 20% were from culturally and linguistically diverse backgrounds, 10% belonged to First Nations communities and 13% were raising a child alone. Most had high school qualifications or less.

Profile of people on unemployment payments (March 2022)



Source: Department of Social Services (2022), [DSS payment demographic data](#), March 2022

We propose that the government make an annual Jobs and Training Offer to people unemployed long-term as the centrepiece of employment service reforms to reduce prolonged unemployment. The offer gives effect to genuine mutual obligation by putting the onus on government to uphold its end of the employment bargain.

Recommendations

ACOSS proposals to increase the supply of jobs for people who are most disadvantaged in the labour market and at risk of long-term unemployment include:

- Commit to full employment through a full employment target agreed between the Government and the Reserve Bank of Australia.
- Introduce a flexible Jobs and Training Offer for people unemployed long-term, comprising a menu of subsidised temporary employment, substantial further education or training, or other help to connect them to suitable jobs.
- Replace harsh unemployment payment compliance arrangements (including automated payment suspensions, excessive activity requirements, and compulsory participation in ineffective programs such as Work for the Dole and Parents Next) with a strengths-based approach.

Relevant submissions/reports:

- [Faces of Unemployment](#)
- [Voices 2: experiences of people in jobactive](#)
- [Restoring full employment: Policies for the Jobs and Skills Summit](#)
- [Submission to the Review of the Reserve Bank](#)
- [Local employment and skills development partnerships](#)
- [ACOSS Minimum Wage Submission \(2022\)](#)
- [Submission to the Fair Work Commission on minimum wages](#)

Housing

There is an assessed shortfall of 500,000 social housing dwellings to meet current need and projected population growth. To meet the social housing shortfall, the government would need to build 25,000 social homes each year for two decades. To compound these challenges, the withdrawal of the National Rental Affordability Scheme will see the subsidies and rent restrictions attached to some 22,000 of these affordable homes expiring, with no plan to replace them. We welcome the intention to develop new institutional investment incentives via the Housing Australia Future Fund (HAFF), Accord and with input from the Supply Council.

Compounding the challenge, rent inflation reached an historic high in the year to December 2022, increasing by 10%. This is the biggest driver of cost-of-living pressure for low-income households.

Recommendations:

ACOSS calls for a range of measures to ensure that people on low incomes have an affordable home, including:

- The Federal Government should build on the housing policy and institutional foundations being established by committing to a 10 year, 25,000 dwelling per year pipeline of social housing investment;
- Rent Assistance for private tenants with low incomes should be benchmarked to actual rents, requiring a 100% increase in the payment in 2023-24 (as outlined above).
- Develop a new national First Nations Housing strategy, supported by a boost to funding for Indigenous Community Housing Organisations (ICHOs) and a new inter-governmental remote housing funding agreement.

Relevant submissions/reports:

- [Review of the National Housing and Homelessness Agreement](#)

Community services for people at risk of, or experiencing, poverty

The community sector has a critical role to play in supporting people at risk of, or experiencing, poverty, including by providing:

- community and affordable housing;
- short term accommodation for people in financial crisis;
- assistance to find paid work;
- financial counselling and support;
- emergency relief to meet basic costs;
- affordable care and support services.

Community services should complement an adequate income support system, to meet additional needs, provide affordable, quality services and assist people in crisis. They should never be considered as a replacement or alternative to the provision of adequate income support payments to people, for example through emergency relief. Access to emergency relief has now become routine for many people on income support as payments fall so far below the cost of living.

Our recent research demonstrates that the people's need for community services in the past three years has increased significantly and grown more complex. People experiencing poverty and inequality have endured the pandemic, continuous and devastating disasters, as well as incredibly distressing economic hardship. These events have a disproportionate impact on people on low incomes, and reliant on social security. More people are escaping family violence, seeking safe and adequate shelter and/or trying to access mental health, relationship, financial counselling and other advisory services.

For community services to fully meet community need, government must develop a more sophisticated understanding of how the need for community services continues to change, and how to best meet these evolving needs. Developing this evidence base would greatly assist the government to target its investment in areas where the need for assistance is more acute both in terms of population cohorts and geography.

