

Social Services and Other Legislation Amendment (Extension of Coronavirus Support) Bill 2020

Senate Standing Committees on Community Affairs

19 November 2020

About ACOSS

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.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS urges the Parliament to oppose the cuts in this legislation and permanently increase income support payments, including JobSeeker, Youth Allowance and related payments, so that people have enough money to cover the basics. ACOSS calls for a permanent increase to lift payments to at least \$67 per day.¹

This Bill will cut temporary support to \$75 per week, leaving someone on JobSeeker with just \$51 per day. This is insufficient to ensure people can afford food, housing, transport, clothing, healthcare and other expenses.

The Bill also tells people that their payments will revert to the pre-COVID-19 rates from 1 April 2021. This would send JobSeeker back to the widely condemned and unliveable rate of \$40 a day, and the Youth Allowance rate of \$33 a day.

The Department of Social Services expects an historic high of 1.8 million people to be receiving JobSeeker Payment by December 2020. This is far more than the number of people on JobSeeker at the height of the economic shutdown in April, when the government doubled payments to meet need. The government is cutting

¹ For the detailed policy proposal, please see our Next Steps for Income Support briefing paper:
https://www.acoss.org.au/wp-content/uploads/2020/09/Social-security-next-steps-JUL-UPDATED-2-9_.pdf

payments at a time when even more people need them, sending even more people into poverty.

People on payments continue to tell us of the detrimental impact that payment cuts will have on their ability to afford the basics and on their health:

I am a 61-year-old woman who has been a carer for her husband for the last 12 years. He had cancer; back problems, Parkinsons, and Alzheimers. He died last December and I find myself on JobSeeker.

How on earth do you survive on \$600 a fortnight and keep your sanity? I am luckier than most as I own my home, but still I struggle with everyday bills. Since COVID with the bonus payments I have been able to catch-up and eat well and have the heating on.

I despair if it goes back to the old payment as you cannot survive on it, yet you are expected to look your best when applying for work. The government needs to stop demonising the unemployed.

- Person on JobSeeker

I was starting to feel hopeful about retraining and finding work but now I'm just stressed thinking I won't be able to climb out of poverty.

- Person on JobSeeker

Recommendations

1. Oppose any cuts to income support.
2. Set a minimum income floor for all income support payments at the current pension rate (including the Pension Supplement). This would see all base rates of income support brought up to pension levels, which for a single person is currently \$472pw.
3. In addition to base rate increases, provide a Housing Supplement that is 50% higher than the current Commonwealth Rent Assistance, lifting it from \$70 to \$105 per week for a single person without children.
4. In addition to base rate increases, provide a Disability and Illness Supplement that recognises additional costs faced by people with disability or illness of at least \$50 per week for a single person.²
5. In addition to base rate increases, provide a Single Parent Supplement to recognise the added costs of single parenthood of at least \$200pw (and must reflect number and age of children).
6. Index income support payments twice per year to wages as well as prices.
7. Abolish mandatory cashless debit or income management.
8. Permanently abolish the Liquid Assets Waiting Period and the One-Week Waiting Period.
9. Establish a Social Security Commission to guide the parliament on income support payment adequacy and other settings over time.

An adequate minimum income floor is urgently needed and widely supported

This Bill cuts income support payments by \$50 a week at Christmas time. Around 2.5 million people will be affected by this cut, including parents of 1.1 million children. A total of 3.6 million people will need to make do with less this Christmas.

The Bill also provides that the Coronavirus Supplement cannot be extended beyond 31 March (Part 1 of Schedule 1), which sends everyone on JobSeeker a message that the government plans to cut payments after March to their old rates. This would send JobSeeker back to the old, unliveable Newstart rate of \$40 a day, and Youth Allowance back to \$33 a day.

