

ACOSS Response to Questions on Notice from Senator Siewert

Senate Community Affairs Committee Inquiry into COVID 19

14 August 2020

ACOSS responses to questions on notice are below. To discuss further, please contact Jacqueline Phillips, Deputy CEO and Director of Policy at jacqui@acoss.org.au.

• How will the continued uncertainty around the permanent rate of JobSeeker and the status of the coronavirus supplement impact people receiving these payments?

There is a lot of concern among people receiving JobSeeker and other income support payments about their payments being cut at the end of September, as well as being returned to \$40 a day from January. The lack of certainty around payment rates means that people are unable to plan, including making decisions around renewing or signing leases, preparing for Christmas, and preparing for the school year. People are distressed about their incomes dropping, and we know that people are trying to save what they can in preparation for payments being returned to the brutal rate of \$40 a day.

• What impact will the re-introduction of the assets test and liquid asset waiting period have on people receiving income support payments?

The reintroduction of the Liquid Assets Waiting Period will mean that some people who lose their paid work will be without an income for up to 13 weeks and will have to whittle down any modest savings they do have to get by. Some may resort to accessing their superannuation to keep a roof over their head (which will also be factored into the Liquid Assets Test). Given the uncertainty around employment under COVID-19, especially with the high likelihood of rolling lockdowns, it is mystifying that the government is forcing people to use up savings they have before accessing income support.

Furthermore, the Liquid Assets Waiting Period could see some people have to wait till the end of December before they can access income support, after which their payment (JobSeeker) under current policy settings will revert to \$40 a day. They will therefore end up on a totally inadequate income support payment with little if any private savings to help them cover the basics.

We know that having a savings buffer can make all the difference between someone getting by and ending up homeless. The Liquid Assets Waiting Period should be abolished, as recommended by the Henry Review.

- **The Government is planning on testing current JobSeeker recipients for their eligibility against the assets test in September. How should this process of testing for eligibility be undertaken to ensure it does not disproportionately harm people on income support?**

We do not have access to data on the assets held by current Jobseeker recipients, and do not therefore know what proportion of current recipients would become ineligible for the payment when the assets test is reinstated. We recommend that the Committee seek this data from the Department of Social Services to inform the Government's approach the reinstatement of the assets test.

- **What impact do you think the re-introduction of mutual obligations will have on unemployed workers, especially given significant risk of community transition and vulnerabilities of cohorts on Jobseeker?**

State of play with the compliance system

The Government sensibly suspended activity requirements and penalties in response to the dual health and economic crises that emerged earlier this year. These crises are far from over. Victoria is under lock-downs and unemployment is expected to rise to an 'effective' rate of 13% by the end of the year. There is an average of 13 people on unemployment payments for every job vacancy.

The Government is now progressively restoring activity requirements and penalties for people receiving activity-tested payments, beginning with [the following elements from 4 August](#):

- (1) People outside Victoria are required to attend appointments with employment service providers (unless they receive employment assistance on-line only) and apply for up to 4 jobs a month, but *there are no penalties for non-compliance with these requirements*
- (2) People outside Victoria who refuse a *suitable* offer of paid employment *without a reasonable excuse* face cancellation of their payment and a four week wait before they can once again receive income support.

Later, subject to the virus and economic conditions, further requirements are likely to be reintroduced under the [Targeted Compliance Framework](#).

Our long-standing concerns about the compliance system

While we expect people receiving unemployment payments to take reasonable steps to secure employment, ACOSS has long-standing concerns about the financial hardships brought about by the previous compliance system, and its inflexibility. As the Employment Services Expert Panel report identified, employment assistance was too compliance-focussed with too little room for personal agency and too little flexibility to respond to individual circumstances.

These problems are due as much to the design of the compliance system and commissioning of employment services, as the rules themselves.

Specific concerns about psychological distress and financial hardship

Under the present crisis conditions, ACOSS is especially concerned about the impact of restoration of activity requirements on people's mental health - especially those already experiencing mental illness, young people, and those who are new to the income support system. Many people are

already anxious or distressed due to lockdowns, social isolation, fear of catching the virus, and loss of employment.

