



Supplementary Pre-Budget Submission 2020-2021

24 August 2020



Who we are

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

What we do

ACOSS leads and supports initiatives within the community services and welfare sector and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

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Executive Summary

In our original [Pre-Budget Submission](#), lodged in late 2019, we predicted that:

"The 2020-21 Federal Budget will be brought down in the context of a flagging economy, stagnant incomes, growing unemployment, and as communities and businesses reel from drought and bushfires. It will be delivered in the face of major national inquiries which are exposing serious failings in our mental health, disability and aged care systems and gaping holes in our income support system which force people into poverty."

We did not at that stage know the full devastation that the bushfires would cause as they worsened throughout December and January, nor foresee the dire impacts of the global COVID-19 pandemic on the health of our community and state of our economy. These events have only strengthened the case for the well-targeted policies proposed in this and our earlier submission to lift incomes, boost jobs growth, reduce long-term unemployment and stimulate the economy.

To the credit of leaders across governments, business, unions and the community sector, the Australian response to the COVID-19 pandemic has been largely characterised by partnership and collaboration. This is an approach we can be proud of, in a world racked with political division.

As we plan for our economic recovery, partnerships will be equally vital. These partnerships should be built upon common goals to build a better future:

- to get unemployment and under-employment below double digits as quickly as possible;
- to prevent the entrenchment of long-term unemployment;
- to reduce poverty;
- to ease the anxiety and financial stress that too many people have suffered during 2020;
- to reduce carbon emissions and build resilience; and
- to restore bushfire-affected regions.

This submission supplements ACOSS' original Pre-Budget Submission. It presents new proposals to address the health, social and economic challenges arising as a result of COVID-19 and highlights specific proposals from our original Submission that are particularly urgent and relevant to our current circumstances.

Together, the proposals contained in this Supplementary Submission are designed to prevent household financial stress and poverty, create jobs, support employment participation, deliver immediate benefits to the broader economy and provide additional support to those groups most affected by the impacts of COVID-19 to

date, including many who were already disadvantaged in the labour market. We advance a package of targeted investment proposals to:

- stimulate immediate activity in key industries while delivering social and environmental benefits for the long-term (e.g. social housing, energy efficiency and care workforce investments);
- permanently lift the incomes of those who are unemployed or on the lowest 'allowance' payments, preventing poverty and delivering an immediate boost to domestic consumption;
- support people to return to paid work as the economy recovers through employment partnerships, a jobs and training guarantee, career guidance, employment services reforms and more affordable child care;
- strengthen the resilience of communities to extreme weather events; and
- ensure the continuity and sustainability of social services through the pandemic and beyond to maintain the services the community relies on and support the care sector workforce.

Major recommendations

Recommendation 1: Restore the maximum rate of JobKeeper and phase it down cautiously and gradually

- The rate of JobKeeper Payment for people employed for 20 hours a week or more should remain at \$1,500 per fortnight from September 2020 to March 2021.
- The JobKeeper Payment should be extended as a matter of urgency to temporary visa holders.

Recommendation 2: Secure permanent income support payment rates that are adequate and fair

- Set a standard minimum income floor across the working age payments system, at the current pension rate (including the Pension Supplement). This is currently \$472 per week for a single person.
- Increase base rates of allowances to this income floor. This would require an increase of \$185 per week to the single maximum rate of JobSeeker Payment and \$235 per week for the single, maximum rate of Youth Allowance. This would simplify the income support system while securing fairness.
- In addition, depending on circumstances of need, the following supplements should be provided:

- Housing Supplement: Increase the maximum rate of Commonwealth Rent Assistance by 50% to more adequately subsidise private rental costs for low-income tenants. For a single person without children, this increase would see CRA rise from \$70 to \$105 per week¹.
- Disability and Illness Supplement: Introduce a Cost of Disability and Illness Supplement that recognises the additional costs faced by people with disability. This Supplement should be at least \$50 per week². This is in addition to ACOSS's long-standing call for broader access to the Disability Support Pension to avoid people with disability ending up on JobSeeker Payment.
- Single Parenting Supplement: Introduce a Single Parent Supplement that recognises the added costs of single parenthood. The Single Parent Supplement should be at least \$200 per week (and must reflect number and age of children). This could be paid via Family Tax Benefit Part B.

Recommendation 3: Create national and local Partnerships for Jobs

- A standing national advisory body comprising of industry, unions, community organisations, governments, and employment and training providers should be established to advise the Minister for Education, Skills and Employment on the development and implementation of a national jobs recovery strategy and to support the establishment and maintenance of Local Employment and Skills Partnerships.
- A 3-5 year grants program should be introduced to establish and resource local employment and skills development partnerships and plans.

Recommendation 4: A jobs and training guarantee for people who are unemployed long-term

- A jobs and training guarantee for people who are unemployed long-term should be created, including young people unemployed for six months or more and people aged 25 years and older unemployed for 1-2 years or more. The guarantee would comprise subsidised paid work experience, and/or vocational and foundational education and training, and/or 'demand

¹ While this would secure a more adequate payment rate, future reforms are needed to improve the effectiveness and adequacy of Rent Assistance, including eligibility and indexation. Other ACOSS proposals to improve access to affordable housing for people on low incomes are outlined in <https://www.acoss.org.au/wp-content/uploads/2019/08/ACOSS-Brief-Social-Housing-Investment-as-Infrastructure.pdf> and <https://www.acoss.org.au/wp-content/uploads/2020/04/200429-Economic-Recovery-Briefing-PDF-1.pdf>

² See NATSEM modelling of the cost of disability: Li, J., Brown, L., La. H.N., Miranti, R., and Vidyattama, Y. (2019). Inequalities in Standards of Living: Evidence for Improved Income Support for People with Disability. NATSEM, Institute for Governance and Policy Analysis, University of Canberra. Report commissioned by the Australia Federation of Disability Organisations. September 2019.

led' employment assistance that connects people to employers likely to take them on, and/or other support based on their needs and those of employers.

