



Joint Submission from the Financial Counselling Sector

Senate Standing Committee on Community Affairs

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

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"Every week I would talk to someone who had to choose between electricity and food, or medications and food, or rent and food. People regularly chose which days they couldn't afford to eat."

*Financial counsellor, March 2021,
comment in the FCA survey about the adequacy of JobSeeker*

About Financial Counselling

Financial counsellors provide advice and support to people with money and debt issues. Working in community organisations, their services are free, confidential and independent.

Each year our sector provides advice and support to thousands of Australians experiencing various degrees of financial hardship.

About this Submission

This is a joint submission from the peak bodies in the financial counselling sector.

- Financial Counselling Australia
- Financial Counsellors ACT
- Financial Counsellors Association of NSW
- Financial Counsellors Association of Queensland
- Financial Counsellors Association of Tasmania
- Financial Counsellors Association of Western Australia
- Financial Counselling Victoria
- South Australian Financial Counsellors Association (also covering the NT)

There are around 950 financial counsellors in Australia.

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Introduction

The financial counselling sector welcomes the Senate Inquiry into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021.

Financial counsellors are experts in supporting people in financial difficulty. Over the last 12 months our sector has been working at the coalface of the economic devastation caused by COVID-19, supporting thousands of Australians who have lost their jobs, businesses and livelihoods.

We saw at first hand the importance of the additional income support provided by the Government during the pandemic, providing a critical safety net for Australians and doing much to alleviate poverty.

Summary

The Government's increase to income support payments in March 2020 lifted hundreds of thousands of Australians out of poverty. One result was a sharp decline in people seeking the support of financial counsellors.

This Bill will reverse much of the progress that Australia has made to alleviate poverty, returning thousands of Australians to instead living below the poverty line. These people will struggle to stay afloat in an economy that doesn't have enough jobs for the number of people out of work.

We urge the Parliament to permanently increase income support payments, including JobSeeker and Youth Allowance. We stand with the Australian Council of Social Service in calling for a permanent increase to lift payments to at least \$65 per day.¹

The last year has shown that we can alleviate poverty

Prior to the COVID-19 pandemic, one in six children, and one in eight Australians, lived in poverty. The biggest risk factor for living in poverty is being in receipt of income support payments.²

¹ For ACOSS's detailed policy proposal, please see the Next Steps for Income Support briefing paper: https://www.acoss.org.au/wp-content/uploads/2020/09/Social-security-next-steps-JUL-UPDATED-2-9_.pdf

² University of New South Wales (2020): [Poverty in Australia 2020. Part 1: Overview](#).

The Government’s March 2020 increase in the level of income support payments lifted hundreds of thousands of people out of poverty, ending a 26-year freeze on support for people out of work. This Bill will force thousands of Australian back below the poverty line.³

Financial counsellors have observed significant and positive transformations in the lives of many of their clients since the increase in financial support from the Government. This was clearly confirmed by a short, sharp survey of financial counsellors we conducted to inform this submission.

We asked financial counsellors:

“Before the COVID-19 pandemic, the base rate of JobSeeker for a single person was \$565 per fortnight (about \$40 per day). Then the COVID-19 supplement was introduced, increasing the fortnightly rate. Did this increase make a difference to your clients’ ability to afford their basic living costs?”

The results are in the table below.⁴ Financial counsellors said that the ability to afford food was the factor that made the most difference (83% said the increase “made it a lot easier”). Across the board however, financial counsellors said that their clients were better able to afford rent, medications, utility bills and other household expenses.

Ability to afford ...	Made it a lot easier	Made it a little easier	No difference	Made it a little harder	Made it a lot harder	Unsure
Rent	67%	17%	17%	0%	0%	0%
Food	83%	11%	6%	0%	0%	0%
Medications	67%	11%	22%	0%	0%	0%
Utility bills	61%	22%	17%	0%	0%	0%
Other household expenses	61%	17%	22%	0%	0%	0%

These findings are supported by research from the Victorian Council of Social Services⁵ and the Australia Institute,⁶ which demonstrated significant poverty alleviation occurred when the original JobSeeker Coronavirus Supplement was introduced.

