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Senate Standing Committees on Community Affairs
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Submission to the inquiry into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021

Dear Chair,

The Salvation Army thanks the Senate Community Affairs Legislation Committee for the opportunity to provide a submission to the inquiry into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021.

It is our understanding that the Bill seeks to permanently increase working age payments by \$50 per fortnight and the ordinary income-free area by \$44 per fortnight, and to extend to 30 June 2021 certain coronavirus-related qualification concessions and waivers. This submission will focus on the proposed increases.

As one of the largest providers of social services in Australia, The Salvation Army works to ensure that no one is left in need and therefore, has significant experience on the ground with Australians experiencing economic and social disadvantage.

A Base Rate Increase that Makes a Difference

Our experience is that an increase of at least \$250 per fortnight to the base rate of the JobSeeker Payment and Youth Allowance is needed to allow people to live with frugal dignity. Additionally, it is The Salvation Army's position that Youth Allowance should be increased to match the rate of the JobSeeker Payment in recognition that young people face the same cost of living levels as adults. This is based on research conducted by [Deloitte Access Economics](#), as well as our service delivery experience.

I have enclosed some stories that illustrate the impact of the Coronavirus Supplement on people that we have supported during the pandemic. With the supplement amount of \$250 per fortnight, the people we spoke to reported being able to afford 'luxuries', such as buying a better brand of groceries at the supermarket, getting a coffee or eating a take-away meal. Others used it to meet outstanding needs, such as overdue bills and car maintenance.

The drop in the Coronavirus Supplement on 1 January 2021 from \$250 per fortnight to \$150 per fortnight had a significant, negative impact on the people we serve. As highlighted to the Senate Community Affairs References Committee inquiry into Newstart and related payments, the inadequate base rate of the then Newstart Allowance meant people were forced to forego medication or survive on an inadequate diet.

Founders **William & Catherine Booth**
General **Brian Peddle**

*Wherever there is hardship or injustice, Salvos will live, love and fight
alongside others to transform Australia one life at a time with the love of Jesus*

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We have evidence that even with an additional \$150 per fortnight, some people are already skipping meals and medication, and falling behind on bills. At a time when the nation has recognised the importance of maintaining personal connections, people relying on income support report not being able to afford the petrol money to see family and friends.

The Salvation Army is now preparing for a substantial increase in demand across the range of services and supports we provide. Increasing income support by a mere \$3.57 per day only serves to entrench a welfare model that relies on the charitable sector to pick up the slack. This drop in overall income will place even more pressure on already stretched resources. This is not a sustainable model for Australia.

Income-Free Threshold

The proposed new income free area represents an increase of \$44 per fortnight from the pre-COVID-19 rate, but a decrease of \$150 per fortnight from the \$300 that most income support recipients have been allowed to earn from 25 September 2020. For people who have managed to secure some work, the combined effect of the proposed changes could mean up to \$250 less in their bank accounts every fortnight.

The proposal to remove indexation from the threshold is concerning. As outlined below, The Salvation Army agrees that the current method of indexation is not indicative of changes in cost of living for people reliant on income support. We argue that not allowing the income-free area to be adjusted at all will only guarantee that income support recipients will be left behind as wages increase.

Strengthening Income Support

Providing support for people experiencing disadvantage in Australia goes beyond income support. The Salvation Army's position is that broader reform of the welfare system is needed to actually support people to move back to work. This includes:

- **Adjusting the way that working age payments are indexed.** The JobSeeker Payment and Youth Allowance are currently indexed according to the Consumer Price Index (**CPI**), which does not accurately represent price changes in the non-discretionary goods people reliant on income support typically spend their money on. The 2009 Pension Review Report found that indexing against CPI is not effective in ensuring that income support is a safety net against poverty and resulted in a change in the way the Age Pension is indexed. This consideration should also be applied to payments and allowances.
- **Broadening access to complimentary support mechanisms**, such as widening access to rent assistance, increasing the availability of financial counselling and providing wraparound support to address barriers to employment. The information and levers available to the Australian Government would allow this assistance to be delivered in a targeted manner to address specific forms of disadvantage and barriers to employment. If targeted well, this could have a transformative effect for people experiencing complex and entrenched disadvantage in Australia.

