



St Vincent de Paul Society  
NATIONAL COUNCIL of AUSTRALIA Inc. *good works*

# LET'S BUILD

# A FAIRER AUSTRALIA!

## INCOME SUPPORT, POVERTY AND DEBT - WHY AUSTRALIA NEEDS PROPER SAFETY NETS

### Who we are

St Vincent de Paul Society is a lay Catholic charity with over 45,000 members and volunteers and 3,000 employees operating in Australia. Founded in poverty and plague-stricken Paris in the 19th century, we have been in Australia for almost 170 years. Our people are locals who help all people in need in their communities. We are a registered charity, overseen by the Australian Charities and Not-for-profits Commission (ACNC).

Our work is informed by the teachings of our founder, Frederic Ozanam. Our Mission and Values draw on Catholic Social Teaching principles and we follow the Society's Rule which sets our international charter.

We strive for a fairer Australia for all.

### What we do

Through generous donations, sales through our national retail network ('Vinnies shops'), and some government funding, the Society distributes over \$50 million each year in emergency relief. This is done by our dedicated members and through our conferences and centres located in communities. Additionally, we provide short term, emergency and longer-term community housing options, meals, clothing, and support services.

While providing material support to people, we also lend an ear and connect people with other networks and services, depending on their needs. Our aim is to empower people to help them achieve their full potential.

*We aspire to live the gospel message by serving Christ in the poor with love, respect, justice, hope and joy, and by working to shape a more just and compassionate society*

The Society's National Council approves our policy positions. Our advocacy is informed by the experiences of those we assist and by our members, through the National Council's Social Justice Advisory Committee and the Vincentian Refugee Network.

We advocate for policies and funding that improve people's lives. We do so in a way that aligns with our charitable purpose and is politically non-partisan.

### A Voice for the Voiceless

We believe in human dignity, the common good and in our responsibility for each other. We strive for social conditions that ensure everyone can realise their full potential.

Our belief in solidarity helps us to see the 'other' as our neighbour, a helper, a sharer on a par with ourselves.

We believe in subsidiarity, or respect for personal dignity, and the importance of those most affected by a decision or policy having input to it.

We respect Australia's international human rights commitments, including the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and Australia's support for the United Nations Declaration on the Rights of Indigenous Persons.

Our policy positions are qualified by the experiences of those we assist and our members, and by Australia's extensive evidence-base in social policy and various research projects commissioned by the Society.



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### Our work with others

The Society engages with other church-based charities and not-for-profit organisations in the delivery of assistance to people in need and our policy positions generally align with them. These organisations include Catholic Social Services Australia, National Shelter Australia, the ACTU, Everybody's Home, ACOSS, Refugee Council of Australia, Jesuit Refugee Services and the Catholic Alliance for People Seeking Asylum.

### Why it's important

Australia is a wealthy country but has a shortage of affordable housing, growing inequality, increasingly insecure work and wages that have not kept up with inflation. Households that rely on income support are struggling to survive. One-in-six children are living in poverty, and great disadvantage persists in a number of mainly regional and remote communities.

Now, more than ever, government policy and fiscal management need to be robust, evidence based and directed to areas of greatest need.

Our 2022 Federal Election Statement, *A Fairer Australia*, has been updated to cover social justice priorities related to (1) Australia's First Nations Peoples, (2) People Seeking Asylum, (3) Secure Work, (4) Combatting Homelessness and Increasing Affordable Housing, (5) Income Support, Poverty and Debt, and (6) A Fairer Tax and Welfare System. The updated booklet, *Let's Build a Fairer Australia!* is available on our website.

This overview summarises our advocacy position with respect to Income Support, Poverty and Debt.

More information is also available on our website, as well as a *Report Card* that tracks the Australian Government's progress against our social justice priorities.

Our service to others, and advocacy on their behalf, is inspired by the words of St Vincent de Paul:

*Deal with the most urgent needs... Teach reading and writing, educate with the aim of giving each the means of self-support. Intervene with authorities to reform structures... there is no charity without justice.*

*St Vincent de Paul Society National Council of Australia acknowledges the traditional custodians of country throughout Australia; recognises their continuing connection to land, waters and culture and community; and pays its respect to elders past, present and emerging.*

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JANUARY 2024



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### Summary

The dignity of every Australian means honouring their rights and empowering them to reach their full potential, whatever their background, circumstances, or beliefs.

Australia's economic growth for almost 30 years has improved the living standards for the average household. Yet around 3.3 million people, including 761,000 children, have been left behind and are living in poverty. They rely on inadequate social security for income and struggle to maintain an affordable roof over their heads.

Young people, single parents, First Nations people, long-term unemployed and those living with disability or ill-health are particularly vulnerable.

Further, seven per cent of people with paid employment, part-time work and high household costs are also at risk of falling behind.

Last year, 2 million households (21 per cent of all Australian households) did not have enough to eat.

An increase to working age payments not only helps people to afford the basics, but it also improves their self-esteem and stimulates the economy, as people spend immediately, and locally, on essentials.

The Society supports:

- the establishment of an independent Economic Inclusion Advisory Panel led by the Treasurer and Minister for Social Services and comprising experts to advise Government on income support payments
- the one-off income credit to enable people receiving age and veterans' pensions and Disability Support Pension to earn an additional \$4,000 to December 2023 without losing any of their pension. Subject to the passage of legislation, from 1 January 2024 this temporary measure will be made permanent. This approach should be extended to other income support payments.
- the commitment to implement the 2016 Small Amount Credit Contracts review and consumer lease reforms.

