



5 March 2021

Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary,

**RE: Social Services Legislation Amendment (Strengthening Income Support) Bill 2021**

The St Vincent de Paul Society National Council of Australia (the Society) is a lay Catholic charitable organisation that comprises over 50,000 volunteers and members and 6,000 employees who provide on-the-ground assistance across Australia.

Our members and volunteers work directly with those in need by giving them a hand up so that they can achieve their full potential.

***The proposed increase to JobSeeker is woefully insufficient***

We are deeply concerned that the proposed JobSeeker increase of around \$50 per fortnight (which equates to \$44 per day), represents just 41 percent of the minimum wage and 27 percent of the average wage, and puts the unemployment payment back to where it was in 2007.<sup>1</sup>

Every day we witness the face of poverty in this country, which is largely borne by those on social security, those who rent, single parents and the under-employed.<sup>2</sup>

The inadequacy of the old Newstart rate, which forced people to live in poverty on \$40 per day, has long been recognised. But the reality is that an extra \$4 a day leaves the unemployed on a payment rate that is around 33 percent less than the poverty line.<sup>3</sup> It is also estimated that up to 40,000 could lose their jobs after the JobSeeker cuts are implemented, as an estimated \$5 billion is sucked from the economy in the upcoming year.<sup>4</sup>

Australia's unemployment payment rates are the second lowest out of all 37 members of the OECD, behind only Greece. The payment rate is less than half the average unemployment rate of 58 per cent of the average wage across the OECD countries.<sup>5</sup>

We challenge our elected leaders to stop and think about whether we can do better. We ask them to place themselves in others' shoes, to think about what it feels like to have to go without a meal so that you can feed your children, not get a script filled because you have utilities or rent to pay, or not be able to buy items for school or pay for school activities. This is not only a significant impediment to living a satisfactory life and finding work, it is soul-destroying.

***Now is not the time to apply the brakes***

Although labour market recovery has been faster than expected, it is estimated that it will take four years for unemployment to return to pre-pandemic levels.<sup>6</sup>

The rhetoric that 'the best form of income support is a job' is not palatable when there remain nine people either applying or looking to increase their hours for every job advertised; when the increase in the labour market has been in casual and part-time work; and when the income of Australia's youth has stagnated during this century.<sup>7</sup>

During economic recovery periods, research demonstrates that ongoing support that reflects the losses incurred by people and is specific and targeted to those who need it most, is required.<sup>8</sup>

We know that those on the old Newstart payment who received the increased JobSeeker payment were finally able to access essentials like prescription glasses, a fridge, warm jumpers and school supplies for their children.<sup>9,10</sup> People benefitted directly – the number of people skipping meals dropped by over half, to 33 percent, while the number of people struggling with medical costs dropped similarly, by over 40 percent.<sup>11</sup> Lower income shoppers spent 14 percent more than usual.<sup>12</sup> Sixty percent of people saved up to purchase large household items.<sup>13</sup>

Every dollar invested in JobSeeker generates a significant economic return, helping to pave the road out of recession. Providing people without paid work with enough to get by is a highly effective economic stimulus, as they have little choice but to spend straight away on essentials.<sup>14</sup>

The Coronavirus supplement has not been wasted - it has been used judiciously by recipients to cover every-day expenses. As at November 2020, paying household bills (67 percent) was the most reported use of the supplement, followed by purchasing household supplies, including groceries (63 percent), and then meeting mortgage/rent and medical costs.<sup>15</sup> Importantly, these additional payments quickly wash through local economies thereby benefitting local businesses and communities. Economists agree that JobSeeker is one of the best forms of fiscal stimulus there is: unemployed people are likely to spend all, or at least most, of what they receive. "That's money in the pockets of Australian businesses, big and small."<sup>16</sup>

### ***The logic is fundamentally flawed***

The Government and commentators have argued that unemployment benefits are not intended to replace wages, are not pensions, should be short-term and need to be kept low to incentivise people to find a job. If this is correct, then comparing countries' level of unemployment payments and their unemployment rate should show that countries with higher unemployment payments also have higher unemployment rates.