Recommendation 5: Career guidance and training for people who are unemployed

- Professional career guidance and support services should be expanded across the country to help people who are unemployed, or entering/re-entering employment identify their career goals, navigate an uncertain jobs market, and connect them with training and work experience opportunities and employment supports. Priority should be given to young people with Year 12 qualifications or less, parents and carers returning to paid work, older workers and those recently retrenched.

Recommendation 6: Reform and improve mainstream employment services

In consultation with service providers and users, peak bodies and experts, elements of the new employment services model proposed by the Expert Panel should be advanced, including:

- A shift from excessive compliance and penalties to personal agency, including simple and flexible activity requirements that take account of local and personal circumstances, and the removal of automated payment suspensions;
- Two streams of service, a digital service (with personal support as needed) for people less disadvantaged in the labour market and a more intensive face-to-face service for people unemployed for a year or more (six months in the case of people under 25 years) and those at risk;
- Purchasing arrangements that provide more funding in advance, facilitate specialist and locally-based providers, and greatly reduced caseloads;
- An enhanced Employment Fund to assist with investments to overcome barriers to employment.

Recommendation 7: Improve and simplify child care subsidies

- Lift the Child Care Subsidy for low income families from 85% to 95% (for households on incomes of up to \$68,163 per annum);
- Flatten and simplify the taper rate, so the subsidy reduces to 30% for households on higher incomes (\$400,000 per annum or more).
- Remove activity tests to access the Child Care Subsidy to support continuity of access to high quality early education and care for children, especially for low income families;
- Extend access to the Additional Child Care Subsidy beyond the current 13 week period.

Recommendation 8: Create a community sector continuity of service enabling fund

- Create a Community Sector Continuity of Service Enabling Fund to ensure continuity of service delivery, adaptation, secure jobs, prevent loss of jobs or income, and guarantee paid special leave for all workers in the community sector.
- The fund should be complemented by a guarantee of ongoing funding for equal pay, via consolidation of Equal Remuneration Order funding into core grants, as proposed in our original Pre-Budget Submission.

Recommendation 9: Support people and communities to build greater resilience to extreme weather events.

In addition to the measures outlined in our original pre-budget submission, the Federal Government should:

- Establish a formal disaster management mechanism that has a whole-of-community approach to, and responsibility for, planning, resilience, response and recovery, and should include Commonwealth, state, local governments, Aboriginal and Torres Strait Islander Land Management Councils and community leaders, businesses, community sector, and members of the community;
- Fund local councils to form local community resilience committees to promote collaboration and joint planning between government, community organisations, community groups and local businesses. These committees could be subcommittees of relevant Commonwealth and state emergency management committees; and
- Create and fund local Community Resilience Hubs that are community-led, engage in building community resilience and assist the community in planning, response and recovery.

In addition to the above recommendations, please see the following recommendations outlined in our original Pre-Budget Submission which have particular urgency or relevance in the current context:

- **Reduce barriers to access essential income support payments** by permanently removing the Liquid Assets Waiting Period, One-Week Waiting Period and the Third Party Verification claim requirement; reducing the Newly Arrived Residents Waiting Period (suspended during the COVID-19 crisis) to a maximum of six months (as it was when first introduced); permanently increasing permanent staff numbers at Centrelink, and; continuing online payment claims as well as Intent to Claim for everyone who needs it (see Recommendations 15, 18 and 20 in the ACOSS Pre-Budget Submission).

- **Boost investment in new social housing, which meets accessibility and energy efficiency standards:** Additional capital funding should be provided to state and territory governments to enable growth in the supply of social housing for people on low incomes, through a \$7 billion, 20,000-30,000 dwelling package rolled out over the next three years, with most construction occurring in the first two years (see Recommendation 46 of the ACOSS Pre-Budget Submission).
- **Create a national low-income energy productivity program (NLEPP),** that installs energy efficiency and solar in the homes of people on low-incomes. This would quickly create thousands of jobs (training, auditing, installation, manufacturing, retail) quickly, increase household disposable income to spend in the economy, and lead to improved health and wellbeing (see Recommendation 28 in the ACOSS Pre-Budget Submission and the [joint Proposal for Economic Stimulus Healthy & affordable homes: national low-income energy productivity program](#)).
- **Boost home care packages** by \$2.3 billion in order to reduce the wait list to no more than three months and ensure older people can remain in their homes as they age (see Recommendation 4 in the ACOSS Pre-Budget Submission).
- **Secure ongoing funding for equal pay:** The base rate of grants for community sector organisations currently receiving ERO supplementation should be increased to incorporate that supplementation so as to prevent cuts across the community sector (see Recommendation 2 in ACOSS original Pre-Budget Submission).

Part 1: Strategic Investment for Economic Recovery

Australia has endured the most severe recession since the 1930s and the road to recovery has not yet been cleared. Over the first half of 2020, real Gross Domestic Product (GDP) fell by 7%, the largest reduction since the 1930s. During the lockdowns in April and May alone, the number of people employed fell by 800,000. It will take years to restore employment and living standards to pre-COVID levels.

At the time of writing, the Reserve Bank is projecting no real growth in GDP in the September quarter and weak growth in the December quarter, followed by an increase through 2021 of 5%, less than the losses endured in 2020 (RBA 2020, Statement on Monetary Policy, August 2020). Unemployment is expected to peak at 10% in December (an 'effective rate' of 13% taking account of workers stood down and those left the labour force) and to sit at 8.5% by the end of 2021.

