

Submission:

Select Committee on the Cost of Living

The Centre for Excellence in Child and Family Welfare (the Centre) welcomes the opportunity to provide a submission to the Select Committee on the Cost of Living.

The Centre is the peak body for child and family services in Victoria, representing more than 150 community service organisations, students and individuals. The Centre advocates for the rights of children and young people to be heard, to be safe, to access education and to remain connected to family, community and culture. Our vision is to see a community that is fair, equitable and creates opportunities for children and their families to live happy and healthy lives. We work closely with community service organisations, government, other peaks, philanthropy and business to make sure vulnerable children are seen and heard and supported to thrive.

Introduction

Over the last three years we have seen concurrent disasters across the nation and the globe including the COVID-19 pandemic, extensive bush fires, flooding, and war, resulting in the disruption of food and energy supply chains. These events have culminated in a significant rise in the cost of essentials, including rent and mortgage, bills, food, and petrol.

Our members have reported on how this rising cost of living has affected already vulnerable groups including people with disability, single parents and carers, young people, and temporary visa holders. As people continue to slip deeper into poverty, the child and family services sector continues to work hard to support them and to maintain critically important services in the wake of significant systemic challenges. These include the short-term nature of measures to ease the cost of living, the low rate of income support payments, the punitive nature of the social security system and structural barriers such as gaining housing and employment. The federal government has many levers at its disposal to address these issues and ease the cost of living pressures. Several of these have already been highlighted through the federal inquiry into poverty, and we urge the federal government to take seriously the recommendations associated with that inquiry from a range of different groups with firsthand knowledge of the impact of poverty.

Our submission outlines key challenges, consistent with the terms of reference, which we believe require attention to ease cost of living pressures.

The cost of living pressures facing Australians

Impact on children and families

Poverty, the cost of living, and policy relating to welfare and employment in Australia are inextricably linked. Before the COVID-19 pandemic, Australia already had high levels of poverty, exacerbated by successive federal governments which have focused on stripping back welfare spending, and public discourse which lays blame on individuals who struggle to find housing, employment and pay bills. These conditions have caused the perfect storm for the cost of living crisis to further harm low-income earners and create a large cohort of 'working poor' across the nation.

In January 2023, the Centre responded to the Federal Inquiry into the Extent and Nature of Poverty in Australia, where we outlined the results from a survey we conducted on the effects of poverty. Our survey received 137 responses across a wide range of different community service organisations in metropolitan and regional/rural Victoria, primarily from practitioners working with children and families (54 per cent) and in family violence (23 per cent). Almost half (48 per cent) of respondents were working directly with families as case workers and around one third (39 per cent) were working closely with practitioners as managers or team leaders. Ninety per cent of respondents reported that the families they work with have been 'significantly' affected by the rising cost of living in Australia, with a further 9 per cent having been 'moderately' affected. The families our members work with are already vulnerable across one or more domains, often with multiple, complex and co-existing challenges, of which poverty is a key driver and contributor.

Around 71 per cent of respondents' organisations have provided increased numbers of families with brokerage funds for emergency items (food, medicine, educational costs, household items). Nearly 80 per cent of respondents reported supporting these families with referrals to other agencies which provide emergency items, financial counselling, mental health referrals, short term provision of respite/personal care assistance and crisis emergency accommodation. A high proportion (75 per cent) of respondents indicated they also provide 'emotional support' for these families with one practitioner suggesting: *It is as simple some time as treating people with respect when they often feel like the social security system is designed to humiliate.* Survey responses also mentioned the adverse impacts of federal social welfare policies on already vulnerable families, with mutual obligations being identified as 'a very strong part of government-induced poverty' and 'a pernicious system draining sole parents of initiative, spirit and hope'.

