

04 March 2021

By email: community.affairs.sen@aph.gov.au

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

Dear Committee Secretary

Social Services Legislation Amendment (Strengthening Income Support) Bill 2021: Submission to Senate inquiry

Thank you for the opportunity to make a submission to the Senate Community Affairs Legislation Committee's inquiry into the *Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 (the Bill)*.

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

We are bitterly disappointed by the Government's decision to effectively reduce the fortnightly base rate of the JobSeeker payment back to \$100 less than the Coronavirus Supplement. This is a heartless policy decision that leaves many Australian families facing the harsh reality of again living below the poverty line.. Asking a person to survive on \$44 a day in Australia is effectively pushing them towards financial exclusion and hardship. We welcomed the Federal Government's income support packages in response to the COVID-19 crisis, which lifted thousands of Australians out of poverty. We urge the government to ensure that income support payments for working-age people do not return to below-poverty levels again.

In addition to our comments in this submission, we endorse the position of the Australian Council of Social Services (**ACOSS**) on this issue. ACOSS and their associate organisations have unparalleled expertise in assisting the people this decision will directly impact, and we strongly endorse their recommendations regarding the increase in the payment necessary to properly provide for the millions of people relying on social security payments in Australia.

People should not be living in poverty in Australia

For many of the people we work with, social security payments make up a key part of their income, if not all of it. Often people on low incomes are excellent budgeters, because their limited income makes it essential to their financial survival. However, too often the assistance of financial counsellors and legal advice can only help relieve part of the financial burden they face, because they quite simply do not have enough money income to properly pay for their essentials, such as rent, food, education and utilities.

At some point, this leaves people with the stark choice of going without essentials, or falling into debt over time. We often speak with people who, seeing themselves with few other options, have turned to expensive forms of credit, such as payday loans, credit cards or personal loans with excessive fees and interest rates, that the repayments for leave them worse off and with less money to spend in the long term. For some, this decision comes when faced with an unexpected but essential expense, such as a medical bill or repairs for their family car. For others, the reality is that social security payments will never cover the basics. Too often there are predatory companies that take advantage of people's financial desperation: debt vultures offering false hope and bad debt advice, payday lenders and consumer lease providers charging exorbitant fees, and many others.

The Coronavirus Supplement gave people a chance to get back on their feet

Our financial counsellors, who receive calls from Victorians contacting the National Debt Helpline (**NDH**), speak to people in this situation every day. The NDH is a not-for-profit service that helps people tackle their debt problems with the help from professional financial counsellors, who offer a free, independent and confidential service.

Prior to the onset of the COVID-19 pandemic, the volume of calls to the NDH had increased every year since the NDH was launched in 2011.¹ In stark contrast, from April to June 2020, there was a 37% decrease in the number of calls the NDH received compared with the same time last year.² This was despite the fact that so many people were out of work during this period, due to nation-wide lockdowns.

We believe that the Coronavirus Supplement was a huge factor in the decrease in calls to the NDH during this period. The fact that calls have been steadily rising again, and particularly since the start of 2021 as the next JobSeeker reduction nears, supports this conclusion. Similar trends also are also reflected in level of traffic the NDH website is receiving. The most recent statistics indicate that the number of visits to the NDH website was 39% higher than the same week last year, and at a volume far higher than equivalent recent yearly averages.³

Our financial counsellors report that there are still many people who are not ready to deal with the loss of an extra \$100 a week, and will struggle to make ends meet. This includes people who are experiencing unemployment or reduced income perhaps for the first time.

"The Coronavirus Supplement was life changing for people who had long survived on the abhorrent amount Newstart (or JobSeeker) had been set at for years. For so long, they had to be great money managers just to survive and find a way to pay for food, rent and even go without things like proper heating. For the first time, these people had breathing room and weren't living in poverty, and all the stress that brings with it.

We have already been getting calls in the last month from some people terrified about facing surviving on \$44 a day, especially when they will have to find a way to pay to travel to get to more job interviews. This change, along with programs like 'Jobdobber', will destroy any sense of self-worth these people have, and is already worsening the mental health epidemic in Victoria coming out of 2020.

I'm also very concerned about where this will leave the people who have never had to survive on this rate before, who lost work and haven't found a new job. These people haven't had to live on a shoestring before. Some have deferred payments on their mortgages and other debts, which will end at the same time the JobSeeker rate will drop. I don't know how these people will survive."