It could have been much worse. Government support for the economy and employment is estimated by the Treasury to add 4.5% to GDP in 2020-21, and to have saved 700,000 jobs (Frydenberg J 2020, Economic and Fiscal Update, July 2020). While a budget deficit of \$86 billion is expected in 2019-20 (rising to \$185B in 2020-21), it is likely that without this support the budget would be in even worse shape in a few years' time.

Non-mining business investment is projected to fall by 19% in 2020-21 and dwelling investment by 16% (Frydenberg J 2020 *ibid*). Consumers are reluctant to spend beyond essentials while unemployment is rising and the pandemic is not under control. There is a danger that economic weakness will persist for another six months unless public expenditures fill the breach. Given the lead times for economic stimulus measures such as public infrastructure investment, the household income supports that helped tide us over the lockdowns – JobKeeper Payments and the Coronavirus Supplement – should continue until they are replaced by more enduring sources of income support, consumer demand and employment growth.

Efficiency-boosting 'micro-economic reforms', especially those that improve people's skills, health and well-being, are needed to improve living standards over the longer term, but other 'reforms' that threaten incomes and job security are unlikely to be supported and will undermine the confidence that is vital to underpin recovery. Another round of income tax cuts will likely be saved rather than spent.

Nevertheless, the government should take every opportunity to invest in programs and services that bring lasting economic and social benefits. Public spending must, as always, demonstrate value for money. We need less HomeBuilder and more social housing investment.

A. Do not bring forward income tax cuts, which would deplete the tax base without speeding economic recovery

This is not the time to bring forward income tax cuts, especially the \$12 billion 'Stage 2' tax cuts that mainly benefit the top 10% of income tax-payers. These tax cuts are poorly targeted, with most going to the top 10% of taxpayers earning \$100,000 or more:

- People on \$130,000 and above would get \$47 a week
- Some low income earners on \$45,000 receive \$5 a week, but middle income-earners would not get a tax cut.

Last year's tax cuts, which mainly went to people on more modest wages, did little to boost flagging growth at that time. In these uncertain times, people with higher incomes are saving more, and they are likely to save most of any tax cuts they receive:

- From January to June 2020, low income-earners increased their spending by 13% on essentials and 23% on discretionary items, while among high income-earners essential spending fell by 8% and discretionary spending fell by 5% (Ilion & alphabeta, The supplement delivers a second stimulus, June 2020).

To generate jobs and strengthen incomes and spending over the next two years, ACOSS recommends the following five actions. These should be announced as soon as possible, to build confidence, prevent job losses, and provide the lead-time required for quality investments in economic and social infrastructure.

B. Restore the maximum rate of JobKeeper payment and phase it down cautiously and gradually

The Government recently announced that JobKeeper Payment would continue until March 2021, but at lower rates and with ongoing eligibility testing for employers. This was announced just before the severity of the second wave of the pandemic in Victoria became apparent. Expenditure on the wage subsidy scheme over the second six months from October 2020 to March 2021 is expected to be between half and two-thirds less than for the first six months from March to September 2020. This is due to a combination of lower take-up as lockdowns are lifted and lower rates of payment.

While we agree that [JobKeeper should be gradually phased out](#), and that continuing eligibility should be tested (see ACOSS Brief on the JobKeeper Payment), it is now clear that the reduction in the maximum rate from \$1,500 per fortnight to \$1,100 was premature. Given ongoing economic weakness, this increases the number of people likely to lose jobs that could otherwise be saved, especially those employed for 20 hours a week or more.

The decision to pay people employed for less than 20 hours a week at a reduced rate is fair and sensible, but with the announced cuts to Jobseeker Payment (discussed below) the gap between these two payments is too large. Many people employed in short-hours jobs in service industries are likely to lose those jobs, and the transition to Jobseeker Payment should be as smooth as possible for them.

At the same time, visa-holders who were excluded from JobKeeper and Jobseeker payments should be offered a form of public income support that allows them to meet essential living costs until they obtain permanent residency, sufficient paid employment, or are able to safely leave the country. Otherwise many face destitution.

Community services adversely affected by COVID-19 and lockdowns (due to reductions in income or increases in demand for services) should continue to be supported through JobKeeper Payments, and this should be supplemented by enhanced program funding and a Community Sector Continuity of Service Fund (as proposed in Part 4: Support for the Community Sector in Transition).

Recommendation 1

- The rate of JobKeeper Payment for people employed for 20 hours a week or more should remain at \$1,500 per fortnight from September 2020 to March 2021.
- The JobKeeper Payment should be extended as a matter of urgency to temporary visa holders.

Cost: to be advised.

See our brief on [who misses out on income support](#)

C. Permanently increase JobSeeker and related allowance payments to an adequate level

The doubling of the \$287 per week JobSeeker Payment acknowledges that the previous payment was grossly inadequate. We propose in Part 2 that this and related income support payments be increased to at least pension rates, an increase of \$185 per week for single adults on Jobseeker payment and \$238 for single people on Youth Allowance, Austudy and Abstudy Payments.

A permanent boost to people on low incomes, especially those who are unemployed, is the most cost-effective way to strengthen consumer demand and sustain growth in jobs and incomes, especially in the parts of the country most affected by higher unemployment:

- People who were unemployed spent 85% of the \$750 lump sum stimulus payments delivered in March, compared with 74% spent by people in paid work and 63% for older people (ABS, [Receipt and use of government stimulus payments](#), July 2020).
- Research by Deloitte Access Economics for ACOSS found that a modest permanent \$3.3 billion a year increase to 2019 levels of Newstart and related allowances would deliver a greater boost to GDP and jobs than its up-front cost to the budget.

See Part 2 for detailed recommendations.

