

Why the Remote Area Allowance needs to increase

Briefing note

11 July 2024

Why the remote area allowance needs urgent reform

- The Remote area allowance is a supplementary income support payment paid by the Federal Government to people who receive an income support payment, and live in designated remote areas.¹
- As at December 2023, about 90,000 people receive the allowance.²
- The allowance is \$9.10pw for singles, \$15.60pw for couples (combined) and \$3.65pw per child.³
- The allowance is not indexed at all and was last increased **24 years ago**. In other words, it was the exact same amount almost a quarter of a century ago.
- It is estimated that living costs in remote areas are almost 40% higher on average than costs in urban areas.⁴ However, the remote area allowance only provides an additional 1.5% – 2.8% in income support, depending on the base payment received (e.g., Youth Allowance, pension, JobSeeker Payment).
- 69% of people receiving the allowance are First Nations people. Income poverty rates among First Nations people living in very remote areas is shockingly high sitting at 57.1%.⁵

¹ Department of Social Services (2023) 'Fact sheet: remote area allowance' December

² Ibid.

³ Department of Social Services (2022) '5.2.6.30 RAA - May 1984 to present date' Social Security Guide <https://guides.dss.gov.au/social-security-guide/5/2/6/30>

⁴ Dr Francis Markham (2024) 'The Poor Pay More: why the Remote Area Allowance needs urgent reform' <https://www.austaxpolicy.com/the-poor-pay-more-why-the-remote-area-allowance-needs-urgent-reform/>

⁵ As at 2021. Dr Francis Markham (2023) 'Submission to the Senate Standing Committees on Community Affairs' Inquiry into the extent and nature of poverty in Australia', 31 October, <https://www.aph.gov.au/DocumentStore.ashx?id=9cff3504-f70f-42a7-b379-a5fda9f7b2dc&subId=750035>

An inadequate remote area allowance worsens poverty

People living in remote Australia have very little opportunity to get paid work and pay highly inflated prices for basic goods and services compared with people living elsewhere. A 2020 analysis of remote store pricing by the National Indigenous Australians Agency found that prices in remote community stores were on average some 39% higher than those in major supermarkets elsewhere.⁶

The income support system fails to prevent poverty for people throughout Australia, but this is particularly pronounced in remote areas.

The largest proportion of people receiving the remote area allowance receive JobSeeker Payment (37% as at December 2023)⁷, which is just \$55 a day, or \$20,000 a year. With the remote area allowance, their income rises to \$56 a day or \$20,500 a year.

This income is well below the poverty line and fails to cover the cost of food, medication and other essentials.

The latest Economic Inclusion Advisory Committee (EIAC) report highlighted that in addition to lifting base rates of JobSeeker and related payments to at least 90% of the pension to improve adequacy, there is a particularly strong case to increase the remote area allowance because of its decline in value over time.⁸

Reform of remote area allowance to better meet need

To reduce poverty in remote Australia, the Federal Government must increase JobSeeker, Youth Allowance and related income support payments as well as the Remote Area Allowance.

To ensure the Remote Area Allowance reflects additional costs faced by people in remote areas and continues to do so over time, ACOSS calls for:

- An upfront increase at least in line with CPI since 2000 to reflect the lack of indexation.
- A review of remote area prices to determine what the rate of payment should be to reflect remote costs and to provide an appropriate index for ongoing indexation.

Recommendations

1. Urgently increase remote area allowance.
2. In the first instance, increase the payment to at least \$26.25 per week (single rate), in line with its loss in value over time through inflation and apply ongoing indexation.

⁶ National Indigenous Australians Agency (2020), Food prices and accessibility in remote communities: simple basket of goods' snapshot NIAA, Canberra.

⁷ DSS, Ibid.

⁸ EIAC (2024) '2024 report to government' https://www.dss.gov.au/sites/default/files/documents/04_2024/economic-inclusion-advisory-committee-2024-report.pdf

3. Review remote area costs to develop a benchmark for the payment and adjust the payment accordingly.