Even though Australia has the second lowest unemployment payment, it does not have the lowest unemployment rate. Australia is not even placed in the top half of OECD countries for low unemployment – it ranked 20 out of 33 OECD countries for unemployment in 2019. In fact, research shows that countries with higher unemployment payments are more likely to have lower unemployment rates meaning that there is no economic basis for unemployment payments to be set below poverty levels to 'incentivise' the unemployed to look for work.

We find it difficult not to reach a conclusion that the Government is being unnecessarily cruel to people who are unemployed and that lower unemployment rates are possible even with much higher unemployment payments. If the Government's theory was correct, Australia should have one of the lowest unemployment rates in the OECD to match its low unemployment payment rates, not one of the highest.<sup>17 18</sup>

### ***Violation of basic human rights***

We agree that certain aspects of the Bill support basic human rights including the extension of the waiver of the ordinary waiting period, the extension of the eligibility criteria for people to access the payment if required to self-isolate or care for someone due to COVID-19, and the increased income free area of \$150 per fortnight.

However, the Explanatory Memorandum fails to demonstrate how an increase of just \$50 per fortnight provides an adequate standard of living for an individual and their family, including adequate food, clothing and housing, and the continuous improvement in living conditions as per Article 11 of the International Covenant on Economic, Social and Cultural Rights, to which Australia is a signatory. No information or evidence has been provided on how the increased amount was arrived at.

Further, we are particularly concerned about the 1.1 million children whose parents receive a qualifying payment for the Coronavirus Supplement and who will be pushed back in to poverty. The Explanatory Memorandum fails to demonstrate how the rights of these children are protected as per Article 26 of the Convention on the Rights of the Child, to which Australia is also a signatory.

Given that the increase to the base rate is so low, the income free area of \$150 still leaves a JobSeeker recipient approximately \$150 under the poverty line per fortnight (where the poverty line is \$457 per week for a single adult living alone).<sup>19</sup>

### ***Pushing more people into poverty is not a pathway to economic recovery***

Australia has the 16<sup>th</sup> highest poverty rate out of the 34 wealthiest countries in the OECD – higher than the average for the OECD; higher than the UK, Germany and New Zealand<sup>20</sup>

Each time the Government reduced the Coronavirus supplement, more and more people were pushed into poverty. The first cut of the supplement from \$550 to \$250 in September pushed 370,000 people back into poverty, including 80,000 children.<sup>21</sup> The second cut from \$250 to \$150 in January pushed a further 190,000 people into poverty, including 50,000 children.<sup>22</sup> The impact of this third cut from \$150 to \$50 will further increase the number of people living in poverty, which is currently over 3 million people, or one in eight adults and one in six children.<sup>23</sup>

The minimal increase in the base rate will also affect an estimated 270,000 mortgagees and renters who were not in poverty before COVID-19 but will be forced into it.<sup>24</sup> The estimated average annual impact of reduced expenditure across the broader economy equates to \$31.3 billion, with an average loss of 145,000 full-time equivalent jobs over a two-year period; and the impact felt hardest in regions already facing greater levels of disadvantage.<sup>25</sup>

### ***Growing inequality***

Australia continues to demonstrate significant levels of inequality, especially wealth inequality.

Even before the pandemic hit, the highest 20 percent of households, with average after-tax incomes of \$4,166 per week, had almost six times the income of the lowest 20 percent, with \$753 per week. Inequality is even more stark with respect to wealth where the highest 20 percent, with average wealth of \$3.3 million, have 90 times the wealth of the lowest 20 percent, with just \$36,000 on average.<sup>26</sup>

We agree with some commentators' views that fairness appears to be lacking in the Government's approach to economic policy<sup>27</sup> and consider that now is the time to address levels of inequality, rather than exacerbate them.