A similar sentiment has been reported by others across the community services sector. Recent research by Uniting described the detrimental effect these rising costs are having on low-income households where families are struggling to make ends meet. Uniting disseminated a survey to community service users across Victoria and Tasmania and found that 92 per cent of people using community services had cut back on food and groceries, 70 per cent were unable to eat well, and

two thirds reported pressure from rising energy costs during 2022.¹ Their research uncovers the deepening impacts that rising costs are having on housing, family finances and food security, on mental health and on the prevalence of social isolation in the community.² These pressures weigh on children and families, with parents and carers widely reporting skipping meals even if they are cooking for others, cutting back on essentials like heating and electricity and feeling concerned about the impact on their children or those they care for.³ Similarly, ACOSS research has highlighted the connection between the multiple daily pressures experienced by people trying to afford basic living costs and their increasing social disconnection, experiences of homelessness, poor mental health and financial distress.⁴ These issues have compounded the complexity of need faced by service providers, who are trying to assist people facing multiple intersecting issues that are affecting their ability to care for themselves or their families.⁵

Impact on service providers

A worker shortage, escalating financial distress and multiple disasters have left services operating in an environment characterised by rising disadvantage and increased complexity of need. The Centre's survey asked members to identify the impact on their workers and organisation as a result of their clients' experience of poverty. The most commonly identified impact was the inability of the service provider, despite their best efforts, to meet demand. A second key theme reported was a shift in practice focus from psycho-social support to more of a crisis and emergency-focused practice. There has been pressure on agencies to continually source funds and goods and to connect families into other agencies. Much time has been spent trying to link families into other services such as food banks and emergency relief, financial counselling and housing, with less time available to be spent on providing parenting support. Some respondents noted an increased demand for free legal assistance in a broad range of areas, including family violence, family law, tenancy/housing, debts, fines, and criminal law. Many respondents identified the need for their organisations to be more actively engaged in advocacy work, lobbying state and federal governments for greater funding to help meet the growing demand for material and other aid.

In 2022, ACOSS disseminated their Australian Community Sector Survey which was completed by 1,476 community sector staff from a range of roles and organisations.⁶ This survey uncovered the alarming effects rising demand is having on the community services sector, with key findings including the following:

- Only 3 per cent of survey respondents reported that their main service could always meet demand.

¹ Wilson, E; Churchus, C; and Johnson, T (2022), 'Can't afford to live'. The impact of the rising cost of living on Victorians and Tasmanians on low incomes. Melbourne, Uniting (Victoria and Tasmania). <https://www.unitingvictas.org.au/wp-content/uploads/FINALCant-afford-to-live-report_web-version-embargoeduntil-19.10-1.pdf>

² Ibid.

³ Cortis, N and Blaxland, M (2022), Helping people in need during a cost-of-living crisis: Findings from the Australian Community Sector Survey, Sydney: ACOSS.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

- 63 per cent of survey participants reported that cost of living pressures affected the people/communities their service supports, the most frequently reported challenge affecting services in all jurisdictions.
- 61 per cent reported increased levels of poverty and disadvantage among their clients and community members.
- Nearly two-thirds of participants reported increasingly complex needs (64 per cent) among the people and communities their services support.

The report described how wait times for services had increased, in some cases waiting lists closed completely – with a third of services having to turn people away due to a lack of capacity.⁷ These conditions have resulted in severe burnout and exhaustion for staff in the community sector.⁸

The ACOSS research was undertaken before interest rates rose, resulting in an additional strain for people who are now unable to afford rent and mortgage prices. We are concerned that the current and future fiscal situation will continue to compound poverty and disadvantage and result in more children and families struggling. We recommend urgent action by the federal government to respond to unmet need across the community and the services system.

The Government's fiscal policy response to the cost of living

The central theme of the 2022-2023 Federal Budget was 'cost of living relief', which presented an '\$8.6 billion cost of living package aimed at helping Australians combat rising living expenses linked to recent surges in petrol prices and relatively high consumer price inflation.⁹ The cost of living package included measures such as a reduction in fuel exercise, a one-off cost of living tax offset, an additional \$250 payment for eligible social security recipients and tax breaks for middle income earners. The fuel exercise, cost of living offset and payment for social security recipients were welcome measures, which provided temporary relief for many members of the community. However, these measures do not create long-term change, which comes from reforms such as raising wages and social security payments and addressing structural barriers such as homelessness and unemployment. In addition, considering the lowest 40 per cent of income earners are in the tax-free threshold and therefore do not pay income tax, tax breaks do not give this vulnerable group any benefit. In the below section we discuss the measures we believe are most useful to addressing the cost of living crisis.

