



Extension of Coronavirus Support

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Statement of Recognition

The Salvation Army acknowledges the Traditional Custodians of the lands and waters throughout Australia. We pay our respect to Elders, past, present and emerging, acknowledging their continuing relationship to this land and the ongoing living cultures of Aboriginal and Torres Strait Islander peoples across Australia.



Introduction

The Salvation Army thanks the Senate Community Affairs Legislation Committee for the opportunity to share our experiences relating to the amendments in the Bill. The Salvation Army recommends that this Bill not be passed in its current form.

The temporary measures introduced by the Australian Government in response to the coronavirus pandemic have provided much-needed relief to individuals and families during a period of uncertainty. The primary flaw in this Bill is that it is predicated on an assumption that there will be no need for these measures past 31 March 2021. This assumption is not supported by The Salvation Army's experience on the ground. The major concerns The Salvation Army draws to the Committee's attention are:

- **It is premature to permanently remove scope for support and exemptions** – between this Bill being introduced and this submission being made we have seen a significant and unexpected increase in the number of positive COVID cases in South Australia. The experience overseas suggests that it would be unwise for Australia to become complacent as a result of early public health successes. Moving to legislatively remove these supports when there are other mechanisms, already in use, to achieve the same policy objective is unnecessary.
- **Some of the measures being removed are best practice** – irrespective of whether a pandemic is currently present. The base rates of the JobSeeker Payment and Youth Allowance were demonstrably too low before the pandemic was a factor. Likewise, the current policy settings for the liquid assets test waiting period has the perverse outcome of trapping those with modest savings into a cycle of poverty, which makes it harder for them to gain employment.

Pandemics represent an opportunity to rethink policy settings in a way that is not possible without a crisis. The Australian Government has done an exceptional job of responding with flexibility, innovation and compassion to the impact of COVID-19. Obviously the Government has time to implement new changes between now and 31 March but as it stands, this Bill prevents Australia capitalising on these advances and embedding a fairer and more effective welfare system.

The Bill

The Salvation Army understands the changes to the *Social Security Act 1991*, *Farm Household Support Act 2014* and *Veterans' Entitlements Act 1986* seek to:

- Extend measures contained in previous coronavirus-related legislation and associated legislative instruments, specifically to:
 - Extend the Coronavirus Supplement to 31 March 2021
 - Extend the temporary qualification rules for JobSeeker and Youth Allowance to 31 March 2021
 - Extend the principal home temporary exemption for people who cannot return to Australia for reasons beyond their control
 - Provide the Minister with instrument-making power in response to circumstances relating to COVID-19, including with retrospective effect, until 31 March 2021
 - Allow the Secretary to continue to use JobKeeper information from the Commissioner of Taxation for research, statistical analysis, policy development and service delivery purposes, and to ensure people receive their correct entitlements, after 29 March 2021
- Establish a firm end date of 31 March 2021 for the Coronavirus Supplement and the COVID-19 exemptions from the ordinary waiting period, newly arrived resident's waiting period and seasonal work preclusion period
- Permanently remove the COVID-19 exemptions from the liquid assets test waiting period and assets tests



Permanent Removal is Premature

The Salvation Army commends the Australian Government for responding to the multi-faceted challenges posed by the coronavirus pandemic, within a very short timeframe.

We witnessed the immediate benefit of the introduction of the COVID-19 Supplement through an almost 50 per cent reduction in demand for emergency relief among recipients of the supplement in April and May 2020 when compared to February and March 2020. Pertinently, we saw a change in the people who were accessing our services with a marked drop in 'frequent flyers', people who regularly required emergency relief due to the unsustainably low levels of the JobSeeker Payment and Youth Allowance.

Speaking to people who had been accessing supports prior to the pandemic we discovered that the additional funds provided during the pandemic were, predominantly, being spent on necessary or non-discretionary items. For example, the additional money was spent on fresh food, increased utility costs and internet and technology costs associated with home-schooling.

Additionally, the relaxation of waiting periods allowed the scores of people who suddenly found themselves out of a job to access income support in a timely manner. For many people, some of whom were facing unemployment for the first time, the government's support provided welcome relief during a period of immense stress.