Recommendations:

ACOSS recommends:

- Apply proper and transparent indexation to community services funding and invest in service needs mapping as first step towards needs-based funding.

Relevant submissions/reports:

- [Helping people in need during a cost-of-living crisis: Findings from the Australian Community Sector Survey](#)

Continue to improve access and affordability of early childhood education and care for low income families

The government's commitment to lifting the maximum rate of Child Care Subsidy (CCS) to 90% of the hourly fee cap for families earning up to \$80,000 will improve equitable access to early childhood education and care. However, the families that are most in need of improved affordability will miss out on these benefits because they don't have access to enough hours of subsidy due to the current design of the activity test. An increase in the rate of the CCS, without a complementary measure to increase the number of hours available to families with low incomes and less than 16 hours of work, study or training will exacerbate existing inequity and widen attainment gaps for children in families with low incomes and insecure work.

We support the proposal of the Grattan Institute to increase the subsidy rate to 95% for low-income families, with the same simpler, flatter taper rate.⁷ Additionally, we support removing the bottom two steps of the activity test to improve equity of access for children from low-income households and who are currently excluded in the design of the system. The activity test result for low-income, low activity families should be increased to 48 hours per fortnight (increase from 24 hours per fortnight), so children from these families can access at three days of subsidised early learning to support their learning, development and wellbeing.

As a step towards such a universal system, we recommend the government consider low-income families being able to access free or low-cost early childhood

⁷ Grattan Institute (2020), ['Cheaper Childcare: A practical plan to boost female workforce participation, 2020'](#) p 55-56

education and care for at least three days per week as soon as families want it, with more available at minimal cost for those who need it, including families participating in work, study or volunteering or families experiencing vulnerability and disadvantage. This would pave the way towards further reforms in the move to a free, universal and quality ECEC system.

Recommendations:

Affordability, accessibility and quality of early childhood care and education should be improved by:

- Lifting the CCS to 95% for low-income families.
- Removing the requirement to meet an activity test to access the CCS to support continuity of access to high-quality early education and care for children, especially for low-income families.
- Investing in a Government-funded, 15% interim wage supplement to the early childhood education and care sector, to commence as soon as possible before the early childhood education and care reforms in July 2023.
- Investing in the ISP with an immediate catch-up rate for additional educators and ongoing indexation and removal of the 25-hour cap for additional educator.

Improve access to preschool

Children who attend early childhood education for at least a year before starting school are half as likely to have developmental vulnerabilities when they start school as children who have not received early learning services.

There have been significant strides in lifting enrolments of children in preschool programs in the year before school (four-year-olds) and additional preschool funding was announced by the Federal Government for this cohort for four years to 2025. However, Australia lags in enrolment of three-year-olds and is in the bottom third of countries ranked by the OECD (at 65%), with our enrolment rates for the entire three-year- to five-year-old cohort, substantially behind the OECD average as well as the leading developed nations.⁸ Significant reforms announced in Victoria and New South Wales to increase preschool access to two years before school and increase the hours of delivery from 15 to 30 hours in the year before school will help address these. However, these welcome reforms will also exacerbate the disparity of access already evident across the country, with children's access to affordable preschool further dependent on where they live.

In the May 2023 Budget, we recommend the government undertake immediate reforms that improve the accessibility and availability of preschool for children aged three, aligned to existing provisions for four-year olds so that they can attend

⁸ OECD, '[Enrolment Rate in Early Childhood Education](#)', accessed January 2023.

preschool at least two days per week in the two years before starting school. This would mean, for example, extending the existing exemption from the CCS activity test that exists for four-year-olds to three-year-olds.