D. Invest in social housing

Direct public investment in social housing is also a cost effective way to boost growth in jobs and incomes. For every dollar invested, it is estimated to boost GDP by \$1.30. (KPMG 2012, Social Housing Initiative Review – Report to Housing Ministers’ Advisory Committee). Unlike major transport projects, social housing construction can be undertaken at scale within 2-3 years of the policy announcement, and the jobs would be widely distributed across regions with high unemployment.

Boosting social housing is also the most effective medium to long-term solution to homelessness. The COVID lockdowns have exposed the scale of homelessness and rough sleeping in Australia, both as a social problem and as a health risk. In the last census, the ABS estimated that at least 116,000 people were homeless (in overcrowded or insecure accommodation or sleeping rough). Some are being accommodated in hotels, but this is not sustainable over the long term. Research indicates there is a national shortage of just over 400,000 homes that are affordable for people who are homeless or living on the lowest incomes (the lowest 20% by household income).

ACOSS advocates a \$7 billion public investment to construct 20,000-30,000 social housing dwellings (see original Recommendation 46 in our original Pre-Budget Submission.) In the alternative, we support the Social Housing Acceleration and Renovation Program (SHARP) [proposal](#), developed by the Community Housing Industry Association and supported by national housing and homelessness peak bodies.

E. Invest in energy-efficient housing

ACOSS advocates a national low-income energy productivity program (NLEPP), that installs energy efficiency and solar in the homes of people on low-incomes. This would quickly create thousands of jobs (training, auditing, installation, manufacturing, retail) quickly, increase household disposable income to spend in the economy, and improve health and wellbeing.

Many people are living in homes that are too cold in winter, too hot in summer and expensive to maintain health and wellbeing. People on low-incomes are more likely to live in inefficient homes and cannot afford (or are unable in the case of renters) to improve efficiency. These impacts are felt more acutely during the COVID-19 crisis as people are required to spend more time at home. The investment would also deliver on other government priorities including reduced energy bills, cuts in carbon emissions, reduced load on the electricity grid, and improved health and wellbeing of vulnerable people.

The proposal has four components:

- Social housing – The Federal government should provide matching funds with state/territory governments to invest in energy efficiency upgrades and solar PV installations for social housing dwellings, including public, community and Aboriginal and Torres Strait Islander housing (*Cost: \$336 million in 2020-21, \$502 million in 2021-22*);
- Low-income home owners – The Federal Government should invest in energy efficiency audits, upgrades and solar PV installations for Low income home owners (*Cost: \$836 million in 2020-21, \$1,254 million in 2021-22*);
- Inefficient rental properties – the Federal Government should provide grants to support the upgrade of poor performing rental properties (*Cost: \$232 million in 2020-21, \$232 million in 2021-22*); and
- Low-income appliance replacement offer – subsidies for low-income households to replace inefficient appliances.

See our [joint Proposal for Economic Stimulus Healthy & affordable homes: national low-income energy productivity program](#), for detailed recommendations and costings.

F. Invest in and improve care services

Most of the reduction in employment during the lockdowns from March to May 2020 (53%) were in jobs held by women – mostly in service industries affected by lockdowns. Over that period, employment declined by 29% in hospitality, 26% in arts and entertainment, and 6% in retail (6%). While these industries have recovered to a degree outside Victoria, employment in those sectors will not be fully restored until the pandemic ends, and even then the acceleration of long-term trends favouring digital services and home delivery means there could be less jobs available than before.

At the same time, there is a chronic shortage of essential care services – including aged care, disability services and child care. Many of those services will have to be provided differently to ensure the health and safety of service users and workers.

Together with civil society, governments should work to strengthen care and support services for people who are vulnerable. This would boost employment as these services are much more jobs-rich than infrastructure projects.

As a first step we recommend a \$2.3 billion boost to home care packages for older people. At September 2019, there were 112,000 people needing home care who were waiting over a year for a suitable package that meets their needs. This is likely to reduce the waiting list by three months and create thousands of jobs across Australia. With appropriate training (which can be delivered while social restrictions are still in place) home care packages can generate jobs quickly. As with public infrastructure projects, a share of these jobs should be earmarked for people who have been unemployed long-term or are most at risk.

While the government can readily service the higher public debt required to support its response to COVID19, permanent improvements in care services will eventually require a stronger public revenue base.

In our original submission, we advocated the following measures to finance necessary improvements in aged care services:

- progressive extension of the 15% tax rate on superannuation fund earnings to the retirement phase' to raise \$2.5 billion in 2021-22 and substantially more in future years;
- tightening the income definition for the Medicare Levy from 'taxable income' to 'Medicare Levy Surcharge income' to prevent people from avoiding the Levy by using tax shelters such as private trusts, negative gearing or salary sacrifice arrangements, to raise \$1.3 billion in 2021-22.

These changes would help ensure that the financing of aged care services is fair from the standpoints of capacity to pay and intergenerational equity. This is a much fairer and sustainable approach to further increasing user charges for essential care services. See ACOSS Pre-Budget Submission, Chapter 3, for more detail.

Part 2: A Permanent Boost to the Lowest Incomes

A. A permanent, adequate unemployment payment, for today and the future

ACOSS welcomed the Federal Government's COVID-19 response package that substantially increased JobSeeker and related payments, and opened up access to income support to groups who would otherwise miss out or have access delayed.

We urge the government to permanently and adequately increase payments in the October budget. Temporary assistance measures do not provide the certainty and security people need to cope with the health and economic crises we face.

Temporary assistance means that people cannot plan their budgets, make decisions about renewing leases or determine whether they will have enough income for the start of the school year. Furthermore, the current temporary assistance does not reflect need, and the proposed cut to this assistance will throw hundreds of thousands of people into poverty.