We are already receiving anecdotal evidence that 'frequent flyers' are beginning to return to a need for emergency relief after the reduction in the supplement in late September. We anticipate that numbers will increase in the lead up to an uncertain Christmas and after the announced reduction of the Supplement on 1 January 2021.

Our observation is that the effect of the coronavirus pandemic is far from over. Despite hopeful signs of a vaccine, a full national rollout will take time. Internationally the rate of increase is still high. Just this week we have seen community spread in an Australian state that had been COVID-free. Given the risk of additional outbreaks, The Salvation Army believes that now is not the right time to legislate a hard end date for supports that have proven beneficial. Though some parts of the country are at a point where measures 'in response to circumstances relating to COVID-19' are not needed, leaving provisions for a Ministerial determination to reintroduce them, should circumstances change, would provide for a more agile response should they be required.

Best Practice Welfare Policy

The Salvation Army has advocated to the government and through numerous parliamentary committees for the need for a social security system that allows people to live with dignity and meet the current cost of searching for work. That is why we have called for a permanent increase to the base rate of the JobSeeker Payment and Youth Allowance.

This Bill further delays providing people reliant on the system with the certainty they need to make decisions. It leaves Australians, who have experienced significant hardship and disadvantage, to live with the stress and anxiety of returning to life on \$40 a day.

Certainty and Social Isolation

Research shows that the psychological impacts of unemployment are significant.¹ Similarly uncertainty increases the risk of poor physical and mental health.² People need to be able to have confidence and certainty in their lives.

What the Bill seeks to do actually results in greater uncertainty. Although the Bill gives a clear end date for the current Supplement, there is still no clear commitment to the long term rate of the JobSeeker Payment and Youth Allowance base rates. This makes it almost impossible for people who are currently reliant on these payments to make critical decisions and plan for their future. The legislated maximum extension period of three months has forced short term thinking and prevented families making longer term commitments about their finances, living situation and lives.

Our experiences as a nation this year have illustrated the importance of social connection. A key theme that emerged in feedback from income support recipients was that the base rate of the payment made social interaction difficult. As recipients cut back on spending, they focus on their most basic needs – food and shelter. Money for most social activities is sacrificed, which can often lead to loneliness and disconnection from community. This is particularly important as we approach the festive season and the end of year, which is traditionally a time of gift giving and gathering with family and friends.

¹ Kamerāde, D., Wang, S., Burchell, B., Balderson, S. U., & Coutts, A. (2019). A shorter working week for everyone: How much paid work is needed for mental health and well-being? *Social Science & Medicine*, (241). doi: 10.1016/j.socscimed.2019.06.006. University of Cambridge. (2019). One day of employment a week is all we need for mental health benefits. *ScienceDaily*. Retrieved from www.sciencedaily.com/releases/2019/06/190618192030.htm

² Peters, A., McEwen, B.S. and Friston, K. (2017). Uncertainty and stress: Why it causes diseases and how it is mastered by the brain. *Progress in Neurobiology* 156, pp 164-188. <https://doi.org/10.1016/j.pneurobio.2017.05.004>.



The Appropriate Base Rate of Income Support

Beyond certainty, the government must make a long term commitment to raising the rate of the JobSeeker Payment and Youth Allowance to ensure that people experiencing unemployment are able to live with dignity. Before the pandemic it was generally agreed by frontline social services providers that an increase of at least \$95 a week would be necessary to live with dignity. Due to the impact of COVID, or more exactly the impact of our economic, community and educational responses to the threat of COVID, The Salvation Army's best estimate is that an increase of \$125 per week is now required.

