

# Social Services Legislation Amendment (Strengthening Income Support) Bill 2021

Senate Community Affairs Committee

5 March 2021

## 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

This Bill implements the first real permanent increase in working-age payments since 1994, lifting JobSeeker Payment for single people from \$41 a day to \$44.50 a day (including the Energy Supplement). Every dollar counts for people receiving these payments, as their incomes are so inadequate to meet basic needs. However, this rise comes as a brutal betrayal of millions around Australia, including more than a million children in homes receiving the Coronavirus Supplement, as it is completely inadequate to ensure people can cover life's essentials.

When the government doubled Newstart and other payments last year, they demonstrated what it looked like to lift people out of poverty. Single parents joined their kids at the dinner table, not needing to skip meals so their kids could eat. Women escaped domestic violence, having the financial supports to do so. People went to the dentist, bought medication, replaced broken fridges, and bought fresh fruit and vegetables. People were no longer weighed down by the awful burden of not knowing if it would be possible to pay next week's rent.

The government proceeded to cut its 'lifeline payment', the Coronavirus Supplement, over the course of 2020. Payments went from \$80 a day to \$58 a day in September, and cut further to \$51 a day from 1 January 2021. When these cuts took effect, we heard from people who started skipping meals again, cutting back on medication and other essentials to keep a roof over their head. It is devastating for so many that the government failed to keep people out of poverty, particularly after it witnessed how life changing higher income support was for hundreds of thousands. Furthermore, it was people receiving these payments who helped keep the economy afloat, spending most if not all of what they received in their local communities.

The need for a permanent and adequate increase to working-age payments has been obvious for many years, supported by a wide range of voices, including former Prime Minister John Howard, the RBA Governor Philip Lowe, business groups, unions, and the community sector. The proposed \$3.57 per day increase to pre-COVID rates would return working-age payments to woefully inadequate levels.

ACOSS urges this Senate Committee to heed the wealth of evidence before it and support amendments to this Bill to increase working age payments to at least \$65 per day. People on JobSeeker need at least \$65 a day to feed and clothe themselves, as well as keep a roof over their heads. In addition, supplementary payments must be available to meet additional costs faced by people in private rental, people with an illness or disability and single parents. It is also crucial that wage indexation is applied to working-age payments so that they do not fall so far behind community living standards again.

### **The reality of living on current rates, with a \$75 COVID supplement**

The following are just two examples, provided to ACOSS in 2021, of what it is like living on the current payment rates, with a \$75 per week Coronavirus Supplement:

"I am on youth allowance and studying my university degree online. Currently after my rent and bills are paid I have \$9 to live on for a day. There is a huge job scarcity in the town I live and I cannot get a job."

- Woman receiving Youth Allowance

"I have been claiming jobseeker for around 12 months now from January 2020. I'd had an accident at work and was on jobseeker until I was fit to return to work.

"I was only on minimum jobseeker payment until COVID 19 payments started. It was very difficult to juggle finances on minimum payment. My mortgage was more than the JobSeeker Payment. I was lucky to have a bit of savings. I cannot believe that clients on jobseeker have no help with repayments to help with their mortgage and renters do.

"When the COVID 19 assistance came into effect I was able to defer payments of my mortgage for 6 months. I found I could survive financially with the COVID 19 assistance payments. In September I was fit enough to return to work but got laid off from my previous employer and had to apply for work. It has been very trying to say the least. No replies to many jobs applied for. I finally was accepted for a job in January. However, a week before I was to start my new job I had a stroke.

"The COVID 19 payment is to cease at the end of March. I contacted my bank and I cannot get any more help with my mortgage. It is bad enough to struggle on basic jobseeker payment. How do I pay for my mortgage which is \$700 a fortnight? I don't know how people survive on this poor payment. It is worse if you are sick."

- Man receiving JobSeeker

## Discussion

### Bring payments to above the poverty line

Most people receiving JobSeeker Payment, Youth Allowance and other working-age payments live below the poverty line.<sup>1</sup> They lack sufficient income to cover basic costs like housing, food, transport, and healthcare.

