

Next steps for income support

Briefing

July 2020

Summary

ACOSS welcomed the Federal Government's COVID-19 response packages that substantially increased JobSeeker and related payments, as well provided support to people to keep their jobs or an income via the JobKeeper wage subsidy. ACOSS also welcomed a range of measures put in place to ease access to income support and prevent destitution.

We urge the government to ensure **income support payments for working-age people do not return to below-poverty levels again**. We also urge the government to **retain important improvements in the system that will help people access income support quickly** when they need it.

Key Recommendations

ACOSS recommends that the following be implemented as soon as possible:

Adequate and fair payment rates

- Set a minimum income floor across the working age payments system set at the current pension rate (including the Pension Supplement). This is currently \$472 per week for a single person.
- Increase base rates of allowances to this income floor. This would require an increase of \$185pw to the single maximum rate of JobSeeker Payment and \$235 per week for single, maximum rate of Youth Allowance. This would simplify the income support system, while securing fairness. (Note. These increases would apply to all allowance payments, including Austudy and Abstudy).
- In addition, depending on circumstances of need, people would also receive one or more of the following supplements:

- *Housing Supplement*: Increase the maximum rate of Commonwealth Rent Assistance by 50% to more adequately subsidise private rental costs for low-income tenants.¹
 - *Disability and Illness Supplement*: Introduce a Cost of Disability and Illness Supplement that recognises the additional costs faced by people with disability. This Supplement should be at least \$50 per week.² This is in addition to ACOSS's long-standing call for broader access to the Disability Support Pension to avoid people with disability ending up on JobSeeker Payment.
 - *Single Parenting Supplement*: Introduce a Single Parent Supplement that recognises the added costs of single parenthood. The Single Parent Supplement should be at least \$200 per week (and must reflect number and age of children). This could be paid via Family Tax Benefit Part B.
- Roll universal payments like the Energy Supplement into base rates of income support to simplify the system, recognising that they are intended to assist with basic household expenses.
 - Index income support payments twice per year to wages as well as prices.
 - Income support payments must not be subject to mandatory cashless debit or income management.
 - Ensure all parents receiving income support payments are eligible for child care subsidies (including additional, transition to work subsidies).

Remove barriers to accessing payments

- Permanently remove the Liquid Assets Waiting Period, One-Week Waiting Period and the Third Party Verification claim requirement.
- The Newly Arrived Residents Waiting Period, suspended during the COVID-19 crisis, should be reduced after the pandemic to a maximum of six months (as it was when first introduced). Furthermore, anyone who has accessed income support under this suspension should be able to continue to access income support once the suspension is lifted, providing they have financial need (as many may be without paid work).
- Increase permanent staff numbers at Centrelink.

¹ While this would secure a more adequate payment rate, future reforms are needed to improve the effectiveness and adequacy of Rent Assistance, including to eligibility and indexation. Other ACOSS proposals to improve access to affordable housing for people on low incomes are outlined in <https://www.acoss.org.au/wp-content/uploads/2019/08/ACOSS-Brief-Social-Housing-Investment-as-Infrastructure.pdf> and <https://www.acoss.org.au/wp-content/uploads/2020/04/200429-Economic-Recovery-Briefing-PDF-1.pdf>

² Please see NATSEM modelling of the cost of disability: Li, J., Brown, L., La. H.N., Miranti, R., and Vidyattama, Y. (2019). Inequalities In Standards of Living: Evidence for Improved Income Support for People with Disability. NATSEM, Institute for Governance and Policy Analysis, University of Canberra. Report commissioned by the Australia Federation of Disability Organisations. September 2019.

- Continue online payment claims as well as Intent to Claim for everyone who needs it.

Establish an independent mechanism to advise on income support payment settings

- Establish a Social Security Commission to guide the parliament on income support payment adequacy and other settings over time.

Background

The COVID-19 pandemic has thrown into stark relief the importance of our income support system. Income support has demonstrated its role as a crucial piece of social and economic infrastructure to prevent widespread poverty and deprivation, as well as strengthening a weakening economy.³ The pandemic also revealed tensions in the existing system, the administration of which was severely strained in the immediate aftermath of mass job loss, and revealed how many components of the system are designed to prevent or delay access to payments. Thankfully, many of these issues and design flaws were resolved quickly.