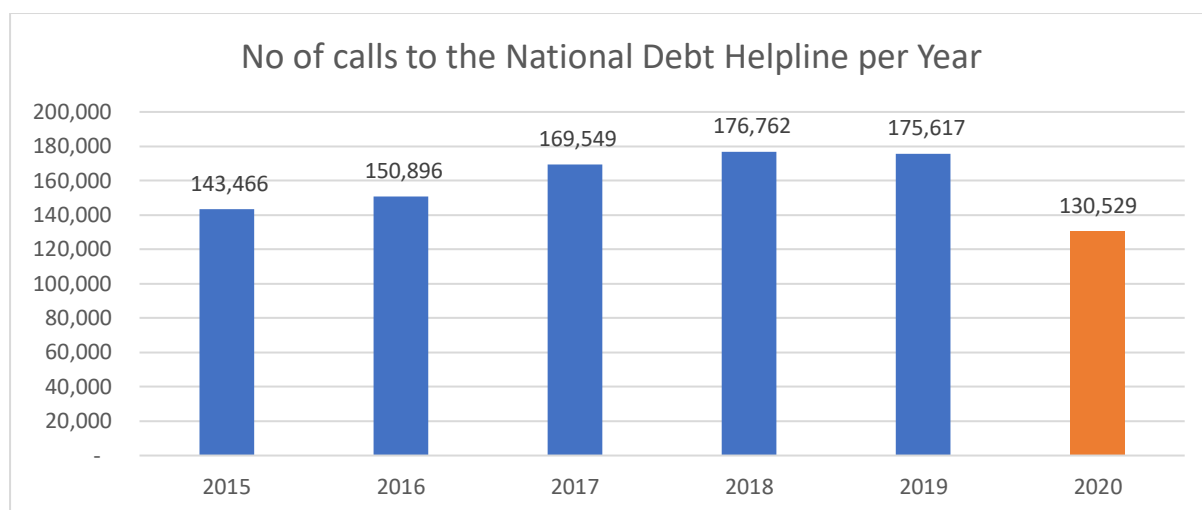
³ Hayward, D et al. (2020) ‘Social policy during the coronavirus recession: a fairytale with an unhappy ending?’ VCOSS Occasional Paper, VCOSS, November 2020. https://vcoss.org.au/wpcontent/uploads/2020/11/VCOSS_Policy-Fairytale_FINAL.pdf

⁴ Figures have been rounded and may be slightly less/more than 100%.

⁵ Hayward, D et al. (2020) ‘Social policy during the coronavirus recession: a fairytale with an unhappy ending?’ VCOSS Occasional Paper, VCOSS, November 2020. https://vcoss.org.au/wpcontent/uploads/2020/11/VCOSS_Policy-Fairytale_FINAL.pdf

⁶ Grudnoff, M. (2020), ‘Poverty in the age of coronavirus. The impact of the JobSeeker coronavirus supplement on poverty’, Australia Institute Discussion Paper, Australia Institute, July 2020. <https://www.tai.org.au/sites/default/files/P949%20Poverty%20in%20the%20age%20of%20coronavirus%20%5BW%20EB%5D.pdf>

Data from the National Debt Helpline also reinforces this finding. The graph below shows the number of calls per year over the past few years. There was a significant reduction (26%) in the number of Australians seeking support for financial hardship in 2020, compared to 2019.



The proposed increase in JobSeeker is inadequate

The survey also asked financial counsellors about the adequacy of the proposed new rate of JobSeeker. For a single person, this new rate will be \$307 per week (about \$44 per day). No financial counsellor thought that \$44 per day was adequate. Instead, the large majority of financial counsellors said that the increase was either “completely inadequate” (78%) or “somewhat inadequate” (22%).

What then is an adequate level of JobSeeker? The results are in the table below. The majority of financial counsellors said that the increase should be the Australian Council of Social Services recommended increase to \$65 per day or more.

Ability to afford ...	Response
\$44 per day (the new rate announced by the Government)	0%
\$50 per day	5%
\$65 per day (what ACOSS is advocating for)	56%
More than \$65 per day	28%
Unable to say/unsure	11%

Without such an increase, financial counsellors said that the JobSeeker payment would continue to exacerbate the financial and personal circumstances of vulnerable Australians. The quotes below are from the survey.

- *"\$25 a week is indeed some money, but is not enough to help people cover their basic living expenses of rent, food and electricity."*
- *"An increase that still leaves a job seeker without enough for food, fuel, medications, car registration, and no concessions for reductions on essential bills is no help at all"*
- *"It's punishing people for being unemployed rather than helping them to get by when they need it the most"*
- *"It's a degrading offering so the government can say they have done something but there's been no consideration given to the cost of living and lack of jobs available."*

Leaving the gap between the proposed payment and the basic cost of living will usher in a return of the situation prior to the COVID-19 increases, where the problems witnessed first-hand by financial counsellors were significant. In their own words, financial counsellors said:

- *"Every week I would talk to someone who had to choose between electricity and food, or medications and food, or rent and food. People regularly chose which days they couldn't afford to eat."*
- *"When we did the budget, there was \$25 available per fortnight to pay for food. I asked what they did for food and they said they visit the free food vans most nights and tried to get food vouchers from charities"*
- *"Our First Nations people living in remote communities struggle to obtain enough food for the day let alone pay for power cards, rent and other expenses. JobKeeper just doesn't cover it, one good feed and nothing left for the next 13 days"*
- *"One client sacrificed her kidney medication so she could properly feed her children."*

The ANU's Professor Peter Whiteford has warned that returning JobSeeker and Youth Allowance payments to their pre-COVID levels would result in a "deep increase in poverty among millions of Australian households and the likelihood of a double dip recession".⁷

⁷ <https://theconversation.com/when-the-coronavirus-supplement-stops-jobseeker-needs-to-increase-by-185-a-week-138417>

This Bill will force thousands of Australians back below the poverty line and see a sharp increase in people seeking the support of financial counsellors.

