



Submission on the 2020-21 Commonwealth Budget

August 2020

For more information, please contact:

Major Paul Hateley

National Head of Government Relations

The Salvation Army Australia

Address: 2-4 Brisbane Avenue, Barton ACT 2600

Mobile: 0413 830 201

Email: government.relations@salvationarmy.org.au

Introduction

The Salvation Army thanks the Australian Government for the opportunity to provide this updated input into the 2020-21 Commonwealth Budget. This submission is intended to replace the submission The Salvation Army made in December 2019.

The Salvation Army is an international Christian church with a strong presence in Australia. Our vision is to confront hardship and injustice by living, loving and joining alongside others to transform Australia one life at a time, with the love of Jesus.

The Salvation Army recognises the competing priorities involved in developing any budget. For this reason, we are grateful for the funding we receive from the Australian Government. We work to ensure the taxpayer funds we receive are used to support Australians experiencing the most social disadvantage.

While there are many funding opportunities that would help address disadvantage in Australia, The Salvation Army would like to highlight just two pressing areas of concern for this budget:

1. Reform of the welfare system

The Salvation Army has for some time advocated that an increase to the base rate for the JobSeeker Payment (formerly the Newstart Allowance) is the single most effective way of addressing disadvantage in Australia. We provide services that address a range of issues that are related to poverty. This includes emergency relief, homelessness and domestic violence services. It is our experience that a driving factor in all these areas is poverty caused by welfare dependence. The low level of the base rate Jobseeker Payment further acts as a barrier to employment.

In addition to an increase in the base rate for JobSeeker Payment and Youth Allowance, the government can materially improve the life chances of people on welfare by reconsidering the eligibility requirements of the Disability Support Pension, adjusting the way that JobSeeker and related payments are indexed, and implementing alternative support mechanisms to address barriers to employment.

2. Providing funding to maintain equal remuneration for the social and community services sector

The special fund created to supplement government contracts and grants as a result of the 2012 Equal Remuneration Order will cease on 30 June 2021. This is despite baseline funding in individual contracts not having increased in line with mandated higher wages. This means that the end of supplementation will have a devastating impact on community services if not addressed. Our evidence is that, across the sector, as many as 5,000 full-time equivalent positions could be lost with a consequent impact for many more families. An adjustment to funding allocated to community services so that funding granted reflects the actual cost of delivering the services would prevent this loss of support for individuals and families.

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.



Reform of Welfare

Increasing JobSeeker and Youth Allowance

There is strong evidence that an increase to the base rate of the JobSeeker Payment and Youth Allowance (formerly the Newstart Allowance) would have an immediate and overwhelmingly positive impact on poverty in Australia. We accept that now more than ever, the government has many competing demands and that an increase to JobSeeker income support payments of the kind required to alleviate individual poverty will have an immediate impact on the budget.¹

Our evidence is that the immediate impact would be offset in terms of:

1. People moving to employment more quickly

Our experience across our employment, financial counselling and emergency relief services is that the low level of income support payments acts to entrench welfare reliance. A JobSeeker recipient's budget simply cannot accommodate the necessities required to secure employment (for example, transport, appropriate attire and internet access). Further, research shows that long-term unemployment itself is often a barrier to employment.² Removing barriers to employment will be increasingly important as the long-term impacts of COVID-19 on the job market emerge.

2. Lower impost on other service systems

Our evidence is that people reliant on the base rate of the JobSeeker Payment are forced to make decisions that, in the medium to long-term, increase the cost of other service systems. In preparing evidence for the Senate Community Affairs References Committee inquiry into the adequacy of Newstart and related payments (**the Senate inquiry**), we heard from people who were forced to forego medication or survive on an inappropriate diet. Others reported that JobSeeker levels exacerbated social isolation and mental health conditions. This in turn increases the likelihood and severity of individuals' interaction with the health and mental health systems. The biggest ongoing cost of the low level of the base rate JobSeeker Payment, however, relates to housing. The payment is too low to allow a person to remain in private rental accommodation, the pressure on the already stretched social and community housing system is extreme.³ Our services all anticipate a significant increase in service demand as the effects of higher unemployment, fewer job vacancies and the ongoing requirement to self-isolate if sick become more evident. The severity will depend on how the government winds back its supports.