2.3 million people face a cut to their incomes of \$300 a fortnight from 25 September. From 1 January 2021, their incomes are currently scheduled to drop by a further \$250 per fortnight, sending people who are unemployed back to the totally inadequate old Newstart rate of \$40 a day. We cannot allow this to happen. There is a broad consensus that unemployment and related payments must be permanently increased.

The increased income support payments have had a profound effect in homes across the country. For starters, people are in a much better position to keep a roof over their head. In a survey we conducted in May of people on Jobseeker, 93% of people said they could now afford fresh fruit and vegetables. This compares with three-quarters saying they had to regularly skip meals to get by before the coronavirus supplement was introduced.

Recommendation 2

ACOSS recommends the following payment reforms to take effect from 1 January 2021, and the current Coronavirus Supplement rate (\$550 a fortnight) be maintained until that time.

1. Adequate and fair payment rates

- Set a standard minimum income floor across the working age payments system set at the current pension rate (including the Pension Supplement). This is currently \$472 per week for a single person.

- Increase base rates of allowances to this income floor. This would require an increase of \$185pw to the single maximum rate of JobSeeker Payment and \$235 per week for single, maximum rate of Youth Allowance. This would simplify the income support system, while securing fairness. (These increases would apply to all allowance payments, including Austudy and Abstudy).
- Roll universal payments like the Energy Supplement into base rates of income support to simplify the system, recognising that they are intended to assist with basic household expenses.
- Index income support payments twice per year to wages as well as prices.
- Income support payments must not be subject to mandatory cashless debit or income management.

Cost: Approximately \$22,000 million

- In addition, depending on circumstances of need, the following supplements should be provided:
 - Housing Supplement: Increase the maximum rate of Commonwealth Rent Assistance by 50% to more adequately subsidise private rental costs for low-income tenants. For a single person without children, this increase would see CRA rise from \$70 to \$105 per week³. (*Cost: Approximately \$1,850 million*)
 - Disability and Illness Supplement: Introduce a Cost of Disability and Illness Supplement that recognises the additional costs faced by people with disability. This Supplement should be at least \$50 per week⁴. This is in addition to ACOSS's long-standing call for broader access to the Disability Support Pension to avoid people with disability ending up on JobSeeker Payment. (*Cost: Approximately \$4,500 million*)

³ While this would secure a more adequate payment rate, future reforms are needed to improve the effectiveness and adequacy of Rent Assistance, including eligibility and indexation. Other ACOSS proposals to improve access to affordable housing for people on low incomes are outlined in <https://www.acoss.org.au/wp-content/uploads/2019/08/ACOSS-Brief-Social-Housing-Investment-as-Infrastructure.pdf> and <https://www.acoss.org.au/wp-content/uploads/2020/04/200429-Economic-Recovery-Briefing-PDF-1.pdf>

⁴ See NATSEM modelling of the cost of disability: Li, J., Brown, L., La. H.N., Miranti, R., and Vidyattama, Y. (2019). Inequalities in Standards of Living: Evidence for Improved Income Support for People with Disability. NATSEM, Institute for Governance and Policy Analysis, University of Canberra. Report commissioned by the Australia Federation of Disability Organisations. September 2019.

- Single Parenting Supplement: Introduce a Single Parent Supplement that recognises the added costs of single parenthood. The Single Parent Supplement should be at least \$200 per week (and must reflect number and age of children). This could be paid via Family Tax Benefit Part B. (*Cost: unable to be costed at this stage due to lack of publicly available information profiling those affected.*)

As in other policy areas, we believe government should take the opportunity in its response to the pandemic and high unemployment rates, to reform social security to remove long-standing inequities, needless complexity, and inefficiency. For more information on our proposals for reform of working-age income support, see our brief on [Social security: Next Steps](#).⁵

B. Remove barriers to accessing payments

We urge the government to retain important improvements in the system that have helped people access income support when they need it. This includes permanently abolishing the Liquid Assets Waiting Period, as well as reintroducing intent to claim provisions. ACOSS also supports increased staffing at Centrelink to reduce waiting times and improve payment administration during the pandemic and calls for the number of permanent staff to be increased.

Income support should urgently be expended to temporary visa holders lacking adequate income, who are unable to leave the country. See our brief on [who misses out on income support](#).

Treasury forecasts that unemployment will worsen through to the end of 2020 and into 2021. Now is not the time to be limiting access to income support by reintroducing barriers like the Liquid Assets Waiting Period, as proposed from 25 September 2020. The Department of Social Services expects 6,000 people to be affected by the reintroduction of the Liquid Assets Waiting Period. Some in this group will be denied income support up until Christmas Day.

We have a long, bumpy road ahead of us and we know that economic recovery will be slow. In our original submission, we urge the government to adopt the following measures to give people security and certainty when they are without paid work.

- Permanently remove the Liquid Assets Waiting Period, One-Week Waiting Period and the Third Party Verification claim requirement. (*Cost: \$50 million*)
- The Newly Arrived Residents Waiting Period, suspended during the COVID-19 crisis, should be reduced after the pandemic to a maximum of six months (as it was when first introduced). Furthermore, anyone who has accessed income support under this suspension should be able to continue to access

⁵ Note that the costings in this submission have been adjusted upwards (to account for larger numbers of people receiving income support) since that Brief was prepared.

income support once the suspension is lifted, providing they have financial need (as many may be without paid work). (*Cost: \$327 million*)

- Increase permanent staff numbers at Centrelink. (*Cost: \$41 million*)
- Continue online payment claims as well as Intent to Claim for everyone who needs it. (*Cost: \$61 million*)

For further detail about these measures, please see our *Next Steps for Income Support* briefing note (above) and original Pre-Budget Submission, recommendations 15, 18, 20).

Part 3: Recovering Jobs

Recessions strike quickly but it usually takes years for employment to recover. After the last recession, the number of people on unemployment payments fell by half – from a peak of 890,000 people in 1993 to 464,000 14 years later. However, the number of long-term recipients only declined by 20% over the same period – from 348,000 to 276,000.