Measures to ease the cost of living through the provision of Government services

Rate of income support payments

⁷ Ibid.

⁸ Ibid.

⁹ Parliament of Victoria, *Cost of living measures, Budget Review 2022-2023 Index*, <https://www.apf.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/BudgetReview202223/CostOfLivingMeasures>

Although the one-off cost of living tax offset for social security recipients was a welcome measure, broader social security reform is required to respond to the cost of living crisis and coincide with Australia's human rights obligations. Australia currently has the second lowest rate of income support payments in the OECD, despite having the 9th highest GDP per capita in the world and the 12th largest economy in the world.¹⁰ This low rate of payments has consistently forced welfare recipients to live below the poverty line, with the situation becoming more acute due to the rising cost of living. The 'poverty line' is defined as below 50 per cent of medium household income, being \$489 a week for a single adult and \$1027 a week for a couple with two children.¹¹ The effects of poverty on individuals, families and children are far reaching – including increased risk of family violence, homelessness, unemployment, lack of nutrition, social isolation and delayed development for children.

At the beginning of the COVID-19 pandemic, social security payments rose by \$550 a fortnight, immediately lifting the incomes of hundreds of thousands of people out of poverty.¹⁸ Alongside this change, all compliance obligations were temporarily paused, which had a profoundly positive impact on individuals who were able to look for employment more freely and focus their goals. In October 2020, researchers from the Australian National University, Swinburne University, Good Shepherd and the Centre disseminated an online survey to investigate the impact of the increase in payments and suspension of mutual obligations during the COVID-19 pandemic.¹² Several important themes emerged from this survey, including respondents being able to meet basic needs and improve their financial security, improve their mental health and well-being, and increase their engagement in the labour market.¹³ When asked about their experience looking for work after mutual obligations were suspended and payments became higher, responses were overwhelmingly positive, with one respondent stating:

Instead of doing busywork and ticking off boxes [related to mutual obligations], I could really focus on study and what I needed to do to get to where I wanted to go. And I was able to make progress for the first time in a couple of years towards that goal.¹⁴

Others described how for the first time they felt able to pay bills, increase their hours of study, focus on re-entering the workforce and 'live properly and actually look for work properly.' Respondents were also able to engage in other forms of unpaid productive work, such as unpaid child-care, community focused work, advocacy and volunteering, while reducing their stress and allowing them to positively impact the community surrounding them.

¹⁰ The Department of Foreign Affairs and Trade (2022), *Australia is a top 20 country for economy*, <<https://www.dfat.gov.au/sites/default/files/australia-is-a-top-20-country-all-topics.pdf>>

¹¹ Coates, B, Cowgill M, (2021), *The JobSeeker rise is not enough*. The Grattan Blog.

¹² Klein, E, Cook, K, Maury, S, & Bowey, K. (2021), An Exploratory Study Examining the Changes to Australia's Social Security System during COVID-19 Lockdown Measures. *Australian Journal of Social Issues*, November. doi:10.1002/ajs4.196.

¹³ Ibid. p.9.

¹⁴ Ibid. p.8.

In addition, this rise in payments had a positive impact on service providers, with members reporting an increased time to be able to support clients to achieve their long-term goals, such as attending therapy or completing a course, rather than focusing on crisis response. During this time, 19 per cent of ACOSS participants said that the main service they worked for was 'always' able to meet demand.