It is well established that unemployment degrades mental health, and that income insecurity causes psychological distress, as the following research shows:

<https://www.medrxiv.org/content/10.1101/2020.05.06.20093773v1>

<https://www.theaustralian.com.au/nation/suicides-toll-far-higher-than-coronavirus/news-story/25a686904b67bdebdcd544b1cab7f96>

https://www.theguardian.com/australia-news/commentisfree/2020/may/19/australias-job-market-is-ground-zero-for-new-levels-of-trepidation-over-what-comes-next?CMP=share_btn_link

(See also attached research in the UK, from Barnes et al and Kim et al)

Since the government has rightly prioritised mental health in its COVID19 response, we consider that income insecurity is a trigger for psychological distress that cannot be ignored.

Restoration of the previous compliance and penalty system is likely to trigger psychological distress for many people, without improving employment outcomes.

To reduce the risk of harm, and promote agency in the search for employment rather than simply compliance, we propose the following steps be taken.

1. Continue to suspend requirements and penalties where lock-downs are in force

This applies, for the time being, across Victoria.

2. While the risk of COVID19 is elevated and employment opportunities remain limited, continue to suspend compliance and penalties for provider appointments, job search, and other compulsory activities

People should be encouraged to register and work with providers to help them improve skills and search for employment, but without payment suspensions or other penalties for non-compliance. This should be made clear to people, so they are not fearful that they may lose income support.

3. Clearly define and explain to people what 'suitable employment' means in the context of COVID19

Many people are fearful that if they undertake employment that brings them into close contact with others, they are at risk of catching the virus.

This is especially problematic for people with existing illnesses and those who live with or care for people who are vulnerable to COVID19, such as older relatives.

Further, compliance with occupational health and safety requirements in regard to COVID19 is not consistent across businesses.

Before requirements to accept 'suitable employment' are enforced, these concerns should be addressed and the circumstances in which people can decline a position where they believe they are at risk should be clarified and explained to people.

4. Before compliance is restored, redesign the system so that it's safe for people and fit for purpose

Employment services, activity requirements and the compliance system should be:

- Physically safe for people, so that the risk of infection with COVID19 is minimised and no requirements put people at risk;
- Safe for mental health: It is vital that front-line staff have appropriate training to identify and respond to mental illness, including anxiety and psychological distress, and for providers to be well-connected with local mental health services;
- More career guidance-oriented for people negotiating a rapidly-changing labour market, especially new entrants to Youth Allowance and Jobseeker Payment;
- Able to offer a wider range of assistance (including with income support issues, and referrals for emergency relief and help with health and family problems);
- More person-centred and less compliance-centred, with lower caseloads for those receiving face-to-face services. This is likely to require changes to employment service purchasing arrangements.

5. More specifically, the following changes should be made to activity tests and the compliance system before compliance is restored:

- Job search requirements should be substantially reduced from the previous default of 20 jobs a month, and requirements should be more responsive to individual circumstances and local labour market conditions;
- Restrictions on participation in education and training to meet requirements should be eased;
- The most harmful elements of the Targeted Compliance Framework should be removed, including:
 - automated payment suspensions;
 - lack of discretion for providers/Centrelink to waive penalties.

• What role do you think the government should play in reducing energy costs for low income households?

- (1) Invest in energy efficiency retrofits and solar installations for low income households including, public, community and Aboriginal and Torres Strait islander housing; low income home owners (see <https://bit.ly/33SSxvg>)
- (2) Access to low-income energy savings appliance replacement scheme (see <https://bit.ly/33SSxvg>)
- (3) Additional short-term targeted financial support via energy retailers to customers in energy hardship, to help reduce energy bill debt of customers and energy retailers.
- (4) Raise the Rate of Jobseeker for good.

• What impact has the removal of free childcare had on low income families

We have sought further information from ACOSS members about the impacts of recent child care changes on low income families and will provide this as soon as possible. There is strong support for child care to be more deeply subsidised for a majority of families on a permanent basis (at least 95% of capped costs), for the lifting of activity requirements at least for the duration of the health and

economic crisis and the extension of access to the Additional Child Care Subsidy for those in financial hardship.