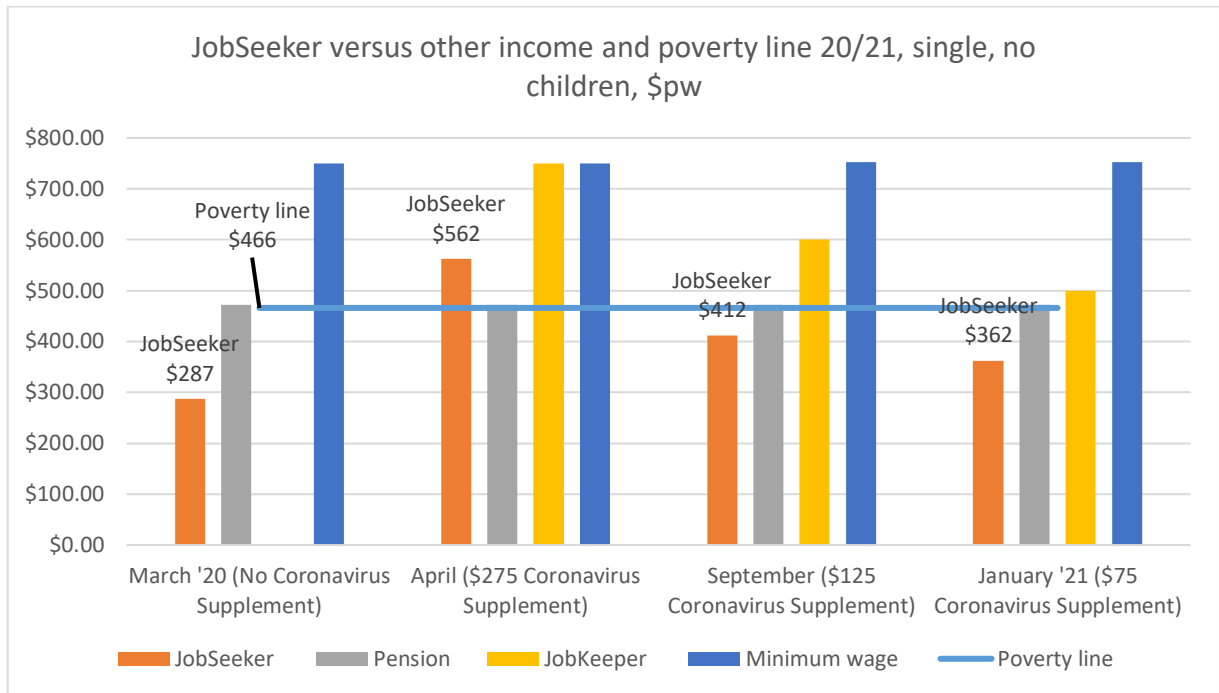
It is widely accepted that the Jobseeker can never return to the old, unliveable Newstart rate. A number of members of government have publicly stated that JobSeeker should not go back to \$40 a day, and a permanent and adequate increase is widely supported by business groups, economists, unions, academics, think tanks, community groups and organisations, and the majority of the population.³

As Figure 1 shows, cutting JobSeeker at Christmas time by \$50 a week sends the payment well below the poverty line,⁴ below half the minimum wage (from the current percentage of 54%) and JobKeeper. It will make JobSeeker \$110pw less than the pension.

³ Essential Media, May, 2020

⁴ Grattan Institute (2020) 'The Recovery Book: What Australian governments should do now' <https://grattan.edu.au/wp-content/uploads/2020/06/Grattan-Institute-Recovery-Book.pdf> p.58

Figure 1. Comparison of JobSeeker and other income, 2020/21



ACOSS strongly condemns the government’s approach of gradually cutting income support to people doing it tough, and then to remove extra payments entirely just three months later. To do so in light of the overwhelming evidence and consensus that no one should be forced to try to survive on \$40 a day is cruel, and a damaging mistake.

Recommendation 1

Set a minimum income floor for all income support payments at the current pension rate (including the Pension Supplement). This would see all base rates of income support brought up to pension levels, which for a single person is currently \$472pw.

Support is needed to stop people from losing their homes

ACOSS surveyed more than 600 people on JobSeeker and other income support payments attracting the Coronavirus Supplement about the effect of the 25 September cuts. Over 40% said that they would have less than \$14 a day after paying their rent, with 20% saying they would have \$0-\$7 a day to cover everything else.

We also asked people about what would happen if payments went back to their old Newstart rate of \$40 a day.

I don't like the saying '\$40 a day'. That implies you have \$40 a day to spend. Try \$63 per fortnight after my rent is paid. That is what I was

"living" on. I have exhausted my savings and the superannuation in paying back my debts.

– Person on JobSeeker

My rent is more than Newstart – more than 160% – so I'd be looking to leave a stable home with no option really but to move in with relatives interstate at the age of 40, damaging my self-esteem, independence, and confidence to get a job even though there are very few now anyway. Would be very disruptive, instead of providing a bridge for me to live with dignity while looking for a job that matches my experience.

– Person on JobSeeker

Without the Coronavirus Supplement I only have \$50 a week left after I pay my rent. That \$50 has to go towards all of my bills (internet, electricity, water, fuel), and then on top of that I have to get food and medication. It is not enough.

– Person on JobSeeker

Anglicare Australia's Rental Snapshot research shows that just 0.2% of private rentals are affordable for a single person on the current rate of JobSeeker (\$412 per week).⁵ This shocking statistic will worsen once payments are cut by \$50 a week from 1 January.