¹ Parliamentary Budget Office. (2020). Policy costing: Increase JobSeeker Payment (PBO reference 20/39). Retrieved from <https://www.apb.gov.au/DocumentStore.ashx?id=9efa14b8-712a-4c24-a918-42c39bcb6e75>.

² OECD LEED. (2013). *Tackling Long-Term Unemployment Amongst Vulnerable Groups*. Paris: OECD. Retrieved December 16, 2019, from https://www.oecd.org/cfe/leed/Tackling%20Long_Term%20unemployment_%20WP_covers.pdf

³ Anglicare Australia. (2019). *Rental Affordability Snapshot*. Canberra: Anglicare Australia. Retrieved December 16, 2019, from <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshota302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4>



3. Economic stimulus

There is significant evidence that increasing income for the lowest paid Australians – welfare recipients – will have an immediate stimulating effect on the economy.⁴ Our evidence is that even a modest increase to JobSeeker would reap benefits and assist some of Australia’s most vulnerable.

Change Indexation of JobSeeker

The key reason the base rate JobSeeker Payment is so far below the adequate level is because of the way it has been indexed for the last 25 years. JobSeeker is indexed to the Consumer Price Index (**CPI**). Over time this has seen JobSeeker drop as a percentage of the average wage so that now “a person on JobSeeker lives on around 36 per cent of the average wage after tax and a little more than half of what someone working full-time on the minimum wage”.⁵ Additionally, the way income support levels are set needs to be reformed to prevent the current situation from happening again. We have argued for a one-off increase to account for the immediate issue caused by indexing to CPI, which is calculated according to a basket of goods and services chosen a quarter of a century ago. This fails to account for the essential role that mobile phones and the internet now plays in being able to access government services, as well as major increases in electricity and gas costs. As we have seen during the pandemic, CPI masks disparity in cost increases even within this basket of goods. Though CPI as a whole only rose by 0.3 per cent in the March 2020 quarter, the cost of vegetables rose by 9.1 per cent.⁶

In 2009, the government commissioned an extensive review into the pension system which found, amongst other things, that indexing against CPI is not effective in ensuring that income support is a safety net against poverty.⁷ That review provided considered advice about the relative merits of different indexation models and ultimately resulted in the indexation model now used for the Age Pension in Australia. That is, indexation by the greater of the CPI or the Pensioner and Beneficiary Living Cost Index and additionally adjusted in line with the average income of wage and salary earners, measured by Male Total Average Weekly Earnings.

⁴ Deloitte Access Economics. (2018). *Analysis of the impact of raising benefit rates*. Commissioned by the Australian Council of Social Service (ACOSS). Retrieved December 16, 2019, from <https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>

⁵ Ibid.

⁶ Australian Bureau of Statistics. (2020). Consumer Price Index, Australia, March 2020, cat. no. 6401.0. Retrieved from <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Main+Features1March%202020?OpenDocument>.

⁷ Department of Families, Housing, Community Services and Indigenous Affairs. (2009). *Pension Review Report*. Commonwealth of Australia. Retrieved December 16, 2019, from https://www.dss.gov.au/sites/default/files/documents/05_2012/pensionreviewreport.pdf



Reform the Interface between JobSeeker and the Disability Support Pension

We have seen, across all our services, that obtaining paid employment is generally the most desirable outcome for most people. In fact, an overwhelming theme of the client survey conducted by The Salvation Army for the Senate Inquiry was that people wanted a job. Unfortunately, for a cohort of people reliant on income support, paid employment is not a genuine option.⁸

Over time, the eligibility requirements for the Disability Support Pension (**DSP**) have tightened. This has led to instances where people who are not realistically able to secure or maintain employment due to disability or illness are required to remain on JobSeeker and continue to be subject to mutual obligation requirements. This can lead to extreme stress and exacerbation of mental health conditions without increasing the likelihood of a person moving out of welfare dependency.