From March to June 2020, the number of people receiving JobSeeker Payment doubled from 800,000 to 1,600,000. At least four groups are especially vulnerable to prolonged unemployment on a large scale:

- The 700,000 people who have already received JobSeeker and Youth Allowance long term, most of whom are over 40 years old and many of whom have disabilities:

Based on past experience, long-term receipt of these payments (of all ages) is likely to rise to at least one million people next year and possibly higher the year after that;

- Young people entering the paid workforce this year, including 300,000 on JobSeeker and Youth Allowance payments;
- Women who have lost their jobs or are re-entering paid work after providing full-time care, including 800,000 relying on Jobseeker and Youth Allowance payments;
- More than 150,000 workers who are still employed but 'stood down', many of whom will face unemployment once JobKeeper Payment is phased out.

Goals

- Keep unemployment at 10% or below and commit to restoring full employment as quickly as possible.
- Keep long-term unemployment at 50% or less of people receiving Jobseeker and Youth Allowance (Other).

In addition to timely economic stimulus (Part 1), and necessary improvements to income support for people who become unemployed (Part 2), we propose a four point plan to achieve these goals and help people manage the transition to a different employment structure once the lockdowns and JobKeeper Payments are phased down.

More information: [Recovering Jobs](#) brief.

A. Partnerships for jobs

Partnerships should be forged between governments, industry, unions, community organisations, and employment and training providers both nationally and locally, to reduce unemployment and facilitate the labour market adjustment as lockdowns are lifted in the face of much higher unemployment.

Recommendation 3

A standing national advisory body comprising industry, unions, community organisations, governments, and employment and training providers should be established to advise the Minister for Education, Skills and Employment on the development and implementation of a national jobs recovery strategy and to support the establishment and maintenance of Local Employment and Skills Partnerships (*Cost: \$1 million, \$2 million in 2021-22*)

(a) A 3-5 year grants program should be introduced to establish and resource local employment and skills development partnerships and plans. These partnerships should be led from the ground up by employers, community services, unions, and people who are unemployed in cooperation with employment and training providers to:

- Devise local plans to reduce unemployment, support employers to meet their workforce needs, and improve the skills and employment prospects of people disadvantaged in the labour market;
- Improve coordination among employers, unemployed people and employment and training services, and the sharing of intelligence on current and future job openings, skills requirements, resources and gaps;

- Provide feedback to policymakers on the state of local labour markets and skills and effectiveness of employment and training programs and recommendations for improvement.

(b) Facilitators should be employed in each area to support this work under the direction of Local Partnerships.

Cost: \$5 million in 2020-21, \$15 million in 2021-22

More information: [Local employment and skills partnerships brief](#)

B. A jobs and training guarantee for people unemployed long term

To secure employment, most people who are already long-term unemployed need much more than job search assistance. Depending on circumstances they may also need:

- Paid work experience in regular jobs (building on the JobKeeper wage subsidies and wage subsidy schemes for unemployed people);
- Vocational or foundational skills training;
- Connection with a local employer willing to give them a chance to fill a vacancy (demand-led approaches); and/or
- Support with other barriers to employment including connecting them with local health and community services.

Recommendation 4

(a) A jobs and training guarantee for people who are unemployed long-term should be created, including young people unemployed for 6 months or more and people aged 25 years and older unemployed for 1-2 years or more.

(b) The guarantee would comprise subsidised paid work experience, and/or vocational and foundational education and training, and/or 'demand led' employment assistance that connects people to employers likely to take them on, and/or other support based on their needs and those of employers that:

- is offered in each year of (long-term) unemployment, so those unemployed for prolonged periods are not abandoned;
- is negotiated between program participants and skilled employment consultants who have the time and resources to properly assess their needs and assemble a suitable package of support;

- builds on and improves national programs already in place, with guidance from local employment and skills partnerships;
- includes access to jobs generated through public procurement (by setting targets for employment of people unemployed long term in tenders for public investments in social housing and other infrastructure).

(c) To implement the guarantee, the following programs would be expanded, improved and consolidated:

- Wage subsidies with private employers and community services for 6-12 month placements in regular employment, replacing Work for the Dole and Youth Jobs Path programs;
- Vocational training and further education; and
- Annual credits to the Employment Fund in respect of people who fall within the jobs and training guarantee target groups.

Cost: to be advised

C. Career guidance and training for people who are unemployed

The coming restructure of employment, together with a likely reduction in migration levels and the long-term decline in secure entry-level jobs, requires a new approach to employment assistance that moves:

- From insecure to secure entry-level jobs; and
- From 'work-first' approaches to a greater emphasis on career guidance and training for new entrants and people who are unemployed;

The National Skills Commission and Careers Institute are well placed to gather and share intelligence on workforce skills and demand for them. The missing link in this chain of careers information and support is strong local networks of professional career guidance so that people can make best use of these data to navigate a rapidly changing labour market.

While there are good-quality VET and further education courses, especially in TAFEs and community colleges, on the whole the VET system is under-resourced, fragmented, and not attuned to the needs of people seeking jobs or employers. The quality of for-profit VET courses is patchy and those programs are less suited to the needs of disadvantaged learners. Further, many people who are unemployed lack foundational skills, given that 44% of adults lack the literacy skills required in everyday life and a substantial share of those who have lost jobs recently do not have English as a first language.

The establishment of the Skills Commission is an important step towards rectifying these problems, but there is a long way to go. Good quality courses relevant to the needs of local labour markets and people who are unemployed must be scaled up urgently. For this purpose, they should be given clear priority in the allocation of places under the recently-announced JobTrainer program.