ACOSS and many others are deeply concerned that we will see a large increase in homelessness early next year as people can no longer afford to keep a roof over their head.

Recommendation 2

In addition to base rate increase, people renting privately and in community housing must be provided a Housing Supplement that is 50% higher than the current Commonwealth Rent Assistance, lifting it from \$70 to \$105 per week for a single person without children.

Single parent families will be sent into poverty as a result of the Christmas cut

The increase in income support in April 2020 hugely benefited everyone receiving these payments, but especially single parents and their children. Prior to the Coronavirus Supplement, children living in single parent households were at greatest risk of living in poverty, with 44% of kids in these households living

⁵ Anglicare Australia (2020) 'Special Release: Rental Affordability Update' <https://www.anglicare.asn.au/research-advocacy/the-rental-affordability-snapshot/docs/default-source/default-document-library/special-release-rental-affordability-update> p.6

below the poverty line.⁶ Thirty-five percent of single parents were living in poverty.⁷

The \$550 Coronavirus Supplement was a lifeline for so many families who could not make ends meet:

I feel like before Coronavirus we were living in poverty. Always wondering when I wasn't going to be able to scrape enough together to feed the kids again. At the moment, I can breathe and sleep a little easier knowing everything that needs to be paid is, and the kids are fed. I don't have anything left over to save but my children are eating better.

- Single parent discussing the effect of the \$550 per fortnight Coronavirus Supplement

The reduction of the Coronavirus Supplement (and its removal) will thrust even more children into poverty than before COVID-19 because more families are receiving these payments due to the increase in unemployment. Almost 500,000 parents receive this supplement, up by almost 100,000 from March 2020, the vast majority of whom are single parents. There are 1.1 million children living in these homes.

Recommendation 3

In addition to base rate increases, the government must establish a Single Parent Supplement of at least \$200pw to recognise the added costs of single parenthood (and must reflect the number and age of children).

People with illness and disability need extra support

Around one in four people currently receiving JobSeeker have an illness or disability that prevents them from working full time. This includes depression and anxiety, cancer, intellectual and learning disabilities and issues with respiratory and circulatory systems. In addition to facing substantial barriers to getting into the workforce due to discrimination and lack of flexible workplaces, they typically face higher costs associated with their illness or disability.

ACOSS's survey of more than 900 people receiving the Coronavirus Supplement back in May 2020 showed that the proportion of people struggling with healthcare costs dropped by a third as a result of the higher rates of payments.⁸

⁶ ACOSS (2020) 'Rate of poverty among children' <http://povertyandinequality.acoss.org.au/poverty/rate-of-poverty-among-children-up-to-15-years-of-children/>

⁷ Ibid. 'Rate of poverty by family type': <http://povertyandinequality.acoss.org.au/poverty/rate-of-poverty-by-family-type-of-households/>

⁸ ACOSS (2020) 'I can finally eat fresh fruit and vegetables': Survey Of 955 People Receiving The New Rate Of JobSeeker And Other Allowances' : <https://www.acoss.org.au/wp-content/uploads/2020/06/200624-I-Can-Finally-Eat-Fresh-Fruit-And-Vegetables-Results-Of-The-Coronaviru...pdf> p.8

Our income support system must recognise the additional costs faced by people with illness or disability. A supplementary payment of at least \$50 for single people would help cover these costs, as recognised by NATSEM in their 2019 analysis of the cost of disability.⁹

Recommendation 4

In addition to the base rate increases, establish a Disability and Illness Supplement that recognises additional costs faced by people with disability or illness of at least \$50 per week for a single person.