The profile of the 1.5 million people currently receiving JobSeeker, Youth Allowance and related payments is varied: they are young graduates looking to get their first job, and older people who have lost the job they thought would be their last before retirement. They are single parents whose youngest child has turned eight, which disqualifies them from receiving Parenting Payment Single and leaves them with \$95pw less to spend on essentials. They are women who have taken years out of the workforce to care for a sick relative, only to find themselves on JobSeeker in their 60s. They are young people trying to study on an income that is just 30% of the minimum wage. Sick people now end up on JobSeeker Payment, after the government rebadged 'Sickness Allowance' as JobSeeker in March last year. People with cancer undergoing chemotherapy, people with a chronic illness, and people in hospital undergoing treatment receive JobSeeker Payment. Many people with disability also end up receiving JobSeeker after they have their claim for the Disability Support Pension (DSP) rejected (only one in three people who apply for DSP are granted the payment, compared with almost two thirds a decade ago). One in four people on JobSeeker cannot work full time because of illness or disability.

It is very difficult to look for a job, study, provide care or convalesce when you cannot eat properly because you don't have enough money. And yet, this is what around 1.5 million people receiving JobSeeker or Youth Allowance must do each day.

ACOSS is calling for a minimum level of income that everyone in financial need has access to, regardless of their age, the age of their youngest child or whether they are studying or looking for paid work. Everyone should have enough to cover basic costs that we all face, including food, housing, utilities, transport and healthcare. When people can afford these essentials, they are in a much better position to get on with their lives.

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<sup>1</sup> ACOSS uses the OECD definition of relative poverty, which defines the poverty line as 50% of median income.

Raising all non-pension payments to at least \$65 a day would bring them in line with the pension and take payments to just above the OECD poverty line. This would set working-age payments at 62% of the minimum wage.<sup>2</sup>

In a wealthy country like Australia, our income support system should prevent poverty. The government's temporary income support packages for people during COVID-19 demonstrated that it can lift people out of poverty overnight, if there is a will. [The Centre for Social Research and Methods](#) estimates that the number of people in poverty declined from 3 million to 2.6 million people between 2019 and June 2020, when without government intervention it would have increased to 5.8 million. An ACOSS survey of people receiving the \$275pw Coronavirus Supplement showed that more than 80% no longer had to skip meals, and the vast majority were able to afford healthcare, bills and pay rent.<sup>3</sup>

Not only did lifting people out of poverty have obvious benefits for individuals and their families, it kept the economy afloat during the worst of the pandemic. Alpha Beta research showed that people receiving the Coronavirus Supplement (the vast majority of whom receive JobSeeker Payment) sustained spending throughout the economy at the height of the pandemic.<sup>4</sup> The Grattan Institute also recently found that cutting JobSeeker by \$100 a fortnight at the end of March could lead to the loss of 40,000 jobs thanks to reduced spending.<sup>5</sup> People on the lowest incomes spend most, if not all of their income because they have to, and will have \$50 a week less to spend from April.

In order to lift people out of poverty for good, we urge the Committee to recommend that Part 1 of the Bill be amended to increase base rates of working age income support payments to at least \$65 a day.

### **Recommendation 1: Bring working-age payments above poverty line**

Amend Part 1 of the Bill to increase base rates of working age income support payments to be at least \$65 a day. This applies to:

- JobSeeker Payment
- Youth Allowance
- Parenting Payment

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<sup>2</sup> See Professor Jeff Borland's research showing that the Coronavirus Supplement did not lead to a reduction in people taking up paid work: <https://findanexpert.unimelb.edu.au/news/13845-new-finding--boosting-jobseeker-wouldn%27t-keep-australians-away-from-paid-work>

<sup>3</sup> 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/media\\_release/survey-shows-increased-jobseeker-payment-allowing-people-to-eat-regularly-cover-rent-and-pay-bills-2/](https://www.acoss.org.au/media_release/survey-shows-increased-jobseeker-payment-allowing-people-to-eat-regularly-cover-rent-and-pay-bills-2/)

<sup>4</sup> Matt Wade (2020) 'Spending would collapse without crisis payments to households' Sydney Morning Herald 18 May <https://www.smh.com.au/business/the-economy/spending-would-collapse-without-crisis-payments-to-households-20200516-p54tk8.html>