Recommendation 5

(a) Professional career guidance and support services should be expanded across the country to help people who are unemployed, or entering/re-entering employment identify their career goals, navigate an uncertain jobs market, and connect them with training and work experience opportunities and employment supports.

(b) Priority should be given to the following groups receiving income support:

- An Education to Work Transition Service for young people with Year 12 qualifications or less, at risk in the transition from education to employment, building on the Transition to Work program;
- Career guidance and support services for parents and carers returning to paid work, replacing the ParentsNext program (and voluntary for those whose youngest child is below school age);
- Career guidance and support services for older workers who need to adjust their careers, building on the Career Transition Assistance program; and
- A career guidance component of jobactive services for people recently retrenched from their employment.

(c) Funds should be attached to these programs to purchase further education and training, as agreed between career counsellors and participants. (*Cost: \$200 million in 2020-21, \$400 million in 2021-22*)

(d) The majority of places in the JobTrainer program should be allocated to people who are unemployed or who otherwise fall within the four target groups identified above.

(e) These places should be provided by panels of TAFE and not-for-profit community colleges selected on the basis of demonstrated quality and expertise rather than open tender, and allocated to people through local employment service and education and training providers (including schools) working under the broad guidance of Local Employment and Skills Partnerships.

D. Reform and improve 'mainstream' employment services

In 2018 the [Employment Services Expert Panel](#) recommended that a new employment services system be established in 2022, with a 'digital services' stream for people less disadvantaged in the labour market and an enhanced services stream for people unemployed long-term and those assessed as more disadvantaged. Savings from the implementation of 'digital services' were to be re-allocated to enhanced services to reduce caseloads and offer more scope for providers to invest in training, work experience and other personalised support.

It is clear that the present employment services system is not 'fit for purpose' to deal with the new challenge of mass unemployment and elevated levels of long-term unemployment. Last year, the average expenditure per place in jobactive for people unemployed long-term was \$2,200 to \$3,000 and the average caseload was 140 people per consultant. Inadequate investment in employment services and an excessive focus on compliance meant that most people receive a standardised, low-level service.

In response to the rapid rise in unemployment, the Panel's proposals have been partially implemented. Payments to providers have been brought forward so that roughly half of their funding will be 'up-front' and the other half for outcomes achieved. Approximately 400,000 of the 1,400,000 people receiving 'mainstream' employment assistance are now assisted by a combination of online support and a central call centre, and the remainder by jobactive providers.

These reforms should go further. For jobactive providers to play their crucial case management and coordinating role, caseloads must be substantially reduced and incentives in the purchasing model must encourage patient investment in program participants and relationships with employers, rather than compliance with activity and contract requirements.

People using jobactive services should be supported to take control of their own job search strategies, rather than simply complying with activity requirements and following instructions. At a time when many people are distressed by the combination of COVID19, social isolation, and unemployment, the system of employment services, activity requirements and penalties must be redesigned to offer positive support instead of adding to the pressures people already face.

When activity requirements are restored, they must be moderated to take account of these stresses and diminished employment opportunities. Harsh aspects of the compliance and penalty system, including automated suspension of payments for non-compliance and lack of discretion for Centrelink to waive penalties where financial hardship is demonstrated, should be removed.

Recommendation 6

In consultation with service providers and users, peak bodies and experts, elements of the new employment services model proposed by the Expert Panel should be advanced, including:

- A shift from excessive compliance and penalties to personal agency, including simple and flexible activity requirements that take account of local and personal circumstances, and the removal of automated payment suspensions;
- Two streams of service, a digital service (with personal support as needed) for people less disadvantaged in the labour market and a more intensive face-to-face service for people unemployed for a year or more (six months in the case of people under 25 years) and those at risk;
- Purchasing arrangements that provide more funding in advance, facilitate specialist and locally-based providers, and greatly reduced caseloads; and
- An enhanced Employment Fund (as proposed in Recommendation 4) to assist with investments to overcome barriers to employment.

E. Child care

The economic impacts of the COVID-19 pandemic have been felt most by women, particularly those with children. Female dominated industries have seen the biggest job losses and women have borne the brunt of the additional care and education of children resulting from lockdowns. In the absence of effective Government policy action, there is a risk that the gains in female employment participation that have been made in recent decades will be lost. This is a setback that neither the women of Australia, nor the economy, can afford.

The Government took action to deliver time-limited child care fee relief to families during the height of the pandemic. That relief has now ended. While it was widely welcomed by families, it created challenges for providers with access to JobKeeper insufficient for many providers to maintain services and staff, noting high levels of casualisation in the sector.

As we now look to the next phase of the health and economic crisis, navigating potential further lockdowns and then charting a path to economy recovery, policy settings should support job search and employment participation of parents, minimise out of pocket costs for families under financial pressure and also deliver continuity in quality education and care for children.

An adjustment to the current Child Care Subsidy and Additional Child Care Subsidy as proposed by the Grattan Institute could achieve these outcomes, by lifting the level of subsidy for low and middle incomes families from 85% to 95% (with higher subsidies available to very low income or disadvantaged families through the ACSS), easing the taper rate and making access to a base subsidy (30%) universal⁶. Adjustments to eligibility for the ACSS should also be made to reduce barriers to access and extend the duration of support.

Recommendation 7

ACOSS recommends that the Federal Government:

- Lift the Child Care Subsidy for low income families from 85% to 95% (for households on incomes of up to \$68,163 per annum);
- Flatten and simplify the taper rate, so the subsidy reduces to 30% for households on higher incomes (\$400,000 per annum or more).
- Remove activity tests to access the Child Care Subsidy to support continuity of access to high quality early education and care for children, especially for low income families;
- Extend access to the Additional Child Care Subsidy beyond the current 13 week period.