Payments must be indexed to wage growth

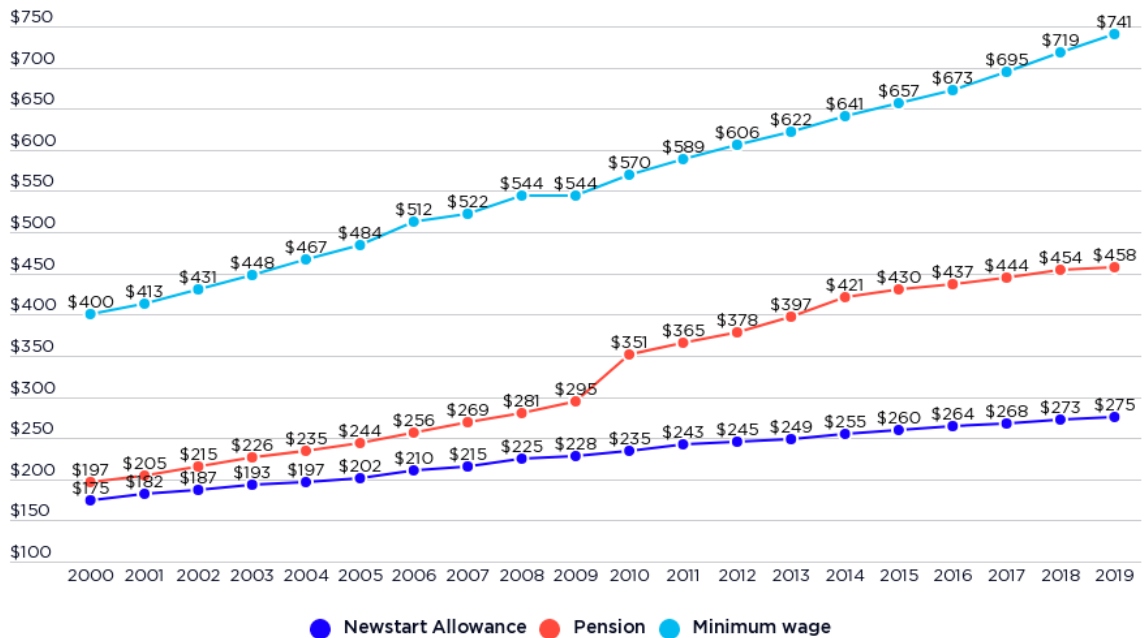
To avoid returning to a system whereby JobSeeker and other allowances are paid at much lower rates than pensions, all payments must be indexed in line with wages (as pensions are), not just CPI.

As Figure 2 shows, just 12 years ago, the rate of JobSeeker Payment (formerly known as Newstart) was just \$56 per week below the pension rate. It is now almost four times that: a \$185pw difference (without the Coronavirus Supplement).

The disparity between these payments cannot be justified. Most people receiving unemployment payments receive them for 12 months or more, while people on pensions in otherwise very similar circumstances receive much higher levels of income.

⁹ Please 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.

Figure 2. Comparison of the pension, JobSeeker Payment (formerly known as Newstart) and the minimum wage



COMPARISON OF PENSION, NEWSTART ALLOWANCE & MINIMUM WAGE

NOTE: Pension rate is single. Newstart Allowance is single, no children, age over 20 years.
To simplify, neither Newstart Allowance nor pensions include Rent Assistance.

Data from Services Australia and Fair Work Australia

Paying people according to current need rather than their (predicted) future work prospects would greatly simplify the system and ease transitions towards paid employment for many.

Recommendation 5

Index income support payments twice per year to wages as well as prices.

Abolish cashless debit and income management

ACOSS is strongly opposed to mandatory quarantining of income and urges the government to abolish these policies, and reinvest the money saved into community-led approaches that improve community outcomes. We urge the government to not make mandatory income quarantining a condition of any permanent payment increase.

For more information on our position on cashless debit and income management, please see our [submission to Social Security \(Administration\) Amendment \(Continuation of Cashless Welfare\) Bill 2020](#).

Recommendation 6

Abolish mandatory cashless debit or income management.

Abolish harmful waiting periods

ACOSS warmly welcomed the government's suspension of the Liquid Assets Waiting Period and the one-week waiting period at the start of the economic downturn because of the pandemic. This was absolutely the right thing to do.

However, ACOSS strongly opposes the return of these waiting periods, which only serve to deny people income support when they need it, and forces people to whittle away limited savings just to access support. Income support is means-tested and there is no reason to deny people with limited savings access to income support when they become unemployed. ACOSS notes that the Liquid Assets Waiting Period applies to people who had accessed their superannuation because of the pandemic as well as people who become retrenched.

There will be people who lose their jobs during this pandemic who will need to wait up to three months to access JobSeeker and other income support. This is unacceptable, and heightens the risk of people losing their homes and savings because of economic shutdowns related to the pandemic.

Recommendation 7

Permanently abolish the Liquid Assets Waiting Period and the One-Week Waiting Period.

Establish a Social Security Commission

ACOSS reiterates its call for government to establish a Social Security Commission to guide the Parliament on payment settings, including adequacy, on an ongoing basis. This should happen after a permanent and adequate increase is delivered by way of the recommendations above.

Recommendation 8

Establish a Social Security Commission to guide the parliament on income support payment adequacy and other settings over time.

Acknowledgements

ACOSS acknowledges the people receiving JobSeeker and other income support payments who have courageously shared their experience with us, and whose stories appear in this submission. We also acknowledge the excellent work done

by a range of organisations that have helped provide the evidence base for this submission.

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