- the commitment to regulate Buy Now Pay Later (BNPL) providers. While innovation in the financial services industry is supported, this must be balanced against the need to protect consumers. Most consumers of these products rely on income support as their main source of income.
- the end of the Cashless Debit Card program in early 2023, and
- the 2023 Federal Budget's: increase to the base rate of working age and student payments; extension of eligibility for Parenting Payment (single) to principal carers until their youngest child turns 14 years; and, matched payments to JobSeeker recipients aged 55 to 59 years, who have been on the payment for at least 9 continuous months, to the payment received by those aged 60 years and over.

The Society calls for:

- poverty to be defined and monitored, with data regularly published
- child poverty to be halved by 2030
- a further increase to the base rate of working age payments to lift recipients out of poverty
- income support payments to be indexed biannually in line with wage growth or CPI
- an increase to the earnings threshold of income support recipients by \$150 a fortnight (to \$300)
- timely regulation of the Buy Now Pay Later Sector to protect vulnerable and disadvantaged people from predatory financial loans, products and credit card companies, and
- a broader, empathetic, and less prescriptive assessment process for the Disability Support Pension.

Financial stress, poverty and wealth inequality are on the rise. The top 10 per cent of income earners have experienced the greatest increase in wealth through rising housing prices and their superannuation. Those on the bottom 20 per cent of income experience persistent and recurrent poverty.

## The impact of living in poverty

Just over 810,000 people on JobSeeker (Aug 2023) are living on an income that is around \$150 below the poverty line each fortnight. Many of these people experience disability and ill health. When people live a hand to mouth existence, it is much harder for them to find a job. It creates obstacles, penalises and shames them. And the effects are worse for their children. Not only is their long-term health and wellbeing undermined, but they are also more likely to face food insecurity, lack meaningful relationships and miss out on learning at home. Around 761,000 children are being forced to do without, through no fault of their own.

The Australian Early Development Census has found that growing up in poverty is a strong predictor of a child being developmentally vulnerable by the time they start school, potentially reducing good health, education and social outcomes. In 2021, one in five children were assessed as developmentally vulnerable. In disadvantaged areas, this increases to more than one in three children. The Productivity Commission has also found that school children experiencing disadvantage are three times more likely to fall behind than other students.

We know that poverty rates are highest for households relying on JobSeeker (59.6 per cent) and working age pensions (Disability Support Pension, Parenting Payment (Single) and Carer Payment (25.7 per cent)), and households comprising single parents (25.5 per cent), lone persons (18.7 per cent) and renters (17 per cent).

Financial stress rates are highest for households on JobSeeker (51 per cent), working age payments (41 per cent) and other welfare payments (49 per cent), compared to a national average of 14 per cent.

Each year the Society provides over \$50 million in emergency relief assistance, covering people's basic needs and the essentials of life. This assistance should not be needed in a country as wealthy as Australia, but currently households relying on income support are five times more likely to experience poverty.

Not surprisingly, the impact of cost-of-living pressures for people on working age payments has been crushing – they were already struggling before the sharp price rises that started in 2021. A recent ACOSS survey has found people reported malnutrition from skipping meals and were reducing their required medication intake to make their limited funds last longer. They were also at imminent threat

of homelessness because they could not afford the cost of rent. Lifting people out of poverty starts with increasing working age payments and making suitable housing more attainable and affordable.

## What increases are needed to working age payments?

The Australian Government's recent increase to working age and student payments is welcome but base rates remain well short of what is needed to cover the basics – filling a small car with petrol costs around \$80, and weekly rents across Australia are becoming increasingly unaffordable.

The Economic Inclusion Advisory Committee found that JobSeeker should rise by at least \$129 a week to improve adequacy, well above the recent \$20 a week real increase.

Based on *A Fairer Tax and Welfare System* (ANU), the Society calls for

- JobSeeker increases of \$176, \$249 or \$338 per fortnight and Youth Allowance increases of \$149, \$211 or \$286 per fortnight
- Parenting Payment increases of \$167, \$238 or \$351 per fortnight
- Disability Support Pension and Carer payment increases of \$69 or \$249 per fortnight
- Family Tax Benefit (Pt A) increase of 20 per cent
- The tax-free threshold to be increased from \$18,200 to \$24,000

Costs could be met by repealing the stage 3 tax cuts, making moderate changes to personal income taxation thresholds, reducing the capital gains tax discount, and changing superannuation tax concessions.

These changes would reduce the after-housing poverty rate from 11.7 per cent of households to 8.6 per cent and lift between 193,000 to 834,000 people out of poverty.

The Government has retained a biannual increase of income support payments in line with CPI only which has eroded their value over time. Income support payments should be indexed similarly to pensions, using either CPI or the Pensioner and Beneficiary Living Cost Index and then benchmarked against a percentage of Male Total Average Weekly Earnings.

## **Why should the earnings threshold be increased?**

Nearly one-in-four people receiving JobSeeker is in some form of minimal employment. Around 55 per cent of JobSeeker recipients have work capacity of 30 hours plus per week. An increase in the earnings threshold from \$150 to \$300 per fortnight would allow people to earn income, gain experience, and support them to transition to work.

We note that by increasing the income free area more people would become eligible for JobSeeker, but we do not agree with the view that this would encourage longer-term reliance on the payment.

## **Why should the Buy Now Pay Later sector be regulated?**

Finally, regulation of the Buy Now Pay Later (BNPL) sector must be prioritised. Currently, there are 5.9 million active BNPL accounts. While the average transaction is only \$151, cumulatively they account for \$11.9 billion of transactions per year. Many in financial difficulty use BNPL on top of their existing debts, with the majority having used at least one BNPL facility in the last 12 months.

If the test of a fair society is measured by how it treats those living in poverty or who are marginalised, then Australia – regarded as one of the world's richest countries – is failing.

A robust safety net is needed, with social equity built into our economy.