The Federal Government introduced the Coronavirus Supplement, increasing JobSeeker Payment, Youth Allowance, Parenting Payment and related payments by \$275pw for singles and \$550pw for couples for at least five months.⁴ The Minister for Families and Social Services has the power to extend this increase to 31 December 2020.

This increase is widely considered an acknowledgement by the Federal Government that the old Newstart rate of \$40 a day was grossly inadequate to meet living costs. The government doubled these payments (and in the case of couples and Youth Allowance, more than doubled) for all who receive them, currently totalling more than 1.6 million people.⁵ The government estimates that 2.3 million people will be receiving these payments (as well as Parenting Payment) by September 2020.⁶

The effect of the increase cannot be overstated. People are telling us that they can replace a broken fridge, fill their cupboards with groceries, and enrol in training courses that will help them get paid work. People are reporting that for the first

³ Nicki Hutley (2020) Presentation on JobSeeker Beyond COVID-19, ACOSS webinar, 21 May

⁴ Legislation passed dictates that the Coronavirus Supplement will cease on 25 September, unless the Minister rules otherwise.

⁵ Josh Frydenberg (2020) Interview with Patricia Karvelas, ABC TV, 22 May:

<https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/transcripts/interview-patricia-karvelas-abc-tv>

⁶ Department of Social Services (2020) Senate Select Committee on COVID-19 - Written Question – 18 <https://www.aph.gov.au/DocumentStore.ashx?id=8eae3650-d92c-4620-b85f-4c1d717e91c5>

time in a long time, they do not feel anxiety and stress each week because they have enough money to pay bills *and* buy food.

Economists, business leaders and other experts agree that recovery from this pandemic will take time, and that supports put in place for households and business should not be quickly withdrawn.⁷ A crucial part of the recovery will be ensuring people without paid work or with insufficient paid work have enough income to cover basic costs like keeping a roof over their head and putting food on the table.

It will be critical that people are not thrown into poverty as Australia recovers from the biggest economic and health shock in almost 100 years. As ANU's Professor Peter Whiteford points out, returning unemployment and student 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".⁸

Key reform principles

The Government's COVID19 response effected major changes to our income support system. The transition from crisis to recovery presents us with an opportunity to reset the payment system by building on these reforms to create a fairer, simpler system for all.

Key principles for permanently increasing and reforming working-age income support payments must include:

- Rates of income support should be based on need (household cost of living) and how much paid work or other income is being received, not a person's previous income, notions of who is more deserving, how old a person is or their dependent children are, or their assessed "capacity to work".
- Assessment of current need should be based on minimum costs for each household type, with supplements for major variable expenses (e.g. rent, costs of disability, illness or single parenthood).
- The establishment of an income floor under which no one falls to protect people from homelessness, hunger, poverty and chronic social isolation. The income floor should be set above the poverty line (50% of median income) and also prevent material deprivation.

There must also be recognition of the major flaws in the system before the Coronavirus Supplement that will continue without permanent reform:

⁷ See ACOSS's Economic Stimulus briefing note here: <https://www.acoss.org.au/wp-content/uploads/2020/04/200429-Economic-Recovery-Briefing-PDF-1.pdf>

⁸ Whiteford, Peter (2020) 'When the Coronavirus Supplement stops, JobSeeker needs to increase by \$185 a week' 21 May <https://theconversation.com/when-the-coronavirus-supplement-stops-jobseeker-needs-to-increase-by-185-a-week-138417>

- Income support for people who were unemployed, studying or caring for children was too low to meet common essential costs.
- There was insufficient support for major variable costs, especially private rent and the cost of disability.
- There were large inequities, with Youth Allowance and JobSeeker Payment paid at well below pension rates (\$185pw), despite similar costs of living. These inequities were particularly stark between people with disability with similar needs receiving the higher Disability Support Pension and those receiving the Jobseeker payment; between relative rates of payments for singles (grossly inadequate) and couples, and between over 55s on Jobseeker and those eligible for the much higher Age Pension.
- There were arbitrary changes in income support despite no change in need (for example, single parents moving from Parenting Payment Single to JobSeeker Payment when their youngest child turns eight lost \$90pw, changes in eligibility for the DSP due to a shift in a medical opinion about how long someone will have a disability, or the different treatment of people who are in their early or late sixties, before and after pension age).

Reform proposal context

Prior to COVID-19 and the government response to it, [ACOSS had called for a minimum increase of \\$95pw](#) to the single rate of what is now JobSeeker Payment, Youth Allowance and related payments. This call was always an absolute minimum ask, an urgent down payment, after over 25 years of inaction. This urgent ask was pursued in the face of relentless refusals by successive governments to increase Newstart, and indeed successive attempts to cut social security, particularly post the GFC.