<sup>5</sup> Brendan Coates (2021) 'Why the JobSeeker 'rise' could actually cost 40,000 Australians their jobs' Grattan Institute <https://blog.grattan.edu.au/2021/02/why-the-jobseeker-rise-could-actually-cost-40000-australians-their-jobs/>

- Austudy
- Abstudy
- Special Benefit
- Crisis Payment

## Provide supplementary payments to meet need

In addition to the base rate increase to working-age payments as outlined above, there must be adequate supplementary payments that recognise various costs faced by individuals. These include:

- **Housing Supplement:** Increase the maximum rate of Commonwealth Rent Assistance (CRA) by 50% to more adequately subsidise private rental costs for low-income tenants.<sup>6</sup>
- **Disability and Illness Supplement:** Introduce a Cost of Disability and Illness Supplement that recognises the additional costs faced by people with disability or illness. This Supplement should be at least \$50 per week.<sup>7</sup> 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 Parent 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.

### Housing Supplement: Lift Rent Assistance by 50%

We propose that maximum rates of CRA be increased by 50% so that they better reflect minimum rents paid by people on low incomes. Current rates of CRA offer little help to people with low incomes facing the highest rents, especially in our larger capital cities. This is freezing people with low incomes out of places where employment opportunities have grown the strongest, and forcing those who remain there to live with family (often with parents long after people reach adulthood) or in sub-standard accommodation in the 'informal' rental sector.

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<sup>6</sup> While this would secure a more adequate payment rate, future reforms are needed to improve the effectiveness and adequacy of Rent Assistance, including to 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>

<sup>7</sup> 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.

Rather than an arbitrary one-off increase, we propose that maximum rates of CRA be benchmarked to minimum rents, for dwellings of appropriate size, available in the formal rental market in Sydney, Melbourne and Brisbane. In recognition that many other parts of Australia have high median rents, the higher maximum rates would not be restricted to residents in those cities. Rather, rents in those three cities (which together comprise the majority of rental dwellings across the country) would be used for benchmarking purposes.

This benchmarking shows that a 50% increase to the maximum rates is the minimum required to bring CRA up to a more acceptable level (see table below).

**Table: Budget standards estimates for rents for unemployed (Mar 2016 -\$pw)**

Household size	Dwelling size	Weekly rent*	Weekly rent* (2020)#	CRA max weekly rent (2020)	Increase (%) in max CRA rent (2020)	Increase in max weekly CRA (2020)^
Single	1brm unit	\$223	\$232	\$155	1.49	\$59
Couple no chn, SP 1 ch, cpl 1ch	2brm unit	\$297	\$309	\$189+	1.64	\$73
SP 2 ch, Couple 2 chn,	3br house	\$340	\$354	\$230	1.34	\$88

Source: Saunders et al (2017) Healthy living budgets for unemployed and low paid workers, Social Policy Research Centre UNSW Sydney.

\*lowest quartile, outer Syd/Melb, Bris Note: For comparison, median/middle suburb rent for a 1brm unit:  $\$316+4\%=\$329$ . +Current maximum rent for a sole parent with 1 child is \$191pw.

#Based on an average increase of 4% (increase in CPI for rents in the three cities from 2016-2020).

^Based on an across the board 50% increase in maximum CRA rents.

## Disability or Illness Supplement

We propose that people with a disability or illness receive a supplement that recognises the additional costs they face as a result of disability or illness. It has been well-established that disability and illness incur additional costs, including healthcare, equipment, transport and housing costs.

This supplement should reflect the rates outlined by the 2019 NATSEM report into the cost of disability.<sup>8</sup> NATSEM showed that a single person with a

<sup>8</sup> 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

disability receiving the Disability Support Pension needs an extra \$50 per week to achieve the same standard of living as someone without a disability receiving a pension.<sup>9</sup>

This supplement should be available to people with disability, as well as people with an illness that prevents them from undertaking full-time paid work.