The Salvation Army is one of the biggest providers of social services and programs for people experiencing hardship in Australia. We have arrived at this figure through consideration of what the people who come to us for support actually spend their limited funds on, and what has happened to the price of those goods. The rate of inflation has been significantly higher for non-discretionary goods (the basic necessities that the people we work with spend the vast majority of their money on) than the economy-wide Consumer Price Index (**CPI**), which includes discretionary goods no person reliant on income support could afford.³

The Australian Government has announced a further reduction of the Coronavirus Supplement to \$150 per fortnight from 1 January 2021. This brings the income level that Australians experience unemployment down to well below the poverty level. Not only does this force too many Australians to consider whether they will go without necessities, it also acts to trap many in poverty. There are costs associated with seeking employment that are unaffordable to many who receive JobSeeker and Youth Allowance, making it seemingly impossible for a person to rise out of unemployment. As the National Children's Commissioner noted this week, the financial circumstances of families also has strong implications for child wellbeing.⁴ This is particularly true for the approximately 774,000 children living below the poverty line.⁵

Similarly, the liquid assets test waiting period and assets test were reintroduced on 24 September 2020. Based on our experience delivering emergency relief and Moneycare financial counselling services, The Salvation Army has for some time argued that the liquid assets waiting period, at the current assets level, entrenches poverty for those with modest savings. The waiting period has the effect that a person of modest means will have exhausted their savings before accessing government support. This leaves them with no financial buffer in the case of a financial shock, like a washing machine or a car breaking down. Almost 50 per cent of loans provided through our No-Interest Loans Scheme (**NILS**) are for car-related expenses and 25 per cent for white goods. A good proportion of the people we see in our

³ Australian Bureau of Statistics, Discretionary and Non-Discretionary Spending accessed at <https://www.abs.gov.au/statistics/research/non-discretionary-and-discretionary-inflation>

⁴ Wahlquist, C. (2020, November 16). 'I'm not interested in just more reviews': Anne Hollonds on the struggle to protect Australia's children. *The Guardian*. <https://www.theguardian.com/australia-news/2020/nov/16/im-not-interested-in-just-more-reviews-anne-hollonds-on-the-struggle-to-protect-australias-children>

⁵ Davidson, P., Bradbury, B., and Wong, M. (2020), Poverty in Australia 2020: Part 2, Who is affected? ACOSS/UNSW Poverty and Inequality Partnership Report No. 4, Sydney: ACOSS.

financial counselling services need help in large part because they incurred significant debt, often on credit cards, during this waiting period.

The liquid assets test concerns us at the best of times and these are very much not the best of times. Its reintroduction has meant that a person who has diligently saved in anticipation of job loss or those who accessed their superannuation early, placing it in an accessible fund (such as in a mortgage offset account), was disadvantaged precisely because of their good planning.

Significant strides were made during the pandemic that had a genuine impact on people experiencing hardship and injustice in Australia. The experience of this could be used to build a better welfare system overall. Our concern is that this Bill signals a disinclination and will, in practice make it harder to entrench good policy outcomes from 2020.

Conclusion

The Salvation Army again thanks the Senate Community Affairs Legislation Committee for the opportunity to share our experiences relating to the amendment Bill.

We believe that the Bill fails to provide either the certainty of an acceptable rate of income support payments or the flexibility for future support measures in response to the coronavirus pandemic.

The Salvation Army recommends that the Bill not pass in its current form.

We instead recommend that the Australian Government retain the ability to respond rapidly to future coronavirus outbreaks and permanently increase the base rate of the JobSeeker Payment and Youth Allowance to live with certainty and dignity.



About The Salvation Army

The Salvation Army is an international Christian movement with a presence in 128 countries. Operating in Australia since 1880, The Salvation Army is one of the largest providers of social services and programs for people experiencing hardship, injustice and social exclusion.

The Salvation Army Australia has a national operating budget of over \$700 million and provides more than 1,000 social programs and activities through networks of social support services, community centres and churches across the country. Programs include:

- Financial inclusion, including emergency relief
- Homelessness services
- Youth services
- Family and domestic violence services
- Alcohol, drugs and other addictions
- Chaplaincy
- Emergency and disaster response
- Aged care
- Employment services

As a mission driven organisation, The Salvation Army seeks to reduce social disadvantage and create a fair and harmonious society through holistic and person-centred approaches that reflect our mission to share the love of Jesus by:

- Caring for people
- Creating faith pathways
- Building healthy communities
- Working for justice

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

Further Information

The Salvation Army would welcome the opportunity to discuss the content of this submission should any further information be of assistance.

Further information can be sought from Major Paul Hateley, National Head of Government Relations, at government.relations@salvationarmy.org.au