The coronavirus supplement, which has largely closed the gap between pensions and allowances, provides the opportunity for Australia 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.

Our consultation process

ACOSS has consulted with its membership and other relevant stakeholders on this proposal. This proposal has broad, but not universal support, with some organisations calling for the Coronavirus Supplement to continue indefinitely. However, across the membership, there is a shared commitment to ensuring that everyone has enough income to put food on the table and a roof over one's head, which this proposal aims to achieve.

ACOSS Proposal for reform of Jobseeker: background and detail

As stated above, ACOSS recommends that **the maximum rate of Jobseeker and other allowances** be increased **to current pension rates, and indexed to wages and prices, whichever is higher**. This should be complemented by a 50% increase in Rent Assistance and additional supplements to meet the specific costs of disability and single parenthood.

The benefits of this proposal are that it would:

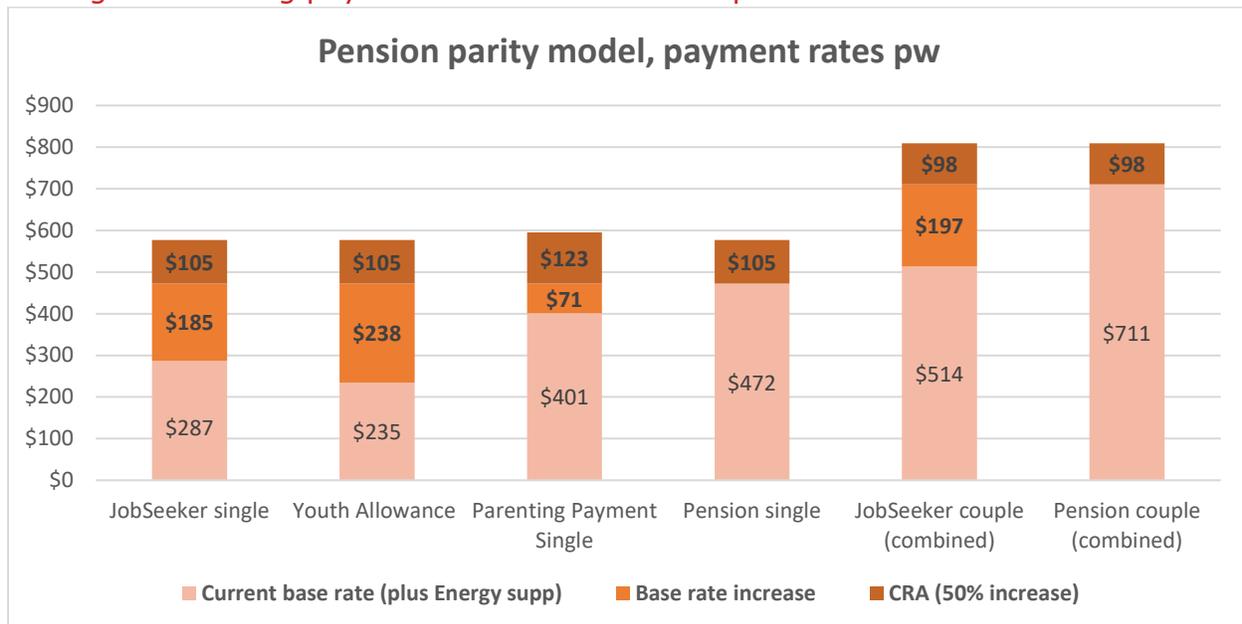
- lift people out of poverty and simplify the income support system by establishing one base payment level across different cohorts, recognising basic costs faced by all (see graph 2 below), while still allowing different conditions (e.g. job search) to be attached to payments depending on circumstances;
- be simple to implement because the payment infrastructure is already in place;
- establish couple rates of payment across the system at 150% of single payment rates, reflecting economies of scale experienced by couples over singles;
- bring payment levels in line with poverty line levels (with the current poverty line being between \$466⁹ and \$500pw¹⁰ for a single person without children);
- apply a consistent approach to indexation across payment types (all payments would be indexed at least twice per year in line with wages and prices, whichever is higher).
- target assistance at those most in need, including people who are unemployed, private renters (including older people) people with disability and single parents caring for children.