## Single Parent Supplement

Out of all family types, single parent households are at greatest risk of living in poverty, with 35% of single parents living below the poverty line.<sup>10</sup> Almost 50% of children in single parent households live in poverty (44.5%).<sup>11</sup>

To ensure the added costs of single parenthood are adequately recognised in our income support system, we propose an increase of at least \$200pw week for a single parent with two children, recognising that these households need at least twice the level of income received by a single person, without children. Single parents with two older children need 2.2 times what a single person without children needs.

We also propose that a Social Security Commission be established to develop further recommendations on the minimum income required for single parent households, including relativities for different family types (see recommendation 5).

### **Recommendation 2: Provide supplementary payments to meet need**

Amend the Bill to implement the following measures:

1. Increase the maximum rate of Commonwealth Rent Assistance by 50% to more adequately subsidise private rental costs for low-income tenants.
2. 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 week. This should be in addition to ensuring broader access to the Disability Support Pension to avoid people with disability ending up on JobSeeker Payment.
3. 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.

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Policy Analysis, University of Canberra. Report commissioned by the Australia Federation of Disability Organisations. September 2019.

<sup>9</sup> NATSEM, Ibid.

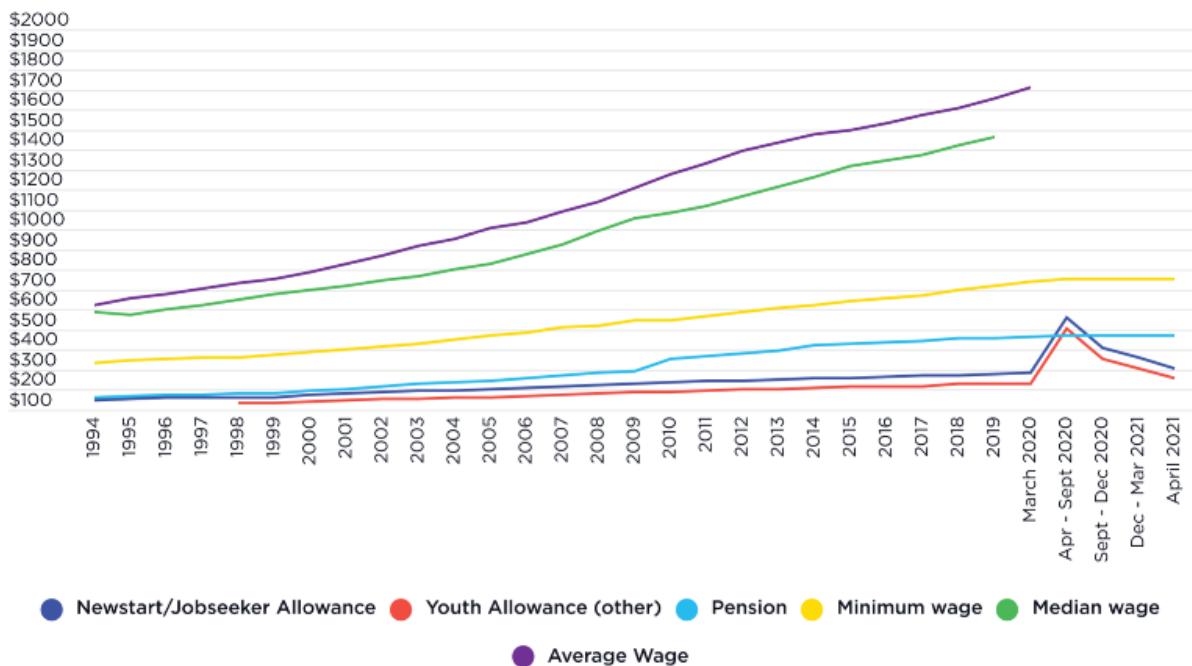
<sup>10</sup> ACOSS (2020) 'Poverty in Australia 2020, Part 2: Who is affected?' <http://povertyandinequality.acoss.org.au/wp-content/uploads/2020/05/Poverty-in-Australia-2020-Part-2-%E2%80%93-Who-is-affected-Final.pdf> p.24

<sup>11</sup> ACOSS, Ibid. p.23

## Wage indexation for all payments

The base rates of JobSeeker Payment (formerly called Newstart) and Youth Allowance have fallen well behind other incomes in the community, including pensions, the minimum wage and average wages. The lack of wage indexation has led to a large and growing gap between income support payments, resulting in people in similar circumstances being paid vastly different levels of income support.