- **Introducing incentives to work that are person-centred and that increase a person's employability and capacity to work.** The 2015 Report of the Reference Group on Welfare Reform found that mutual obligation must be tailored and flexible to an individual's circumstances, needs and capacity, focus on both employment and social outcomes, and aim to build an individual's capability and capacity to undertake paid employment. This is not yet the case for current mutual obligation measures.
- **Applying a more targeted approach**, especially to assist people experiencing mental ill-health and those with a partial capacity to work to ease into the workforce, which will achieve better results for both the community and the economy. We believe the strict eligibility requirements for the Disability Support Pension have left a cohort of people on the JobSeeker Payment who are temporarily prevented from working but who, with appropriate support, can recover and re-enter the workforce. We believe that rather than subjecting them to mutual obligation requirements, which only leads to extreme stress and exacerbation of mental health conditions without increasing the likelihood of a person moving out of welfare dependency, recovery would be supported by an income support payment that allows a person to focus on getting well and returning to work at a gradual pace.

Thank you again for the opportunity to share our insights and for your consideration.

Please contact me [REDACTED] if we can provide any further clarification on the evidence we have presented.

Yours sincerely,

Paul Hateley, Major
Head of Government Relations
The Salvation Army Australia

Encl.

Jake's Story

Jake is a 54-year-old male who has been on the JobSeeker Payment (previously the Newstart Allowance), since before the onset of COVID-19. When he was first interviewed in July 2020, he was living in temporary accommodation in regional NSW. A follow-up interview conducted in January 2021 revealed that he has since moved further west, nearly four hours from his nearest capital city. Previously Jake had indicated that his decision to move from the city was an attempt to reduce his living expenses. He described that relocating to a regional town was his only choice, given the exorbitant costs of living in the city.

In early 2020, Jake had entered a new job in hospitality, however he was let go as a result of the COVID-19 lockdown. In October 2020, Jake began working as a casual at a retail store, where he worked up to 16 hours per week. In early January 2021, coinciding with the second supplement reduction, Jake's shifts decreased to 8 hours per week. Given the concurrence of the two events, Jake's concern for his livelihood increased.

Jake currently pays \$255 per week in rent, which leaves him with approximately \$25 per day for all other expenses, including food and bills. After the supplement reductions, Jake explained that his ability to afford supermarket items reduced substantially, describing how he had to revert to buying essential items and 'no-name' brands only.

"[After the reductions] ...there wasn't the ease which it was before, no luxuries in terms of shopping and things like that. It was back to basics, ...and in the supermarket, back to no-name brands and being very careful with what I spent... [I had] less money for petrol [and] also with bills etc."

When he was receiving the additional \$550 per fortnight, Jake was able to pay his bills more easily. Jake made the comparison that six months ago he was paying two weeks ahead in his rent, whereas now after the supplement reductions, he is two weeks in arrears, and finding it increasingly difficult to get ahead.

"Beforehand it was reasonably, well not easy, but a lot of easier to meet bills and [now] that's become harder with the first reduction and then the second reduction....covering bills is a big one. I was able to cover them a lot easier before it [the Coronavirus Supplement] got slashed. Now, I'm...really struggling behind with an electricity bill, and WIFI and things like that...It's become even harder now."

When he was asked how he will fare once the Coronavirus Supplement ends, he acknowledged that he will require more employment but anticipated the job search to be challenging, particularly due to the scarcity of jobs in his region for someone his age and with a lack of skills.

"[It'll be] ...incredibly hard. I'll have to get at least a 20 hour a week job, and where I live, there's very little around for someone my age too.... it's very hard to find employment. It will be incredibly tough... I keep looking on Seek, [and] there's very little available for someone that's unskilled like me...It will be dire. There's no other way of putting it. I pay \$255 per week rent...so it's things like bills and...I honestly don't know how I'm going to survive."

Henry's Story

Henry is 55 years old and lives alone in a private rental, outside of his nearest capital city. Henry has been receiving the JobSeeker Payment, since he was made redundant from his fulltime public service job in December 2019. In his initial interview in July 2020, Henry described the difficulty he encountered whilst seeking employment, suggesting that his age would most likely be his greatest limitation to securing another job.

"It was fairly difficult. I was looking for some work [and] it was difficult to get interviews; there wasn't a lot of work on offer, especially [for] someone my age. I'm at the other end of the scale. I'm not a young or fit guy that...these people seem to employ."

A follow up interview in January 2021 revealed it had taken him more than 12 months to find employment. While Henry is currently working full-time, it is in a markedly different role, as a truck driver and general yardman for a construction company. Further, the role is less secure than his previous job, as he is employed as a casual worker.