This reform would result in a base rate increase of **\$185pw** for a single person receiving JobSeeker Payment. Other payments would increase between **\$71pw** for Parenting Payment Single and **\$237pw** for Youth Allowance. Single rates of payment would be brought up to the single pension rate of **\$472pw**.

⁹ Grattan Institute (2020) 'The Recovery Book: What Australian governments should do now' <https://grattan.edu.au/wp-content/uploads/2020/06/Grattan-Institute-Recovery-Book.pdf> p.58

¹⁰ Parliamentary Budget Office (2020)

Figure 1. Lifting payments to the level of the pension



Combined with a 50% Commonwealth Rent Assistance increase, a single person receiving **JobSeeker** renting privately would receive a total increase of **\$220pw**.

A single person receiving **Youth Allowance** renting privately would receive a total increase of **\$272pw**.

The following payments would be affected:

- JobSeeker Payment
- Youth Allowance
- Austudy
- Abstudy
- Special Benefit
- Crisis Payment
- Parenting Payment
- Commonwealth Rent Assistance

In addition to aligning allowance and pension rates, supplements should be introduced to recognise the cost of disability and single parenthood and thereby ensure the basic living costs faced by these households are factored into payments.

Lift Commonwealth Rent Assistance by 50%

We propose that maximum rates of Commonwealth Rent Assistance be increased by 50% so that they better reflect minimum rents paid by people on low incomes. Current rates of CRA offer little help to people with low incomes facing the highest rents, especially in our larger capital cities. This is freezing people with low incomes out of places where employment opportunities have grown the strongest, and forcing those who remain there to live with family (often with parents long after

people reach adulthood) or in sub-standard accommodation in the 'informal' rental sector.

Rather than an arbitrary one-off increase, we propose that maximum rates of CRA be benchmarked to minimum rents, for dwellings of appropriate size, available in the formal rental market in Sydney, Melbourne and Brisbane. In recognition that many other parts of Australia have high median rents, the higher maximum rates would not be restricted to residents in those cities. Rather, rents in those three cities (which together comprise the majority of rental dwellings across the country) would be used for benchmarking purposes.

This benchmarking shows that a 50% increase to the maximum rates is the minimum required to bring CRA up to a more acceptable level (see table below).

Budget standards estimates for rents for unemployed (Mar 2016 -\$pw)

Household size	Dwelling size	Weekly rent*	Weekly rent* (2020)#	CRA max weekly rent (2020)	Increase (%) in max CRA rent (2020)	Increase in max weekly CRA (2020)^
Single	1brm unit	\$223	\$232	\$155	1.49	\$59
Couple no chn, SP 1 ch, cpl 1ch	2brm unit	\$297	\$309	\$189+	1.64	\$73
SP 2 ch, Couple 2 chn,	3br house	\$340	\$354	\$230	1.34	\$88

Source: Saunders et al (2017) Healthy living budgets for unemployed and low paid workers, Social Policy Research Centre UNSW Sydney. *lowest quartile, outer Syd/Melb, Bris Note: For comparison, median/middle suburb rent for a 1brm unit: $\$316+4\%=\329 . +Current maximum rent for a sole parent with 1 child is \$191pw. #Based on an average increase of 4% (increase in CPI for rents in the three cities from 2016-2020). ^Based on an across the board 50% increase in maximum CRA rents.

Disability or Illness Supplement

We propose that this supplement be set at the rates outlined by the 2019 NATSEM report into the cost of disability.¹¹ NATSEM showed that for a single person with a disability receiving the Disability Support Pension to achieve the same standard of living as a single person without a disability, their income would need to increase by \$50 per week.¹²

We propose that this apply to people with disability, as well as people with an illness that prevents them from undertaking full-time paid work.

¹¹ Li, J., Brown, L., La. H.N., Miranti, R., and Vidyattama, Y. (2019). Inequalities In Standards of Living: Evidence for Improved Income Support for People with Disability. NATSEM, Institute for Governance and Policy Analysis, University of Canberra. Report commissioned by the Australia Federation of Disability Organisations. September 2019.

¹² NATSEM, Ibid.

Single Parent Supplement

To ensure the added costs of single parenthood are adequately recognised in our income support system, we propose an increase of at least \$200pw week for a single parent with two children, recognising that these households need at least twice the level of income received by a single person, without children. Single parents with two older children need 2.2 times what a single person without children needs.