Beyond this budget cycle, we think further reforms should be considered that improve accessibility and affordability of preschool, especially for children from low-income families. This would include moving to a system where preschool is available for free or at a low cost for at least three days per week, with more available at minimal cost for those who need it.⁹

Recommendations

Current early childhood education and care policy settings should be reformed so that:

- Children from three years old have access to high-quality early education in the two years before starting school (with the national rollout of this reform to prioritise children experiencing educational disadvantage, including Aboriginal and Torres Strait Islander, children in rural and remote areas, children from non-English speaking backgrounds).
- Funding commitments remain long-term to provide security for parents and early learning centres, in line with the recommendations of the Universal Access National Partnership Council of Australian Governments (COAG) Review.¹⁰

Relieving energy hardship

People on low incomes are particularly vulnerable to energy bill hardship because they spend disproportionately and significantly more of their income on electricity bills (6.4%) compared to high income households (1.4%).¹¹ They are less able to afford energy efficient appliances, or energy mitigating measures like rooftop solar.

In July/August 2022, ACOSS found that seven in ten people receiving income support payments were reducing their use of heating and 57% were shortening or taking fewer showers because they could not afford energy costs.¹²

Recommendations

- Invest in energy efficiency improvements for low-income homes to cut emissions and energy bills and create thousands of local jobs.

⁹ Centre for Policy Development (2021), *Starting Better: A Guarantee for Young Children and Families*, Melbourne.

¹⁰ Nous (2020), 'UNAP Review – COAG Education Council', Nous Consulting.

¹¹ ACOSS and BSL (2019) Energy Stressed in Australia. <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

¹² ACOSS (2022) How JobSeeker and other income support payments are falling behind the cost of living https://www.acoss.org.au/wp-content/uploads/2022/09/ACOSS-cost-of-living-report_web_v02.pdf p.3

- Provide up to \$2,000 per household in emergency energy debt relief to reduce energy payment difficulties made worse by COVID and the energy crisis.
- Reduce energy bills for people on low incomes by removing the costs of the Small-scale Renewable Energy Scheme (SRES) from energy bills (or exempting people on low incomes from paying).

Climate resilient households and communities

The adverse effects of climate change are disproportionately experienced by people on the lowest incomes, who have least capacity to adapt and mitigate its impacts. Further, people on low incomes are hit first and worst by extreme weather events. The below recommendations would mitigate the poverty effects of climate change and build climate resilience in communities.

- Increase the Australian Government Disaster Recovery Payment from \$1,000 to \$3,000, and from \$400 per child to \$1,000 per child. These payments have not been increased since 2006 and the cost of living has increased substantially in that time. The \$20,000 asset limit should be removed.
- Increase the amount and duration of Disaster Recovery Allowance to \$73 a day, indexed to wages. The allowance is paid at the same rate as JobSeeker, just \$48 a day for a single person. This is clearly inadequate for anyone, let alone someone who has lost everything in a disaster.
- Empower Communities to build their resilience and manage recovery.
- Provide affordable, accessible, and quality insurance.

Relevant submissions/reports:

- [ACOSS Submission: Greens National Energy Transition Authority Bill](#)
- [ACOSS Submission to the National Electric Vehicle Strategy Consultation Paper 2022 Final](#)
- [ACOSS submission on Climate Change Bill 2022](#)
- [ACOSS submission Second Disaster National Action Plan](#)
- [Submission on National Climate Resilience and Adaptation Strategy \(NCRAS\) 2021 Consultation](#)
- [Proposed national low-income energy productivity program, 'Healthy and affordable homes'](#)
- [Proposal and implementation plan for a national low income energy productivity program \(NLEPP\)](#)
- [Energy efficiency, electrification for low-income homes](#)

Health

People living in poverty have poorer health outcomes than others in the community. Out-of-pocket health care costs in Australia are far too high. A recent report from

the Grattan Institute found that in 2019-20 patients spent \$30 billion on out-of-pocket medical costs - approximately 17% of national healthcare expenditure, among the highest in the OECD. High costs are deterring patients from seeking needed care.¹³ In 2020-21 nearly half a million Australians missed out on seeing a specialist because of cost, and more than half a million deferred or did not fill a prescription because of cost. There are some gaping holes in our Medicare safety net which must be addressed, including the lack of a universal dental health scheme. As well as ensuring income support payments prevent poverty and other investments in housing, energy and services to address the social determinants of health, ACOSS recommends the following health reforms to improve access to healthcare:

- Strengthen the oral health safety net through increased investment in public dental services (\$500 million).
- Replace the Extended Medicare Safety Net with more effective and equitable initiatives to reduce out-of-pocket costs and contain price inflation, including public hospital outpatient services, bulk billing incentives and increases in the Medicare Benefits Scheme.
- Abolish the Private Health Insurance Rebate and redirect a portion of the \$7 billion saved into the public hospital system.

