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Committee Secretary
Community Affairs Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee members,

Submission regarding the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021

BSL welcomes the opportunity to contribute to the Senate Inquiry into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021. This is one of many submissions that we have made in relation to income support over the years.

The federal government's response to the pandemic demonstrated the importance of responsive and adequate social security. It is disappointing that the measures that were introduced are being unwound, thus plunging hundreds of thousands of people into poverty.

While we are pleased to see an acknowledgement of the need for a permanent increase to JobSeeker Payment, the proposed paltry increase is manifestly inadequate, leaving JobSeeker Payment well below the minimum wage and poverty line.

As we have argued elsewhere, Australia's social security system was designed in the context of full employment.[i] With high levels of unemployment and underemployment, policy action is required to invest both in sustainable employment and an adequate and fair social security system.

Below we briefly provide the context for our concern about the measures set out in the Bill and call for investment in fair and adequate social security.

Context

- **Expenditure on JobSeeker Payment is relatively low**: Commonwealth Government expenditure on unemployment payments is the lowest in OECD; with the proposed $50 per fortnight increase it will be the second lowest after Greece. [ii] JobSeeker Payment represents a relatively small part of overall expenditure on social security and welfare.

According to the Parliamentary Budget Office (PBO)[iii], expenditure on Jobseeker Payment accounted for just 5.7 per cent of Commonwealth spending on social security and welfare in 2018-19.

- **Yet receipt of unemployment payments is relatively common:** Recent analysis of flow data from the DSS DOMINO dataset shows that more than 4.4 million people received NSA (the precursor of JobSeeker Payment) at some stage between 2001 and 2016.[iv]

  Income support is a key element of social protection for all of us – smoothing the impacts of unemployment and transitions in and out of the labour force.

- **Adequate income support is a key social and economic policy:** The economic crisis triggered by COVID-19 emphasised the importance of responsive and adequate social security payments. The government recognised the inadequacy of payments by introducing the Coronavirus Supplement, which enabled existing and newly unemployed people to survive without falling into deep deprivation. Withdrawing these measures is premature given the uncertainty of recovery and the future challenges we face. While unemployment has fallen since the peak of the crisis, economic recovery is bumpy and uneven. In January 2021, there still were 1.4 million on unemployment payments. With the end of JobKeeper payment, it is likely that these number will increase.

- **Before the pandemic the demographic characteristics of JobSeeker recipients had changed:** A recent Parliamentary Budget Office report notes that the proportion of older recipients is rising. In 2019, older women (aged 45 or more) accounted for 56 per cent of female recipients - up from 44 per cent in 2007; men in the same age group accounted for 45 per cent of recipients in 2019 (up from 34 per cent in 2007).

  Recipients with a partial capacity to work also rose; from 10 per cent in 2007 to 40 percent in 2019. Receipt of Jobseeker Payment long term (more than 12 months) is now so common among older people – especially older women, that the PBO noting that the Jobseeker Payment 'appears to act as a kind of pre-age-pension payment for some older Australians in the labour market'.[v]

  The tightened eligibility requirements of the Disability Support Pension, mean that many unwell or people with disability stuck on Jobseeker Payment with little hope of getting work and inadequate support. This is reflected in the increase from just 10 per cent of recipients with partial capacity to work in 2007 to 40 per cent in 2019.[vi]

- **An increasing proportion of recipients rely on JobSeeker for more than 12 months:** We have deep concern about older unemployed people and those with partial capacity to work who will likely be consigned to poverty having to rely long-term on extremely low incomes.

  While most people who rely on JobSeeker Payment for short periods of time a growing number of people relying on JobSeeker Payment are older, have partial capacity to work, and are on Jobseeker Payment for longer periods.[vii]

  We know that older people, especially those with partial capacity to work face enormous challenges in the labour market. Inadequate income support payments undermine their efforts to seek work and lock them a netherworld – considered too young to retire, but too old to work and condemned to years of impoverishment.[viii]

- **Ineffective employment services system:** The employment services system does not work well. As we have argued elsewhere,[ix] jobactive is characterised by poor outcomes for disadvantaged jobseekers; short-termism and churn; with little investment in the capabilities required for the current and future labour market; a focus on compliance and punitive approaches at the expense of meaningful assistance; [x] with poorly trained staff struggling to manage high caseloads[xi]; and very low levels of engagement with employers.[xii] The competitive market is eroding trust between providers, diminishing collaboration and sharing of learning about evidence-informed programs and practice, and discouraging innovation.[xiii]

  Social security is just one element of a strong, cohesive and flourishing society. Social security payments cannot be divorced from other social policies and programs, such as employment services, and must be responsive to the changing labour market. Social security must be buttressed by mutually reinforcing initiatives such as workforce planning, training, economic development, inclusive employment and support services.

Concerns

- **An adequate increase to JobSeeker Payment is long overdue:** We welcome the first permanent increase in JobSeeker in real terms since 1994 – and the Federal Government's recognition that the base rate is manifestly inadequate for helping people to live with dignity.

  Yet, even with the proposed meagre increase JobSeeker is demonstrably inadequate, and this undermines people's ability to seek work and drives many into poverty[xiv] and ill-health.[xv] We repeat our call for the establishment of an independent body to review and set rates. In the meantime, JobSeeker Payment should be increased by at least $175 per week to bring it more in line with pensions as ACOSS and Professor Peter Whiteford have argued.

  Any increase must be indexed to CPI and wages to ensure that payments keep pace with rising costs of living

- **The income free area should remain at $300 per fortnight:** Recognising that an increasing number of underemployed people combine paid employment with a reliance on unemployment payments, we were pleased to see the increase in the allowable income limit to $300 per fortnight.

  At 29 January 2021, there were 274,172 people who had some earnings while claiming JobSeeker Payment or Youth Allowance Other. The percentage of those with earnings rose from 17% in December 2019 to 20% in January 2021.[xvi]

  This Bill introduces new income tests which from 1 April 2021 which means the free area will be reduced to $150 a fortnight (and recipients will lose 50 cents per $1 to $254 per fortnight and then 60 cents after that). For someone earning $300 pf, this means a loss of $40 per week, in addition to the $50 a week reduction in base payment.[xvii] The Bill also removes indexation of the Jobseeker income free area.

  Given the high rates of underemployment, income support must encourage rather than undermine efforts to work.

While there are signs of recovery, the crisis is not over, with uncertainty about the efficacy of vaccines, future outbreaks – in Australia and elsewhere – and the economic and social impacts of the pandemic. Importantly, the pandemic is not the only crisis that Australia faces. Geopolitical, demographic, environmental and technological change will affect the future of work and our social security system needs to be well equipped to support those who need it, now and in the future.

A paltry increase and minor tweaks are inadequate to meet current and future challenges and will harm millions of unemployed people and their families. Australia needs to invest in recovery, and ensure that those doing it tough are not left behind. An independent review of the structure, rates and conditions of social security payments is long overdue.

We urge the committee to recommend an adequate increase in payments (at least $175 per week); appropriate indexation arrangements, a reasonable income free area, and the establishment of an independent commission to review the structure and rates of payments and associated conditions.

We welcome the opportunity to discuss this submission with the committee.

Yours sincerely,

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[vi] PBO p. 9

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[xvi] JSP and YAO
[xvii] Further modelling has bene undertaken by former public servant David Plunkett.