Despite the positive impact, in September 2020 the federal government removed the Coronavirus supplement and pushed hundreds of thousands of people back into poverty, including tens of thousands of children. Survey respondents described how this change left them with increased stress, less financial security, and with increased anxiety surrounding affording to live and support their families.¹⁵ While the measures taken to mitigate the impacts of the pandemic showed that Australia could afford to provide an adequate level of income support, the federal government has consistently made the choice to continue low welfare payments and keep families and children living in poverty. After the supplement was withdrawn, the ability of service providers to meet community need plummeted, in 2021 only 6 per cent of ACOSS survey participants said their main service could 'always' meet demand.¹⁶

We are concerned that even since this research was undertaken the economic landscape has changed significantly, with prices soaring ever higher and children and families entering deeper poverty. Research highlights that the longer people live in poverty and unemployment, the less likely they are to find work and the more likely children are to experience long-term affects to their health and wellbeing.¹⁷ Poverty means living with the knowledge that children can be removed if the parent/s are at risk of not being able to provide secure shelter, adequate food or meet basic needs.¹⁸

We recommend an urgent increase to all social security payments to a minimum of \$73 per day, to coincide with the actual cost of living. In addition, we urge that the recently appointed *Economic Inclusion Advisory Committee* be given legislative powers to influence the rate of income support payments and the budget process, rather than acting only as an advisory committee.

Punitive welfare compliance measures

As we highlighted in our February 2023 submission to the Senate Inquiry into Workforce Australia, the inability of Jobseeker participants to work part time without penalty is a major contributor to people living on low incomes, being unable to transition to secure employment and unable to afford essentials as costs continue to rise. Many people on Jobseeker, particularly those who are long-term unemployed, re-enter the workforce via part time or casual work, before possibly transitioning to full time employment. According to Centrelink statistics in 2022, 40 per cent of Jobseeker recipients

¹⁵ Ibid.

¹⁶ Ibid, ACOSS.

¹⁷ Ibid.

¹⁸ Bennett, K, Booth, A, Gair, S, Kibet, R & Thorpe, R (2020), Poverty is the problem – not parents: So tell me, child protection workers, how can you help? *Children Australia*, vol 45, DOI: <https://doi.org/10.1017/cha.2020.39>

were unable to work full-time,¹⁹ while 2021 data showed that 20 per cent of Jobseeker recipients were already working but unable to earn enough to go off payments.²⁰

The current employment services system is structured to penalise those who work by reducing payments once a certain amount of paid work hours is achieved each week. This threshold is extremely low. If an individual earns over \$150 a fortnight, 50 cents for each dollar between \$150 and \$265 is then detracted from their payment, followed by 60 cents for each dollar over \$265.²¹ For a single or principal carer, their payment is reduced by 40 cents for each dollar over \$150.²² On the minimum wage of \$21.30 per hour, a person can only work for 7 hours a fortnight, or 3.5 hours per week, before they begin to be financially penalised. This is an unacceptably low threshold for payment reduction, which penalises participation in the economy and makes it more difficult for people to make ends meet.

Furthermore, despite high employment rates across the nation, as of June 2021, there were 1,109,000 people receiving unemployment benefits, 31 per cent more than before the pandemic.²³ It can be assumed that as costs continue to rise more people will be in need of income support payments across the nation. However, applications for income support are currently subject to a range of means tests, including assessing partner income to determine the eligibility of the applicant. We believe income should be individual, as you cannot know if one income in a household is equally shared, and everyone has the right to financial security and empowerment. Our members have reported that means testing opens up people to financial abuse, in particular those who have experienced family violence, are culturally and linguistically diverse or have disability. We suggest urgently removing the partner assessment from the current system and assessing jobseekers on the basis of their individual circumstances.

Workforce shortages

As well as inadequate funding, workforce shortages are a major impediment to service capacity, which is affecting vulnerable people who have turned to the sector for support as costs continue to rise. Attracting and retaining a skilled workforce has been a key issue for the child and family services sector, exacerbated further by the COVID-19 Pandemic and workforce shortages traversing several sectors and industries. Our members regularly highlight the difficulties they face in recruiting and keeping a skilled workforce when they can only offer short-term contracts, usually spanning six months to a year, with little room to raise staff salaries and provide opportunities for professional development and training to employees. We believe the sector requires a national workforce strategy and a commitment to long-term and sustainable funding reform to continue to be able to support increasing caseloads and complex issues stemming from the rising cost of living.

