



19 November 2020

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

## **RE: Social Services and Other Legislation Amendment (Extension of Coronavirus Support) Bill 2020**

Thank you for the opportunity to make a submission to the Committee on this important legislation.

### **About Financial Counselling Victoria**

Financial counselling is a regulated profession providing free, confidential and independent advice and advocacy for people in, or at risk of, financial hardship.

Financial Counselling Victoria (FCVic) is the peak, professional body for financial counsellors in Victoria, and a member organisation of Financial Counselling Australia. FCVic advocates on behalf of financial counsellors and their clients on systemic issues that cause and exacerbate poverty and hardship.

1. FCVic welcomes the Government's intention to continue its capacity to respond to the impacts of the coronavirus pandemic on the community by supplementing access to social security assistance, and increasing the quantum through the Coronavirus Supplement.
2. Our concerns lie with two propositions connected to the proposed legislation and associated legislative instruments:
  - The temporary nature of the assistance being provided
  - The continued reductions in the Coronavirus Supplement
3. In July 2020, we wrote to Minister Ruston to urge the Government to commit to a permanent increase in its income support payments, in particular the Coronavirus Supplement, which at that point was \$550 per fortnight. Subsequently, the Government reduced the Supplement to \$250 per fortnight from late September.

4. The Government now proposes to reduce the Supplement further to \$150 per fortnight from 1 January 2021, while putting it on the table for complete removal from 31 March 2021.<sup>1</sup>
5. A wide range of research has been undertaken into the impacts of exceedingly low Jobseeker (previously Newstart) payments, both in the COVID-19 context and over the years prior to the pandemic. A near universal chorus of community, business and labour organisations had been calling for the rate to be raised before 2020.
6. We include with this submission our 2019 report: *The Experience of (Not) Living On Newstart: Data And Stories From Financial Counselling Clients*. This report was based on research by financial counsellors in Victoria, who interviewed 111 clients about their experiences of hardship and poverty while living on the Newstart Allowance. The report highlights the human misery resulting from holding Newstart well below the poverty line.<sup>2</sup>
7. Poverty damages and destroys lives and potential. It is a scourge on families, on children and communities. It diminishes, reduces and constrains our society and economy. Reducing and eliminating poverty must be a fundamental objective of government.
8. The introduction of the COVID-19 Supplement in April 2020 provided an opportunity to observe the impacts of a decent increase in the rate of what was now Jobseeker, along with other benefits.
9. Financial counsellors have observed a significant positive transformation in many of their clients' lives since the introduction of the Supplement. They have seen people who have been struggling for years to feed their families, or stay warm in winter being able to cover their rent, make payment plans to pay off utility debts, buy enough food to feed their families, get the shoes and clothes their children need, buy new tyres for their car and make important payments for things such as car registration and insurance.
10. The lifting of stress has been amazing to see in many cases, as people's lives become financially viable due to the level of income support they receive. We see the mental health difference when their statement of financial position shows their income actually matching their essential expenditures. It is really something when they no longer have to constantly juggle bills, fearing they will be disconnected from energy and desperately hoping that the real estate agency will accept late payments again, wondering if they'll have enough food for the week or if their kid's shoes will last another fortnight.

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<sup>1</sup> Minister for Social Services media release, 10 November 2020. <https://ministers.dss.gov.au/media-releases/6486>

<sup>2</sup> In January 2020 we changed our name to FCVic; previously we were known as Financial and Consumer Rights Council (FCRC); as the report predates our name change the authorship is FCRC.

11. The pandemic has brought some crucial things into focus – in particular the importance of looking after each other in the context of a significant economic downturn. We need to ensure people without paid work have enough to cover the basics, like keeping a roof over their head and putting food on the table.
12. Research reports from the Victorian Council of Social Services (VCOSS),<sup>3</sup> and the Australia Institute<sup>4</sup>, demonstrated the significant poverty alleviation that occurred when the original Coronavirus Supplement was introduced. The VCOSS report also documents the impacts in Victorian municipalities of the reduction in the Supplement in September.
13. Modelling by the ANU's Ben Phillips reported in the Guardian<sup>5</sup> indicated that the proposed reductions in the Supplement would put 330,000 more Australians below the poverty line.
14. If, as we argue in point 7, a key objective of government should be reducing poverty, reductions in the Supplement are clearly going in the wrong direction.
15. Reductions in the Supplement do not just involve a return to a pre-Covid normal in relation to social security payments (dysfunctional and harmful as that was). When the Government initially proposed the Supplement, amongst other measures in the earliest phase of the pandemic, its focus was on emphasising the temporary nature of the situation, but it is now emerging just how deep, widespread and long-term the impacts of the pandemic are. To continue to plan for reduction and removal of the Supplement is a particularly flawed policy approach in the context of the emerging Covid recession, with its impacts escalating on the community in coming months.
16. The Australian Bureau of Statistics reports that there are more than 1.6 million people now receiving unemployment payments. The deferrals and moratoria from banks, utilities, landlords supporting individuals, families and businesses will come to an end in coming months. Jobkeeper is also scheduled for reduction and removal. Losses and unemployment, business closures will all start to crystallise, at the same time as the Government proposes to reduce and then potentially remove the Coronavirus Supplement. Without the recession this would be bad and harmful policy. With the recession the harm will be magnified significantly.
17. Protecting our communities, and the most vulnerable people from the worst predations of this recession is not rocket science. There is substantial, clear research evidence supporting an increase, not a reduction, in the Coronavirus Supplement, back to its original level, or something close to it.

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<sup>3</sup> Hayward, D et al. (2020) 'Social policy during the coronavirus recession: a fairytale with an unhappy ending?' VCOSS Occasional Paper, VCOSS, November 2020. [https://vcoss.org.au/wp-content/uploads/2020/11/VCOSS\\_Policy-Fairytale\\_FINAL.pdf](https://vcoss.org.au/wp-content/uploads/2020/11/VCOSS_Policy-Fairytale_FINAL.pdf)

<sup>4</sup> Grudnoff, M. (2020), 'Poverty in the age of coronavirus. The impact of the JobSeeker coronavirus supplement on poverty', Australia Institute Discussion Paper, Australia Institute, July 2020. <https://www.tai.org.au/sites/default/files/P949%20Poverty%20in%20the%20age%20of%20coronavirus%20%5BWEB%5D.pdf>

<sup>5</sup> <https://www.theguardian.com/australia-news/2020/nov/18/covid-welfare-cut-will-cast-330000-more-australians-into-poverty-researcher-says>

18. The Government is very aware of, and sensitive to, the impacts on business of uncertainty. For ordinary members of our community – in economic terms, consumers – uncertainty about income is also enormously damaging. To fight the recession, demand needs to be lifted, and this requires confidence and capacity to spend. Good policy should be focused on building confidence and capacity. Both the reduction and the uncertainty of the future level of the Supplement after March 2021 run counter to good policy.
19. The Government took swift and decisive action to lift people’s incomes during the crisis. We have the opportunity to convert that temporary relief into enduring reform with enormous social and economic benefits.
20. ***A permanent, adequate increase to Jobseeker, Youth Allowance and other income support payments is essential to supporting people and the economy. We submit, in view of the documented impacts on poverty levels of the first decrease in the Coronavirus Supplement, that the Supplement should be restored to its original level, or an amount close to that level on a permanent basis.***

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Financial Counselling Victoria