As the Jobseeker Payment has replaced the Sickness Allowance in addition to the Newstart Allowance, we are concerned that this risk will increase if the interface is not addressed now.

Create a New Category of the Disability Support Pension for Recovery-Oriented Support

The Disability Support Pension is designed to provide a safeguard for people who are permanently prevented from working because of disability. This permanence model is not in keeping with the best-practice recovery-oriented approach to mental health. We believe there is a cohort of people for whom neither JobSeeker nor the DSP is appropriate. That is, there is a cohort of people who are temporarily prevented from working because of a mental health concern but who, with appropriate support, can recover and re-enter the workforce. We believe that recovery would be supported by an income support payment that allows a person to focus on getting well and gradually returning to work for the recovery period but that does not assume permanence.

This proposed time-limited income support could enable people to find sustainable employment matched to their skills, interests and experience. This would avoid the situation where a person with mental health concerns was forced, by financial pressure and time constraints, to take up unsuitable employment. Mismatched employment options can have a detrimental effect on the individual's capacity to recover and represents a loss and inconvenience to employers.

The Salvation Army does not claim to be experts in mental health however we see through our services the pervasive nature of mental ill health and how it intersects with other forms of disadvantage. We are concerned that the incidence of mental ill-health will only increase as a result of COVID-19. We note that the National Disability Insurance Scheme has undertaken

⁸ The Salvation Army Australia. (2019). *Welfare – Putting a Price on Dignity*. A submission to the Senate Community Affairs References Committee inquiry into the adequacy of Newstart and related payments.

significant work around psychosocial recovery coaching to build capacity, strength and resilience which may be relevant.⁹

Broaden Complementary Supports

Our evidence gathered through frontline service delivery leaves us in no doubt that people reliant on income support require increased financial assistance. The Australian Government has access to a range of information and levers that allow this assistance to be delivered in a targeted manner to address specific forms of disadvantage and barriers to employment. If targeted well, this would have a transformative effect for people experiencing complex and entrenched disadvantage in Australia. Our evidence suggests that the following measures would be effective:

1. Widening access to rent assistance

One of the worst outcomes of disadvantage is homelessness. At present there is a major shortage of safe and secure accommodation available for people reliant on JobSeeker. One way the government could assist is to broaden the eligibility requirements and availability of the Commonwealth Rent Assistance (**CRA**). There is scope to review CRA to ensure that it is effective, better targeted to address the variable cost of rent, and responsive to changes in the housing market. A longer-term solution would be to increase housing stock to meet the current shortfall in social and affordable housing. We recognise that this is an issue that requires all governments, the community and the private sector to work together.

2. Increasing financial counselling

Our evidence is that financial counselling, budgeting tools and advice on adjusting spending, especially in the early stages of being on JobSeeker, can go some way in assisting people manage their income and their mental health. This is particularly important given the significant increase in the number of people seeking income support as a result of the coronavirus pandemic.

3. Wrap-around supports for people facing significant barriers to employment

For many people JobSeeker is not a short-term solution as they face significant and enduring barriers to employment. With the number of people on JobSeeker Payment and Youth Allowance almost doubling to 1.3 million¹⁰, and an uncertain job market, it is likely that more people will experience longer periods of unemployment. Increased targeted support for people who face multiple and complex barriers would materially assist in moving people into paid employment and the benefits (financial and otherwise) that it brings.