We propose that the Social Security Commission develop further recommendations on the minimum income required for single parent households, including relativities for different family types.

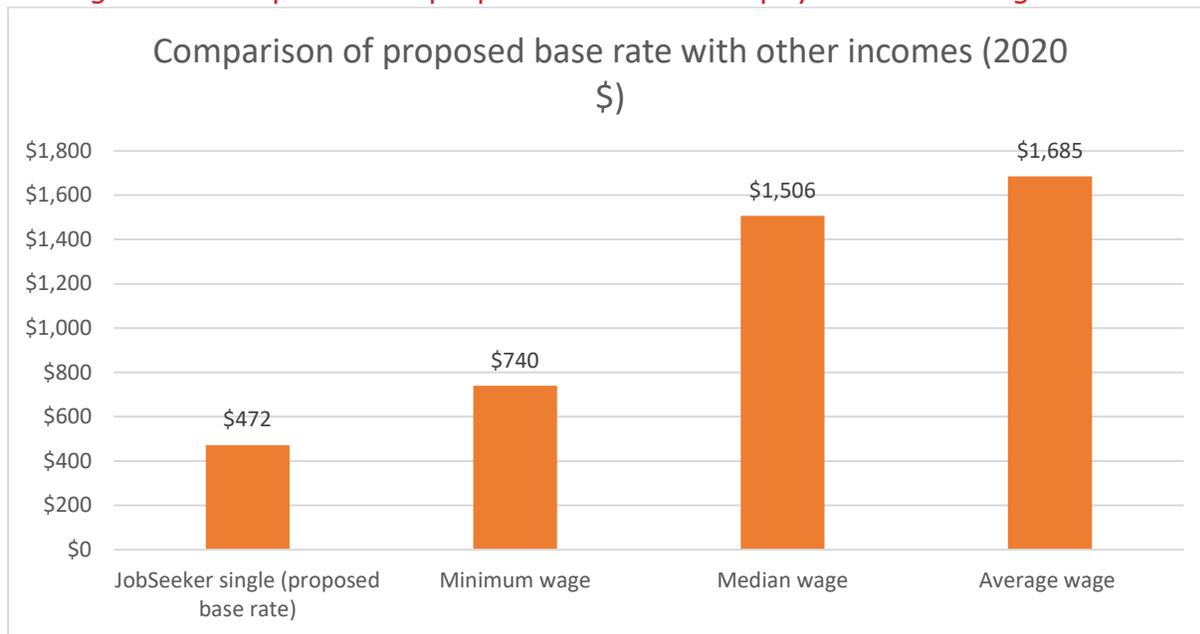
Providing adequate payments while maintaining work incentives

The model proposed would maintain very strong incentives to obtain paid work, with people generally much better off financially in paid work, as Figure 2 demonstrates.

The single pension rate of \$472 per week is currently 63% of the minimum wage (before tax). If you include our recommended rate of Commonwealth Rent Assistance, the pension plus CRA would be 77% of the minimum wage. It would be just **34% of average wages** in Australia and **around 52% of median wages**.

The base rate of JobSeeker Payment (without the coronavirus supplement) is currently 38% of the minimum wage (before tax).

Figure 2. Comparison of proposed base rate of payment with wages



In addition, because income support payments are paid using taper rates, the amount of income support received tapers off as people secure paid employment. Therefore, someone working two days per week at the minimum wage whilst receiving JobSeeker would be much better off than someone receiving JobSeeker as their sole source of income.

It has been well argued that the low rate of JobSeeker is acting as a barrier to people getting paid work as they cannot sufficiently sustain their existence.¹³ The Business Council of Australia and respected economists have clearly stated that the low rate hinders people's ability to get employment. If we want people to secure paid work, then we must ensure they can meet their basic needs like food, housing and healthcare.