Henry currently pays \$230 per week in rent, which leaves him with approximately \$28 per day for all other expenses, including food and bills. After the supplement reductions, Henry explained that the quantity of supermarket items he could afford reduced substantially, and how he reverted to buying 'no-name' brands and less nutritious or out-of-date food.

"Well for me it [the biggest change after the supplement reductions] was...the limit on the amount of foodstuffs that I could purchase. I had to change the brand names... [Before the supplement reductions] I could buy better stuff. Rather than buy 10 packets of noodles and have those for lunch, I could buy bread and fillings [like] meat to go on it... I had to buy less and be very mindful and go for the cheap brands [and] buy food that was out of date and stuff like that."

In Henry's initial interview in July 2020, he explained that he was receiving help from The Salvation Army's Moneycare financial counselling service, to manage his debt of around \$40,000. In his most recent interview, Henry described that before the supplement reductions, he was able to schedule increased payments towards his outstanding debt. However, after his income support was reduced, Henry discontinued the extra payments that compensated for him being in arrears. This will likely result in Henry accruing further debt.

When Henry was asked how much extra per fortnight he would need, he indicated that \$250 would be enough for him to manage his finances more easily. He also suggested that having that little extra money in income support would allow him to enjoy the company of others during a shared outing. Henry's final comment conveyed his grim outlook if the base rate were to return to its original rate.

"I reckon it should be the extra \$250, because that just seemed to help to be able to buy stuff and get out and have picnics...with people on weekends. With the extra \$250...even though I...was on a low income, I felt that I could manage my finances better. Going back to the normal rate, I'll just be locked in the house...wait to die I suppose."

Tyler's Story

Tyler is a 31-year-old male and is married with three dependent children. He receives Commonwealth Rent Assistance and lives in public housing in regional Victoria. Tyler currently pays \$170 per week for a three-bedroom house that he described to be in disrepair.

"A three-bedroom house that is absolutely falling apart and has problems with the roof...I've had the house looked at by a couple of building inspectors, and they went into the roof...it was just before Christmas...their words were, "The last thing you should ever do is go anywhere near that roof." I said, "Can I clean the gutters?" They said "No, don't touch it." I said, "OK." [It's] because there's a huge bow in it, as the main support beam isn't there..."

Tyler received the Newstart Allowance until he started a Bachelor of Information Technology two years ago. He currently receives Austudy. Tyler has indicated his motives for study are so he can be self-sufficient and provide a better life for himself and his family. Despite his desire to be learn, Tyler describes being unprepared for the additional costs of remote learning, which have likely exacerbated his experience of financial stress.

"I don't want to be on Centrelink, I want to make something of myself, to that end I decided to better myself and [my] skills. I started my Bachelor's course in Information Technology; however, I was not prepared for the cost of studying...there are the associated costs for all study supplies such as...[a] printer...printer ink, paper, text books...programs such as Adobe Pro, [a] chair and office supplies...the cost of a computer that is powerful enough to do what you need...and internet costs... This would be ok if it was all on campus, which when I started that was an option, however my personal circumstances [now] prevent me from going on campus, but I [am] not deterred from reaching my goals of being self-sufficient [and providing] a better future for myself and my family."

Tyler has been diagnosed with type two diabetes and sleep apnea. After the two reductions to the Coronavirus Supplement, Tyler described having less money to spend on food and medical expenses. He also indicated that he was required to prioritise his children's needs, putting his own health at risk.

"[We have] even less food on the table. The cutbacks to the food, to the money in regard to food, it's very hard to have enough...it's very hard to put enough food on the table to support 5 people. It [also] impacted my health...I have obstructive sleep apnea, and type two diabetes, so I can't afford to pay for my life-support machine anymore, [or] medication...I've had to go without my medication, because I simply don't have the resources. It doesn't sound like much...\$20 every month...to fill a set of scripts...when you have to choose between that \$20 [to] buy a pack of nappies for your 2-year-old or your meds, you're going to buy a pack of nappies."

Tyler was genuinely concerned about his outlook once the supplement ends. Even with the additional \$50 per fortnight, Tyler's family of five will be left with \$85 per day (\$17 per person per day) to spend on all other expenses, including food and bills.

"I will be evicted from this house...I've already faced eviction from this house previously because I haven't been able to afford the rent...I can pay rent or utilities...but not both. Do I want to have lights, gas and water, or do I want to keep a roof over our heads? ...I'll probably declare bankruptcy."

