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

The South Australian Council of Social Service (SACOSS) is the peak body for the non-government health and community services sector in South Australia. We are also a member of the national network of Councils of Social Service in each state and territory, and ACOSS at the national level. In the context of the Committee's inquiry, ACOSS is the lead organisation in our network on this legislation and SACOSS supports the ACOSS submission.

However, there are two additional things that arise from SACOSS' research in South Australia that we seek to bring to the Committee's attention. The first is the economic impact on South Australia, of the combination of the removal of the Coronavirus Supplement and the \$25 a week increase in the base rate of Newstart. The second is important reflections arising from our research and development of energy, water and telecommunications affordability stress indicators.

South Australian Impacts

The removal of the \$150 per fortnight Coronavirus Supplement coupled with the \$50 per fortnight increase in the base level of JobSeeker and other payments will result in an immediate net loss of \$50 per week for those receiving the impacted payments. Putting to one side the impacts on each person in receipt of these crucial but inadequate benefits, based on Department of Social Security data from December last year showing the number of South Australians receiving those payments,¹ SACOSS calculates that this will see over \$8

¹ DSS (2021) *DSS Payment Demographic Data – December 2020*, Australian Government. <https://data.gov.au/data/dataset/dss-payment-demographic-data/resource/0429d083-d8d2-4fff-bc75-f9100e1723ad>.

million a week taken out of the South Australian economy. This is just the immediate impact, and does not take any account of the flow-on effects that result in lost demand, which will impact further on local businesses and the economy.

This loss to the South Australian economy at this time is crucial because while South Australia was fortunate to avoid the worst of the pandemic, our economy has not recovered to pre-pandemic levels. The ABS labour force data shows that in January this year there were 8,300 fewer jobs in South Australia than a year ago, and 13,000 more people looking for work² – and we are yet to see the impacts of the upcoming loss of JobKeeper payments, which have underpinned ongoing employment for 77,400 South Australians.³

These macro-figures also hide particular impacts on key South Australian industries, where people who worked in those industries are still struggling to find jobs. The latest ABS payroll data⁴ shows job numbers in 12 of the 19 industry classifications have not recovered to pre-COVID levels.

Worst hit are agriculture, forestry and fishing, where job numbers are 10% lower than pre-pandemic levels. Job numbers in the accommodation and food services industry are 8% lower, and in the information and telecommunications sector they are 6% lower.

The biggest growth since the pandemic has been in healthcare and social assistance jobs, and in financial and insurance services. But, of course, not everyone can immediately move to these growth industries from where they were previously employed, as many jobs in these sectors require training and special skills.

Similarly, many regional areas are still suffering, with recovery slower than in Adelaide. In Yorke Peninsula and the lower north, the Eyre Peninsula and Kangaroo Island, and the Murray Mallee, job numbers remain more than 5% lower than pre-pandemic levels.

For people in these industries and regions, the economy has most definitely not bounced back and SACOSS is concerned that the economic impact of the net reduction in income support payments will negatively impact economic recovery. Perversely, it may cost jobs.

² ABS (2021) *Labour Force, Australia, January 2021, Table 7*, Australian Bureau of Statistics, Canberra. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

³ Borys, S. (2021) “Number of Australians on JobKeeper falling ahead of scheme’s end, new figures show”, *ABC News*, 14 February 2021, <https://www.abc.net.au/news/2021-02-14/number-of-australians-on-jobkeeper-falling-ahead-of-scheme-end/13154186>

⁴ ABS (2021) *Weekly Payroll Jobs and Wages in Australia, Table 2*, Australian Bureau of Statistics. <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/latest-release#data-download>

Utilities Affordability Stress

Last year SACOSS began looking at the development of new affordability indicators for energy, water and telecommunications.⁵ Modelled on the widely-used housing stress indicator, the indicators see affordability as a function of income, price and usage.

Based on affordability stress thresholds developed by academics at UNSW for the Infrastructure Australia Audit,⁶ households are regarded as being in affordability stress for a particular utility if they are in the bottom two income quintiles and spend more than the following percentages of income on that service:

- Energy 6%
- Telecommunications 5%
- Water 3%.

The SACOSS pilot research showed that households in stress for each utility were around twice as likely as other households on low incomes to have been unable to pay an energy, water or telecommunications bill on time, because of financial reasons.⁷

The importance of this research for the Committee's Inquiry is that this affordability data shows the impact of the proposed changes in income support payments for the affordability of these essential services.

Using the share of household expenditure implied by these affordability stress thresholds and applying that to the changes in income support payments, we can see that at the threshold point:

- A low-income household already in energy stress would have net \$3 a week less to spend on energy under the changes (i.e. 6% of the \$50 per week cut);
- A low-income household already in telecommunications stress would have net \$2.50 a week less to spend on telecommunications;
- A low-income household already in water stress would have net \$1.50 a week less to spend on water.

Even ignoring the net income loss with the expiry of the Coronavirus Supplement, the extra utility expenditure made possible by the increase in the base rate of payments is meagre. For a low-income household already on the affordability thresholds, the increase in the JobSeeker base rate only provides an extra:

- \$1.50 per week to spend on energy (i.e. 6% of the \$25 a week increase);
- \$1.25 per week to spend on telecommunications;
- 75 cents per week to spend on water.

⁵ SACOSS (2020), *Utilities Stress Indicators Pilot Project*, South Australian Council of Social Service. <https://www.sacoss.org.au/utilities-stress-indicators>

⁶ Astrolabe (2019) *Australia's Household Infrastructure Bill: Analysis Report*, University of NSW, City Futures Research Centre. <https://www.infrastructureaustralia.gov.au/sites/default/files/2019-08/Australia%27s%20Household%20Infrastructure%20Bill.pdf>

⁷ SACOSS (2020) *as above*.

In circumstances where the households in this calculation are already struggling with affordability, SACOSS does not believe that the proposed increase in JobSeeker will make a substantive difference to the ability to pay for these essential services.

For all these reasons, SACOSS believes that the proposed increase in the base rate social security payments contained in the legislation is vastly inadequate to enable people relying on those payments to access essential services, live with dignity and be in a position to be able to adequately present for work.

Again, SACOSS endorses the ACOSS submission on the need for a greater increase in the base level payments.

Yours,

Ross Womersley
CEO

2 March 2021