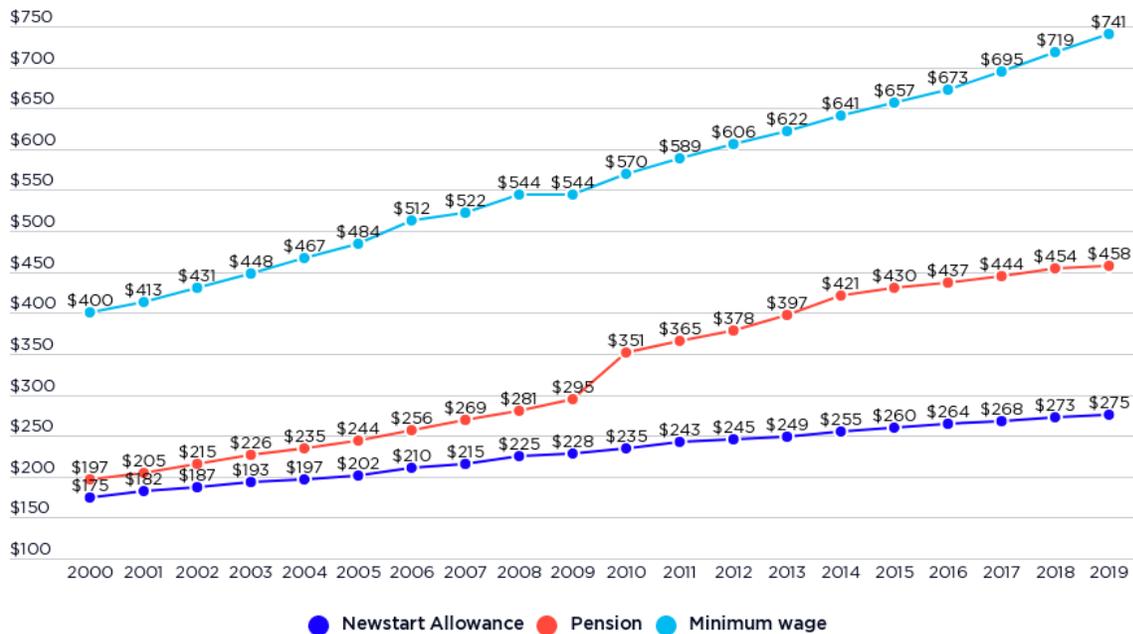
The proposed reform would remove inequities that have grown over time

As Figure 3 shows, just 12 years ago, the rate of JobSeeker Payment (formerly known as Newstart) was just \$56 per week below the pension rate. It is now almost four times that (\$185pw difference).

The disparity between these payments cannot be justified. Most people receiving unemployment payments receive them for 12 months or more, while people in otherwise very similar circumstances receive much higher levels of income.

¹³ For example, the Business Council of Australia, Grattan Institute, Deloitte Access Economics.

Figure 3. Comparison of the pension, JobSeeker Payment (formerly known as Newstart) and the minimum wage.



COMPARISON OF PENSION, NEWSTART ALLOWANCE & MINIMUM WAGE

NOTE: Pension rate is single. Newstart Allowance is single, no children, age over 20 years. To simplify, neither Newstart Allowance nor pensions include Rent Assistance.

Data from Services Australia and Fair Work Australia

Paying people according to current need rather than their (predicted) future work prospects would greatly simplify the system and ease transitions towards paid employment for many.

Transition from the Coronavirus Supplement to Adequate Income Floor

We urge the government to stage the transition from the Coronavirus Supplement to the Adequate Income Floor to mitigate the impact of a reduction in income. Withdrawal of the Coronavirus Supplement overnight would cause an economic shock for people at a time of high unemployment and recession.

What should continue after COVID-19

In addition to lifting base payment rates, there is a range of other improvements implemented by government during the COVID-19 crisis that should remain after the pandemic, including:

- Abolition of the Liquid Assets Waiting Period.
- Abolition of the one-week waiting period for income support payments.
- Removal of unnecessary claim processes like the Third Party Verification of claims for single parents.
- Restoration of the Intent to Claim provisions for all.
- Allowing people to claim income support online.
- Increased Centrelink staffing (permanent positions).
- The Newly Arrived Residents Waiting Period, suspended during the COVID-19 crisis, should be reduced after the pandemic to six months as it was when first introduced.

Summary of recommendations for permanent reform

ACOSS recommends that the following be implemented as soon as possible:

Adequate and fair payment rates

- Set a minimum income floor across the working age payments system set at the current pension rate (including the Pension Supplement). This is currently \$472 per week for a single person.
- Increase base rates of allowances to this income floor. This would require an increase of \$185pw to the single maximum rate of JobSeeker Payment and \$235 per week for single, maximum rate of Youth Allowance. This would simplify the income support system, while securing fairness. (Note. These increases would apply to all allowance payments, including Austudy and Abstudy).
- In addition, depending on circumstances of need, people would also receive one or more of the following supplements:
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- Establish a Social Security Commission to guide the parliament on income support payment adequacy and other settings over time.