Dianne Dejanovic – Financial Counsellor, National Debt Helpline

¹ National Debt Helpline, Annual Data Report 2019-20 Financial Year & Fourth Quarter 2019-20, *Financial Counselling Australia*, .

² Ibid,

³ Based on NDH statistics current to 21 February 2021.

“While our calls dropped during COVID, we were hearing from people who had never needed to call us before, who had lost work due to the pandemic. They were used to living on more money and had never had to rely on Centrelink. They had no idea how people get by on such a small amount of income.

The increasing number of calls we are getting again as the JobSeeker rate drops below an amount people can live on is very noticeable. Even at the current rate, people are already falling back into the perpetual stress that comes with not having enough money to get by. The Coronavirus Supplement increase last year allowed people to live with dignity - they knew that they could keep the lights on, and didn't have to worry about where their next meal was going to come from. This is what people will have to think about every day when the rate drops again. It can't be overstated how big an impact this kind of long-term financial stress has on a person's mental welling.”

Kane Johnson – Financial Counsellor, National Debt Helpline

The impact of financial stress on health

The increased stress this will cause people in the community is of grave concern to us. Beyond leaving people financially excluded and less able to contribute to society, there is also the mental impact that increased financial hardship causes people. The Australian Government's Head to Health website notes:

“Mental health and financial safety are strongly linked. Experiencing a mental illness can add to financial stresses, and financial stresses can add to a mental illness.”⁴

Where the JobSeeker decreases lead to people taking on more debt, this will also compound the suffering and impact of the changes. Debt can have a harmful effect on relationships with family and friends, increase isolation and exacerbate mental health issues.⁵ Studies have found that people with unmet loan payments had suicidal ideation and suffered from depression more often than those without such financial problems.⁶ Reducing JobSeeker back to \$44 a day will create more financial hardship and associated suffering in our community.

Many voices support truly raising the rate

Many people are still struggling to get back on their feet following the impact of the pandemic. Some industries are still on their knees, such as tourism and the entertainment industry. In a recent speech, the Governor of the Reserve Bank, Dr Philip Lowe, recently stated his personal support for increasing the JobSeeker rate, recognising that this was a question of fairness. Dr Lowe also referred to the fact that the unemployment rate is higher today than it has been for almost two decades, and that many people still can't get as much work as they want.⁷

Other private sector voices have also recently joined the chorus calling for the minimum payments to be increased. Business Council of Australia CEO Jennifer Westacott has called for proper indexation of JobSeeker in response to the announced changes in the Bill.⁸

It is clear that keeping people in poverty does not incentivise people to get a job: it makes it harder for people to get back on their feet and entrenches disadvantage.

⁴ Australian Government Department of Health, *Head to Health 'Finances' page*, accessed 15/11/2020, available at: <https://headtohealth.gov.au/meaningful-life/feeling-safe-stable-and-secure/finances>.

⁵ Step Change, *Statistics Yearbook Personal Debt*, 2014 p 24, available at:

<https://www.stepchange.org/Portals/0/documents/media/reports/statisticsyearbooks/StepChangeDebtCharityStatisticsYearbook2014.pdf>.

⁶ Turunen and Hiilamo, *Health effects of indebtedness: a systematic review*, BMC Public Health, 2014, available at:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4060868/#B31>.

⁷ Paul Karp, 3 February 2021, 'Reserve bank governor warns against lowering jobseeker payment', *The Guardian*, accessed 3 March 2021, <https://www.theguardian.com/australia-news/2021/feb/03/reserve-bank-forecasts-australian-economy-will-return-to-pre-pandemic-size-by-mid-year>.

⁸ Business Council of Australia, 23 February 2021, *Increase welcome but system reform necessary*, accessed 3 March 2021, https://www.bca.com.au/increase_welcome_but_system_reform_necessary.

This change to JobSeeker will only make it harder for people to find work. Promoting this as an 'increase' to JobSeeker simply adds insult to injury.

We ask that the Senate Committee recommend:

- Adequate and fair payment rates across the working age payments system;
- Removing barriers to accessing social security payments; and
- Establishing an independent mechanism to advise on income support payment settings.

Please contact Policy Officer **Tom Abourizk** at **Consumer Action Law Centre** on 03 9670 5088 or at tom.a@consumeraction.org.au if you have any questions about this submission.

Yours Sincerely,

CONSUMER ACTION LAW CENTRE



Katherine Temple | Director Policy & Campaigns