Relevant submissions/reports:

- [ACOSS submission to the Independent Inquiry into Australia's Covid Response](#)

First Nations' Communities

Aboriginal and Torres Strait Islander people are at much greater risk of poverty than other groups in Australia. Forty per cent of First Nations people reporting gross weekly household incomes in the lowest 20% of the income distribution in 2018-19.¹⁴ In the same year, 45% of working age First Nations people (18-64 years) relied on a government pension or allowance as their main income source.¹⁵

The lack of affordable housing is a major challenge for First Nations people around the country.

¹³ Duckett, S., Stobart, A., and Lin, L. (2022). Not so universal: How to reduce out-of-pocket healthcare payments. Grattan Institute

¹⁴ See AIHW, Indigenous Income and Finance, 16 September 2021: <https://www.aihw.gov.au/reports/australias-welfare/indigenous-income-and-finance>

¹⁵ Ibid

Aboriginal and Torres Strait Islander people living in remote areas receiving income support are eligible for a Remote Area Allowance to meeting additional living costs related to remoteness. The Allowance is currently \$18.20 for a single person per fortnight, and is not indexed. A 2020 analysis of remote store pricing by the NIAA, initiated by the then Minister, found that prices in remote community stores were on average some 39% higher than those in major supermarkets elsewhere.¹⁶ Compounding these challenges is the unavailability of safe, secure and adequate housing for people in remote communities.

ACOSS strongly supports the 'Uluru Statement from the Heart' to give First Nations People a say in the decisions that affect their lives with a constitutional voice to Parliament. This will help ensure that we do things differently and more productively and allow Aboriginal and Torres Strait Islander people to claim their rightful place in the nation.

Recommendations

First Nations' communities are overrepresented among people living on low incomes.

- Examine the adequacy of income support for people living in remote areas as a matter of priority, including the Remote Area Allowance.
- Provide a remote fresh food subsidy to reduce the costs of basic items in remote communities. This could be funded through a sweetened drinks tax (see revenue proposals below).
- Develop a new national First Nations Housing strategy, supported by a boost to funding for Indigenous Community Housing Organisations (ICHOs) and a new inter-governmental remote housing funding agreement.
- Abolish discriminatory social security policies including mandatory income management.
- The Uluru Statement from the Heart be implemented, by holding a referendum on a First Nations Voice to Parliament enshrined in the Constitution.

Relevant submissions/reports:

- [Submission to the Community Affairs Inquiry into Social Security \(Administration\) Amendment \(Repeal of Cashless Debit Card and Other Measures\) Bill 2022](#)

¹⁶ NIAA, Food prices and accessibility in remote communities: 'simple basket of goods' snapshot, July 2020

Revenue and retirement incomes reform to fund poverty reduction and essential services

ACOSS has put forward a number of recommendations to strengthen the Federal Government's revenue base as well as boosting equity in the superannuation system. For the Federal Government to secure the funding base for essential services like income support, aged care, and health care, it will need to strengthen its revenue base ongoing.

- Rescind unaffordable tax cuts for people on higher incomes and shield people with the least resources from any spending reductions.
- Replace tax concessions for superannuation contributions with a fairer and simpler annual rebate. Savings should go towards strengthening essential services, including health and aged care.
- A 15% levy on superannuation fund earnings after retirement to guarantee universal access to quality aged care services
- Reduce avoidance of the Medicare Levy to strengthen funding for health services.
- Reduce the general Capital Gains Tax discount for individuals and trusts by half and restrict deductions for personal investment expenses (negative gearing).
- Introduce a sugar tax on sweetened drinks and tax drinks consistently on the basis of alcohol content.

Relevant submissions/reports:

- [Budget challenges for the next government](#)