¹⁹ Henriques-Gomes, L, (2022), *In an age of low unemployment in Australia, what about those locked out of the job market?* Guardian Australia, <<https://www.theguardian.com/australia-news/2022/may/19/in-an-age-of-low-unemployment-in-australia-what-about-those-locked-out-of-the-jobs-market>>

²⁰ Ibid.

²¹ The Australian Government, Services Australia, *Income Test*, <<https://www.servicesaustralia.gov.au/income-test-for-jobseeker-payment?context=51411>>

²² Ibid.

²³ Ibid, Coats.

Housing

To ease the cost of living pressures, more attention needs to be paid to the largest costs faced by the community. For much of the population this is access to safe and secure housing. In our survey on poverty and in our extensive consultations with members over the past year, the lack of secure, affordable housing has been consistently raised as a key issue for our members and the children and families they support. Housing insecurity affects almost every area of service delivery. Members have described how an acute lack of housing options results in children and families having to stay in violent situations, places parents at risk of having children removed, contributes to mental ill-health, affects education and employment opportunities, places them in ongoing instability on the brink of homelessness and affects almost every facet of their lives.

This is not an issue specific to Victoria. Cost of living pressures have led to more intense housing pressures across the nation with the rise of interest rates and corresponding rental increases as well as an influx of people moving into regional areas following the pandemic. This is consistent with data, which shows that rents in regional Australia grew by 12.4 per cent in the year to August 2021, and regional populations grew by 70,900 people during 2020-2021.² Rent makes up a large part of a family's expenses. When women and children are constantly moving, homeless, or worried about housing, it is also very difficult for them to get on top of the other issues.

Our members have highlighted examples of innovative housing solutions, such as unlocking rural land and/or vacant blocks for housing villages, supporting tiny-home options, higher density options for specific needs, refurbishing buildings which might be empty or no longer fit for purpose, (where feasible) using holiday homes and Airbnbs for short-term or medium-term accommodation, and exploring alternative living options. Low-cost innovative solutions need investment that could be based on shared value concept: government, not-for-profit and corporate investment models. Seed funding to coordinate and activate is also needed for new solutions.

The Centre supports the call from the Community Housing Industry Association Victoria, who advocate for a national housing strategy which would be led by the Federal Government and developed by a national housing agency.³ A key part of this role would be to generate and coordinate contributions from all levels of government, philanthropy and the corporate sector.

Recommendations from our members

Our members strongly advocate a multi-pronged approach to addressing the systemic issues that leave families in poverty, which is exacerbated by the cost of living, including an increase in wages, alongside an overhaul of the social security system to ensure sufficient level of income for all recipients to meet their basic needs and the needs of their families, and an overhaul of our taxation system to ensure the wealthiest and the child support avoiders generate income to enable support for the poorest in our community. As the peak body for child and family services in Victoria, the Centre would welcome an opportunity to discuss potential ways of addressing the cost of living impact on children and families with government.

Recommendations

The Centre recommends that the Federal Government:

1. Raises the rate of social security payments to a minimum of \$73 per day
2. Removes the income payment threshold on Jobseeker Payments and continues full payments until a person can live sustainably above the poverty line
3. Removes means-testing for partners of potential welfare recipients
4. Gives the *Economic Inclusion Advisory Committee* legislative powers in the budget process
5. Urgently address the drivers of poverty, reinstate the allowances that were made available during COVID-19 under the previous federal government, and make available more funding at the state level to immediately address the acute material needs of our most vulnerable members of the community
6. Funds family services to respond appropriately to demand so all target cohorts can receive the service they need
7. Fund the development of a dedicated national workforce strategy for the child and family services sector, with a separate strategy to support the growth of an Aboriginal workforce within ACCOs
8. Establishes a long-term National Housing Strategy and national housing agency to lead the work to address immediate and future need.