Janet's Story

Janet is a 23-year-old woman living in NSW. She currently pays \$50 per week for shared accommodation and is receiving Youth Allowance. When Janet was receiving the \$550 Coronavirus Supplement, she used a proportion of the money to get ahead on her debts and to afford more nutritious food..

"...when I first got the COVID supplement, I used that to pay off my debt...I had a loan I was paying off...an interest loan... I knew that it wasn't going to [be] permanent...so I [thought I] might as well use it for something that was worthwhile."

However, after the reductions came into effect, she described having to cut back on groceries, and indicated that she could not afford to eat three meals per day.

"The reductions just made it a bit hard to budget, because I also started eating a bit more than I usually do...I used that time to try and get back on my eating healthy and so I had to cut back on groceries and stuff like that... Before the COVID supplement I was skipping meals...so I just went back to skipping meals again."

Notably, skipping meals appears to have had a negative impact on Janet's ability to seek employment. As a result of inadequate food intake, Janet described being lethargic at a recent job interview. She suggests this put her at a disadvantage compared to the other candidates vying for the same position.

"...when I went for an interview I was competing against 50 other people and like, half way through the interview ...this has happened a couple of times in my interview, I just felt completely drained, because I hadn't eaten much food, so how can I compete with other people who are healthier and have more energy. So, it just makes it harder."

Janet is currently receiving \$426 per fortnight in income support. She pays \$50 per week in rent which leaves her with \$23 per day for all other expenses, including food and bills. When Janet was asked what she would say to the government given the opportunity, she provided the following statement:

"Obviously I'd tell them it's [income support] not enough because the cost of living goes up but our support just keeps staying the same, so we're getting more disadvantaged...we keep having to sacrifice a lot of stuff in our lives again and again and it just keeps adding up...the cost of living is getting higher and higher but they [the Government] haven't changed any of the [income support] payments...I don't even think this Government cares about us at all...the way that he [the Prime Minister] speaks about Jobseeker people, you know?"

Sally's Story

Sally is a 41-year-old mother with three dependent children. Together they live in regional NSW in a private rental, where Sally pays \$390 per week for a three-bedroom house. Currently, Sally is receiving the Parenting Payment, Family Tax Benefit (A and B), and Carer Allowance. When Sally was receiving the \$550 Coronavirus Supplement, for the most part she continued to maintain her pre-existing budget and spent the additional money to pay for repairs on her car.

After the first reduction to the Coronavirus Supplement, Sally described the challenges of meeting the basic and nutritional needs of her three growing children. She explained how the second supplement reduction almost coincided with her children returning to school. As a result, Sally indicated that it was difficult for her to afford back to school essentials.

"I've had to cut back on my food spending by buying less and making the food budget stretch as much as I can. After covering the rent and utilities costs, the area where I have most discretionary use in my budget is food, but it is very difficult to meet the nutritional needs of growing kids when you are watching every cent like a hawk."

At the time of the interview Sally's biggest concern centred primarily around her needing to vacate her current accommodation in eight weeks as it was being sold. She listed the challenges she has been confronted with in finding a new rental property for her family. Sally described being in competition with many others vying for the limited rentals in her area. It also appears that she will be required to spend more on rent than she is currently paying. Given her challenges, Sally conveyed genuine concern, fearing the prospect of being homeless.

"Finding a three-bedroom house in this area is really difficult. I've been paying \$390 per week, although most three-bedroom properties are around \$500 per week. At all the inspections I've attended there's been more than fifty people inspecting each rental property, making it a competitive process to secure a place. I fear that I'm running out of time, and I'm worried at how this is going to affect my children...the prospect of being homeless really frightens me."

Sally indicated that she would need to save around \$2,000 to secure a new rental property for her and her children. Given this, Sally began working two low-paying casual jobs. Sally reported feeling exhausted working in her current roles, while also described being under considerable stress as a result of her pending move.

After the base rate increase of \$50 per fortnight, Sally's estimated total income will be around \$1,109 per fortnight. The amount of money Sally will be left with after paying a \$110 increase in weekly rent, will be around \$7.80 per day. This amount would not permit her to buy food to adequately feed herself, let alone her three children. When asked what would make a difference to her and her family she concluded with the following statement:

"For me and my family, easier access to affordable safe accommodation. This is my most pressing problem and is stressing me out. I seem to be working long hours for very little financial reward, and the amount I'm saving is very little. The constant worry and stress are impacting on my physical and mental health."