The Government estimates that the \$50 a fortnight increase will cost \$9 billion over four years but the Government's proposed tax cuts for high-income earners will cost the Budget almost 10 times more (\$83 billion) over the same four-year period.<sup>28</sup>

### ***Unfairness within the income support system***

There have been many reviews and inquiries over the years, recommending an overhaul of the income support system yet the Government has acted on very few of these recommendations.

It has long been recognised that income support levels for people who are unemployed, studying or caring for children were too low to meet common essential costs. The income support system provided insufficient support for major variable costs, especially private rent and the cost of disability. Large inequities exist, with Youth Allowance and JobSeeker Payment paid at well below pension rates (\$185pw), despite similar costs of living. Inequities are particularly evident between:

- people with disability with similar needs receiving the higher Disability Support Pension and those receiving the Jobseeker payment
- relative rates of payments for singles (grossly inadequate) and couples, and
- over 55s on Jobseeker and those eligible for the much higher Age Pension.<sup>29</sup>

We support ACOSS' call for the Government to establish an income floor which prevents poverty, to simplify the payment system, to set payment rates based on individual and family need and to support consumer demand through the economic recovery and beyond.

### ***No evidence base to justify changes to mutual obligation requirements***

The Explanatory Memorandum provides no evidence on the need to increase mutual obligation requirements. Australia already has one of the strictest systems of income support compliance among comparable countries.<sup>30</sup> The small increase to the JobSeeker base rate will see a return to people struggling to make ends meet.

The change to requirements also creates an uneven playing field, with the job search provider/employer having the upper hand. Only they, or the department, can determine what constitutes a 'suitable job', never mind the personal circumstances of the job applicant. A job applicant will be breached if they do not accept a 'suitable' job, leaving them completely powerless and with all agency removed.

### ***Retrograde step places unfair burden on civil society and charities***

The Society's submission to the Parliamentary Inquiry into Newstart (Sub No.119)<sup>31</sup> contains case studies that demonstrate the hardship experienced by those forced to live on \$40 per day.

The reality is that we will be returning to a JobSeeker legacy of enforced subsistence living, with people who receive it turning to charities like the St Vincent de Paul Society for help.

In 2020, more than a third of people who sought assistance from Vinnies NSW were receiving JobSeeker or its predecessor Newstart, and about half of them needed help to buy food. When the full COVID Supplement was being paid, calls for help from people receiving JobSeeker dropped by 75 percent. However, demand for help from people receiving unemployment benefits has climbed

back up each time the Coronavirus supplement was reduced. People receiving JobSeeker should not be forced into a position where they require help from charities to get by.<sup>32</sup>

The Government contends that the social security system is a contract between the recipient and government. We consider that the social security system is there to support those who are unable to find work, and it should do so not by shaming them, removing their agency, forcing them to live in poverty while looking for work, or by imposing onerous conditions and the threats of breaches. These changes do not constitute a fair contract between the recipient and government and are un-Australian.

The Society respectfully requests that:

- the Bill be amended to bring all pensions and payments into line until the Social Security System Expert Group is established. This means that a single person on JobSeeker should receive an additional \$25 per day or \$350 per fortnight (not \$50)
- the income free threshold be increased
- all 27 recommendations made by the Community Affairs References Committee in its final report on the [Adequacy of Newstart and related payments, April 2020](#) be implemented
- existing research that is underway to define poverty and inequality be supported (i.e. [UNSW/ACOSS](#)).
- a Social Security System Expert Group be established to advise and report to Parliament on whether the Australian Government's social security system supports eligible recipients so that they are not living in poverty.

Revenue could be recovered by reviewing superannuation laws and not proceeding with the next tranche of tax cuts, which are estimated to cost \$83 billion over a four-year period.

Yours sincerely



Toby oConnor  
**Chief Executive Officer**

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- <sup>31</sup> The Society's submission is accessible at: [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Newstartrelatedpayments/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Newstartrelatedpayments/Submissions)
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