TRENDS IN INCOME SUPPORT PAYMENTS COMPARED WITH WAGES



When the Howard Government effectively froze unemployment payments in 1997 after it benchmarked pensions to wages and failed to apply the same to unemployment payments, Newstart Allowance was just \$20pw less than the pension. The gap between the two payments has grown to almost 10 times that amount, with the base rate of JobSeeker Payment (plus Energy Supplement) now \$185pw less than the pension (plus Pension Supplement that all pensioners receive). Youth Allowance fares even worse because it is only indexed once per year to CPI, unlike other payments that are indexed twice per year. This means it grows more slowly than other payments, and now sits \$56pw less than JobSeeker, and \$241pw less than the pension.

Unless there is reform to indexation, these inequities will continue to grow.

Indexation must also be reformed for supplementary payments. As outlined above, CRA has failed to maintain pace with private rents. CRA is indexed in line with CPI, which does not adequately reflect increases in rents over time.

Family payments have also lost their value over time. In 2009, wage indexation of Family Tax Benefit was removed by the Rudd Government, and



there have been instances where family payments have been frozen, leading to an erosion of their value over time.

### **Recommendation 3: Index working-age payments to wages**

Amend the Bill to index working-age payments, including supplementary payments like Family Tax Benefit, to wages as well as prices so that these payments maintain pace with community living standards. Indexation of working-age payments should take place at least twice per year.

## Waiting periods, taper rates and income quarantining

### **Permanently remove waiting periods**

ACOSS welcomed the government's waiver of the one-week wait for JobSeeker Payment and Youth Allowance. ACOSS opposes these waiting periods, which only serve to delay access to much needed income support. As Australia has a comprehensive means test in its income support system, there is no valid reason for a one-week waiting period for these payments. ACOSS therefore recommends that these be permanently abolished.

### **Recommendation 4: Abolish one-week waiting periods**

Amend Part 3 of the Bill so as to abolish one-week waiting periods for JobSeeker Payment and Youth Allowance (Other).

### **Income taper rates**

ACOSS welcomes that the taper rates will not revert to their pre-COVID levels, but is concerned that many will be worse off as a result of the reduction in the current \$300 a fortnight income free-area. ACOSS has previously recommended that people on JobSeeker Payment be able to earn more than \$52pw before their income support tapers off, and has proposed an income bank model similar to that available for people receiving Youth Allowance (Student/Apprentice) to better support people who have some paid work.

ACOSS's firm view is that adjusting taper rates without adequately increasing the base rate of income support fails to address the fairness failure in our system: inadequate rates of payment. ACOSS recommends that a social security commission provide further advice on taper rates to ensure that people are not worse off undertaking paid work. However, this should not delay base rate increases as outlined in Recommendation 1, which should be implemented as a matter of urgency.

### **Recommendation 5: Establish a social security commission**

ACOSS recommends that the government establish a social security commission to advise the parliament on payment adequacy, supplementary payments and other settings including taper rates. For more information, [see our latest budget submission](#).

## **Payments must not be quarantined via cashless debit or income management**

ACOSS is strongly against mandatory cashless debit and income management and takes the opportunity in this submission to reiterate that we do not support this policy. These policies discriminate against First Nations People and people on low incomes, are impractical, ineffective, and expensive. [As we have outlined elsewhere](#), we urge the government to abolish mandatory forms of income quarantining.

### **Recommendation 6: abolish mandatory cashless debit and income management**

ACOSS recommends that mandatory cashless debit and income management be abolished, with the savings invested into First Nations, community-led programs and initiatives to support individuals and their communities.

## **Acknowledgements**

ACOSS acknowledges everyone affected by this Bill, including those who have fought and continue to fight for an adequate, fair and humane system of income support that keeps people out of poverty. ACOSS also acknowledges the thousands of people who have shared your story with us. We thank you for your courage and generosity.

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