⁹ National Disability Insurance Agency. (n.d.). *Mental health and the NDIS*. National Disability Insurance Scheme (NDIS). Retrieved August 21, 2020 from <https://www.ndis.gov.au/understanding/how-ndis-works/mental-health-and-ndis#factsheets-and-resources>

¹⁰ Tomkinson, E. (2020, June 16). Jobseeker and YA for CIA upload – April. Retrieved from Community Insight Australia: <https://communityinsightaustralia.org/jobseeker-and-ya-for-cia-upload-april/>

Equal Remuneration Order Funding Supplementation

Equal Remuneration Order (**ERO**) Supplementation (also known as the Social and Community Services (**SACS**) Funding Supplementation) is provided by the Australian Government to cover the costs arising from the Social, Community and Disability Services Industry Equal Remuneration Order made by the Fair Work Commission (**FWC**) in 2012.¹¹ The mechanism for providing this funding, the Social and Community Services Pay Equity Special Account Act 2012 (**the Pay Equity Act**), ceases on 30 June 2021.

Based on budget estimates, the end of ERO Supplementation is expected to reduce Australian Government funding to the social, community and disability services industry by approximately \$500 million per annum. This funding is delivered directly from the Australian Government to providers, as well as through National Partnership Agreements with the states and territories.

Although the cessation of the Pay Equity Act was forecast, the expected increase in the base rates of contracts has not eventuated. This means that:

- Discontinuation of ERO Supplementation represents a **cut to funding in real terms**. The nature of service delivery means that this will inevitably lead to workforce shrinkage and a reduction in direct service delivery.
- Critically, loss of funding to services that are already marginally viable **could lead to whole sites closing and regions being without service**. Many sites funded by Australian Government grants are only viable due to substantial in-kind and financial contributions from a charity's own reserves, which have been depleted as a result of the pandemic. A further loss of funding cannot be absorbed.

Reduced capacity to deliver community support comes at a time when:

- **Demand for services continue to grow**. For example, The Salvation Army's 2019 five-year financial counselling analysis found that the proportion of people accessing financial counselling has increased more than 40 per cent in the past five years.¹²
- **Community organisations are feeling the pinch from COVID-19**. Analysis by the Centre for Social Impact and Social Ventures Australia showed that a significant number of organisations will close their doors.¹³

We particularly want to draw attention to the fact that the issue is broader than funding provided directly by the Australian Government to service provider organisations. For our services, the supplementation provided by the Australian Government through National Partnership Agreements is also critical to service provision.

¹¹ Equal Remuneration Case, Australian Municipal, Administrative, Clerical and Services Union and others, C2010/3131 (June 22, 2012).

¹² The Salvation Army Australia. (2019). *One Step at a Time: Five-year financial counselling Analysis*. <https://financialcapability.gov.au/files/one-step-at-a-time-five-year-financial-counselling-analysis.pdf>

¹³ Social Ventures Australia and the Centre for Social Impact. (2020). *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check*. Social Ventures Australia. https://www.csi.edu.au/media/Charities_and_Covid-19_Report.pdf



Recommendations

The Salvation Army recommends and requests that the 2020-21 Commonwealth Budget make allowance for:

1. An immediate permanent increase to the base rate of the Jobseeker Payment and Youth Allowance, recognising the medium to long term impact of this measure is likely to reduce pressure on the Commonwealth budget.
2. The ongoing cost of changing the method of indexation for the Jobseeker Payment and Youth Allowance.
3. The cost to refine the eligibility requirement for the Disability Support Pension (**DSP**). This may increase the number of people accessing the DSP rather than the Jobseeker Payment.
4. The cost of programs designed to assist people to overcome barriers to employment as well as to ensure people are adequately supported to apply for, secure and retain employment (such as rent assistance and financial counselling).
5. Community services grants and contracts impacted by the Equal Remuneration Order to cover the full cost of service delivery, including adequate wages.



About The Salvation Army

The Salvation Army is an international Christian movement with a presence in 131 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 addiction services
- 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; and
- 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.