Cost: \$5,500 million

⁶ Grattan Institute, Cheaper Childcare: A practical plan to boost female workforce participation, 2020: <https://grattan.edu.au/wp-content/uploads/2020/08/Cheaper-Childcare-Grattan-Institute-Report.pdf>

Part 4: Support for the Community Sector in Transition

Australia's community sector is a vital part of society and the economy, working to alleviate poverty and disadvantage, reduce social and economic inequality, create opportunity and build a fairer country. The services, advocacy and support that our sector delivers make Australia a better place. The community and charities sector contributes \$128 billion to the national economy and accounts for more than 840,000 full-time equivalent workers.

Community services are at the frontline of the COVID crisis and demands for support continue to grow in the face of the devastation of a doubling of unemployment and the severe economic and social shocks that have occurred across the Australian community. Many organisations are seeing increases in demand for their services, and are working hard to meet that demand in a resource constrained environment. At the same time many organisations are facing a direct threat to their viability as a result of the funding models and the current restrictions on their work. All organisations are adapting, delivering services in new and different ways and surging their capacity to meet demand.

We have identified the following measures as urgently needed, to build on the support provided by the JobKeeper scheme.

A. Create a Community Sector Continuity of Service Enabling Fund

ACOSS welcomed the announcement of additional funding during the health and economic crisis to meet demand in domestic violence, mental health and emergency and food relief. However, there is further demand that has grown and will continue to increase in a number of areas as a result of the health and economic crisis, and which cannot be funded by donations or met with volunteers.

At the same time, some organisations have faced reductions in revenue as a result of challenges with fundraising, reductions in investment income and a drop in demand for some individualised services. In the COSS Network's soon to be published report on the Australian Community Sector Survey – COVID-19 edition, more than half of respondents (57%) had experienced loss of investment income, a quarter (26%) reported a loss of income from individualised funding (NDIS and home care packages), and half (50%) had lost income from other client-based fees or charges. Almost half (48%) had lost income from other commercial sources (e.g.

retail). Income from donations is expected to fall even further, with JBWere predicting that total giving to fall by 7.1% in 2020 and a further 11.9% in 2021⁷.

Recommendation 8

- The Federal Government should create a Community Sector Continuity of Service Enabling Fund to ensure continuity of service delivery, adaptation, secure jobs, prevent loss of jobs or income, and guarantee paid special leave for all workers.
- This Fund should be distinguished from funds designated for new or additional service delivery. It should be targeted at community organisations that see increases in demand not met by new and existing funding, and/or who can demonstrate that their income has declined as a result of COVID19. *(Cost: \$247 million)*

B. Secure ongoing funding for equal pay for community sector workers

ACOSS' original Pre-Budget Submission recommended that the base rate of grants for community sector organisations currently receiving ERO supplementation should be increased to incorporate that supplementation so as to prevent cuts across the community sector (see Recommendation 2). That recommendation is now acutely urgent.

In 2012 the Fair Work Commission made a landmark decision that addresses the gendered undervaluation of work performed in much of the community services sector (The Equal Remuneration Order). As a result, wages increased by up to 45% over 8 years, and most governments across Australia, including the Federal Government, provided additional funding to ensure that community sector organisations could pay equitable wages, and maintain essential services to the community. There is no funding budgeted to continue this supplementation beyond 2021.

The supplementation that was provided in Federal Government grants and service agreements simply maintained the level of services to communities and ensured community organisations adhered to their industrial obligations under the ERO ruling. During this health and economic crisis, community sector organisations need certainty in order to ensure that they can continue to deliver services and employ their workforce at current levels. The continuation of this supplementation must be secured in the 2020-21 Budget through incorporation into the base rate of community sector grants.

⁷ McLeod, J. 2020, Where to from here? The outlook for philanthropy during COVID-19. JBWere

Part 5: Support people and communities build resilience to extreme weather

The 2019/2020 bushfires caused destruction of property and infrastructure, loss of lives, loss of employment and livelihoods and displacement while impacting on community health and wellbeing and increasing the cost of living of many people. We know from past bushfires and other natural disasters that recovery can take years.

We are particularly concerned for the people who experience poverty, disadvantage, and social exclusion, who lack income, adequate housing, access to affordable insurance, access to transport, and culturally appropriate or accessible information, and find themselves in a worse position as a result of the bushfires and other natural disasters. With the science pointing to an increase in the intensity and frequency of extreme weather events in Australia, greater investment is needed to build resilience and reduce social and economic impacts.

ACOSS recently partnered with Emergency Leaders for Climate Action and the Climate Council as part of their National Bushfire and Climate Summit 2020, to host a community sector roundtable to further explore how to better protect people and communities.

The roundtable highlighted that the needs and strengths of communities must be at the heart of extreme weather preparedness, response and recovery. All Government initiatives must empower communities to build their resilience and lead recovery efforts on their terms. Genuine community partnership, including with Aboriginal and Torres Strait Islander people, communities and organisations, is essential to improve the nation's future preparedness, responsiveness and recovery efforts.

Recommendation 9

In addition to the measures outlined in our original Pre-Budget Submission, we recommend that the Federal Government:

- Establish a formal disaster management mechanism that has a whole-of-community approach to, and responsibility for, planning, resilience, response and recovery, and includes Commonwealth, state and local governments, Aboriginal and Torres Strait Islander Land Management Councils and community leaders, businesses, community sector organisations, and members of the community;

- Fund local councils to form local community resilience committees to promote collaboration and joint planning between government, community organisations, community groups and local businesses. These committees could be subcommittees of relevant Commonwealth and state emergency management committees; and
- Create and fund local Community Resilience Hubs that are community-led, engage in building community resilience and assist the community in planning, response and recovery.

See also recommendations under the section '*Bushfires, climate change and the community sector*' in the [Australian Bushfire and Climate Plan](#).

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