

3 July 2023

Community Affairs Legislation Committee
Parliament of Australia

Social Services and Other Legislation Amendment (Strengthening the Safety Net) Bill 2023

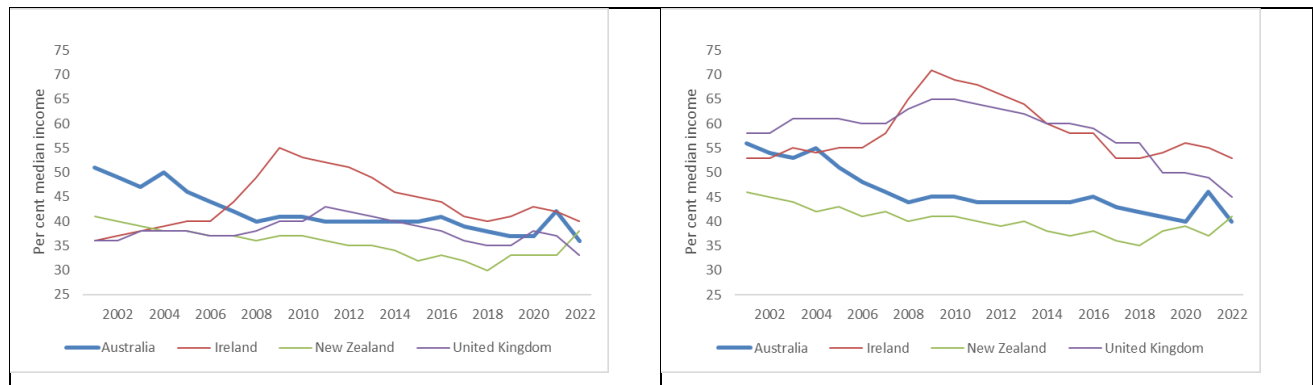
I am a social policy analyst whose academic research focuses in particular on child poverty, and policies as they impact families and children. I have been requested to prepare a submission with respect to the above Bill.

Overall, provisions in this Bill increase the generosity of the Australian means-tested social security system as it impacts on families and children. This is to be welcomed, after many years of neglect. [Child poverty](#) in Australia has remained stubbornly high at about 13% of all children aged under 18 since the early 2000s. This is at least in part associated with decreasing generosity in welfare payments. When Jobseeker payments were temporarily increased, and temporary Jobkeeper payments introduced in 2020 during the COVID pandemic, poverty rates overall declined.

The purpose of this submission is to draw attention to the increase in Commonwealth Rent Assistance (CRA), maximum rates for which will be increased by 15% from September 2023. Like the increases in other income support payments, this is to be welcomed. However, it is worrying that even taking into account this above-inflation increase, the total value of CRA as a proportion of rents that families are faced with is likely to remain low. In March 2023, maximum CRA for a family with up to two children covered approximately 20% of median rents in NSW, rising to 27% in SA and Tasmania (these estimates are based on median rents as reported by [ABS](#)). The increase in CRA will only marginally increase housing affordability for renters. Families with children who are dependent on income support payments will still be paying a substantial proportion of their incomes on rents in all states and territories after the increased CRA rates are implemented.

Figure 1 below shows OECD data on trends in guaranteed minimum income (welfare payments) for a couple with two children in Australia, New Zealand UK and Ireland from 2001 to 2022 (therefore not taking into account the proposed increase in payment rates). These four countries have similar (largely means tested) income support payment systems and in many cases comparable social policy settings. The left hand panel shows welfare payments excluding housing benefits as a proportion of median disposable income. In 2001, Australia had the most generous system under this definition, with benefits equaling about half of median disposable income, while benefits in the other three countries amounted to about 40% or less of disposable household income. Since then, the relative generosity of Australian payments (excluding housing benefits) has declined, and the four countries have converged (note the blip in Australia in 2021 when jobseeker payment was temporarily increased).

Figure 1: Adequacy of Guaranteed Minimum Income benefits, jobless couple with two children, including housing benefits (% median disposable income)



Source: OECD Statistics (<https://stats.oecd.org/Index.aspx?DataSetCode=IA#>)

The right panel on Figure 1 shows that there has been less convergence with respect to guaranteed minimum incomes after housing benefits (including CRA in Australia) are included. The generosity of all systems declined after 2001. But the Australian system declined the most, from the second most generous in 2001, when benefits including housing costs equaled 56% of median disposable income, to the least generous in 2022, when benefits equaled 40% of median disposable income. This compares with 41% in New Zealand (down from 46% in 2001), 45% in the UK (down from 58%) and 53% in Ireland (unchanged from 2001). While the proposed increases in Jobseeker Allowance and CRA will go some way towards closing this gap, there is still considerable scope to further increase the generosity of CRA so that total benefits for families with children in Australia are again approaching or exceeding half median disposable income.

Kind regards,

Gerry Redmond
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