Financial Counselling Victoria – client voices survey

In 2019, the Financial Counselling Victoria, the Victorian peak body for financial counsellors, asked financial counsellors in Victoria to collect data from clients on Newstart (now known as JobSeeker) about their experiences.

The resulting report, “The Experience of (Not) Living on Newstart: Data and Stories from Financial Counselling Clients”.⁸ The report includes the data and stories from 111 people in receipt of Newstart.

The findings reinforce why a permanent and adequate increase in JobSeeker, Youth Allowance and other income support is needed to prevent Australians sinking back into pre-COVID poverty levels.

Arrears and budget deficits are the norm

People commonly reported arrears in paying household bills and debts in the previous 12 months. The most common bill to go unpaid was for utilities (87 people – 78%), followed by housing (58 people – 52%).

The Newstart allowance is paid on a fortnightly basis. Of the 111 people in the survey, 100 people completed an income and expenditure statement setting out how they allocated their money. Of this group, 81 statements were in deficit.

Housing costs were easily the largest expenditure item for most people. Some 89 income and expenditure statements provided information on this cost. A usual measure of housing stress is when more than 30% of one’s income is spent on housing. A total of 81 people were in this category. Some 73 people spent more than 40% of their income on housing, 56 people spent more than 50% and 20 people spent more than 70%.

A highly vulnerable group

The survey asked participants about whether they had skipped meals or accessed food relief or emergency relief services (such as access to vouchers to pay bills) in the past 12 months. It was very common to have done this: 93 people (84%) had accessed emergency relief services; 92 had accessed food relief services; and 77 people had skipped meals.

⁸ Financial Counselling Victoria, “The Experience of (Not) Living on Newstart”, contact admin@fcvic.org.au

Many people reported personal circumstances that would make them vulnerable. The two most common experiences were social isolation, which was experienced by 75 people (68%), and mental health issues, also reported by 75 people (68%).

The community bears the costs when people need to access emergency relief services as well as hospitals.

In their own words: what I miss out on, what I can't afford

Survey respondents were asked to write down what they missed out on or couldn't afford. The overriding theme is that the inadequate rate of Newstart has serious impacts on the lives of recipients. This ranges from missing out on food, not being able to afford adequate housing, driving unroadworthy cars, poorer health and limited social interactions. The comments about the detrimental effect on children are particularly sad and it is clear that parents feel this acutely.

The quotes below are a sample from the survey and illustrate the points above.

- *"I visit a different community service each week to get food."*
- *"I don't have a bed; I'm sleeping on a broken, 40-year-old couch."*
- *"(The) power (company is) threatening disconnection due to arrears."*
- *"My kids have to carry all their belongings in their school bags because we can't afford to pay for lockers."*
- *"I can't afford to send my kids on school excursions."*
- *"We can't do simple things like taking my daughter to her friend's birthday party because we can't afford gifts."*
- *"I am driving an unroadworthy car with bald tyres because where am I going to get \$600 from to replace the tyres?"*
- *"My neck and back were injured in the domestic violence I experienced but I can't afford to go to the physiotherapist for treatment. And I can't afford regular psychology appointments to deal with all the trauma."*
- *"Sometimes I go without my medications so I can feed my child. She has already missed out on so much, it's upsetting."*
- *"I can't catch up with friends for coffee because I simply cannot afford to socialise."*
- *"(I miss) talking to people."*
- *"(I) couldn't afford (a) new fridge (and) had to get rent to buy ... 400% more expensive."*
- *"(I) borrow money from family which I can't pay back."*

- *"I have worked since I was 17 and now when I need help 30 years later, there is none from the government."*

The report highlights the human misery resulting from holding JobSeeker (Newstart) well below the poverty line.

Conclusion: A permanent and adequate increase is needed

The Government's increase to income support payments in March 2020 pulled hundreds of thousands of Australians out of poverty. Financial counsellors saw first-hand the positive impact this has had on clients and their families, resulting in a drastic decline in the number of Australians seeking financial counselling.

We have a unique opportunity to put the interests of all Australians at the centre of our policy making and deliver enduring reform that will impact the lives of millions of Australians for the better.

The financial counselling sector urges the Parliament to permanently increase income support payments, including JobSeeker, Youth Allowance and related payments to the poverty line of \$65 per day.