

Submission to the Senate Community Affairs Legislation Committee inquiry into the Social Services Legislation Amendment (Strengthening Income Support) Bill 2021

5 March 2021

Summary

cohealth welcomes the opportunity to contribute to the Senate Community Affairs Legislation Committee inquiry into the *Social Services Legislation Amendment (Strengthening Income Support) Bill 2021*. This submission responds to Part 1 of the amendments – *Increasing working age payments*.

cohealth has long supported raising the rate of JobSeeker (previously known as Newstart Allowance) and related payments to a level that enables people to meet their essential living costs, including health care, and to seek employment and participate in community life. The JobSeeker Payment has not had a real increase in over 26 years, despite escalating living and housing costs.

The Social Services Legislation Amendment (Strengthening Income Support) Bill 2021 will increase payments by just \$3.57 per day. cohealth is deeply disappointed that this increase is so small, particularly after decades of inaction. Such a miniscule increase will not even cover the cost of a single prescription for a recipient living with debilitating health conditions or pay public transport fares to attend a job interview.

cohealth strongly urges the Committee to recommend that the JobSeeker and related payments be increased by \$25 per day, as recommended by ACOSS.

The Coronavirus Supplement, introduced in 2020, transformed people's lives and lifted people above the poverty line when paid at the full rate of \$550 per fortnight in addition to JobSeeker Payment. These gains will be lost when the Supplement ceases at the end of March, and the payment is increased by only \$50 per fortnight. cohealth holds serious concerns about the health and wellbeing of people trying to survive on the payment.

cohealth and the people we work with

As a community-based primary of primary health care, cohealth prioritises people who experience social disadvantage and are consequently marginalised from many mainstream health and other services. We provide integrated medical, dental, allied health, mental health and community support services. Many of our clients receive income support payments. Prior to COVID-19 more than 25% of cohealth's clients aged 18 – 65 years identified as being unemployed. This proportion is likely to have increased as a result of COVID-19 restrictions and the resulting loss of employment, particularly in the inner, northern and western suburbs of Melbourne that cohealth works in. These people have long told us how hard it is to make ends meet, and how this constant financial hardship has a negative impact on their health and wellbeing.

Many of our clients experience additional disadvantage in the labour market, making it even harder for them to find and retain work. They may be living with chronic illness, disability, the impacts of recent or past trauma and experiences of marginalisation and disadvantage. Many clients who are new to Australia have skills and experience but do not have experience working in Australia. They tell us how they want to work, however that they struggle to compete in a job market where there are nine jobseekers for every available job.¹ Finding employers willing to give them a chance, and to make reasonable workplace adjustments to accommodate their needs, if required, is next to impossible. These groups may spend longer periods of time on JobSeeker Payment, and the low rate of JobSeeker has a commensurately larger impact on them.

Impact of poverty on health

People in receipt of JobSeeker Payment, and other related payments, are consistently amongst the poorest people in Australia, surviving on incomes that are significantly below all poverty benchmarks.

Poverty is a key driver of poor physical and mental health, and the alleviation of poverty is recognised as one of the key means of improving health outcomes. Clear evidence about the impacts of poverty on physical health, mental health and children's development is presented in the attachment to this submission.

As a health organisation cohealth sees every day how low income can cause ill health and can exacerbate existing health conditions. We have seen the difference the Coronavirus Supplement made to people: being able to afford a place to live, three nutritious meals a day and to pay for vital medications and treatments.

The Coronavirus Supplement transformed lives

Many of the people we see experience disadvantage, have complex health conditions, and have been locked out of employment and are trying to survive on the JobSeeker Payment. They have long told us how hard it was to live on the previous rate of JobSeeker Payment of just \$40 per day, and how this impacted on their health. The Coronavirus Supplement – initially increasing payments by \$550 per fortnight – transformed their lives. A cohealth client told us of the difference the full Supplement made to their life:

'I barely get by and sometimes I have to go without medication and food, but with the increased payments I haven't. I have also been able to make better food choices and I would have to admit that my anxiety has improved so this is better for my mental health. I have even been able to buy some warm clothes and a new pair of shoes.'

¹ https://www.acoss.org.au/media-releases/?media_release=acoss-calls-on-coalition-party-room-to-do-the-right-thing-by-millions-with-the-least

This is just one of many life changing accounts we have heard from our clients who are spending the higher payments on desperately needed essentials such as medicines, fresh food, paying bills and clearing debts. An [ACOSS survey](#) and [550 Reasons to Smile](#) have also documented the difference the Coronavirus Supplement has made to lives, including enabling people to pay for secure housing and find a safe home.

The higher payment dramatically improved the health and wellbeing of some of the poorest Australian families.

We are deeply concerned that by only increasing the JobSeeker Payment by \$3.57 per day these advances will be reversed, and people's health and wellbeing jeopardised.

The proposed increase to JobSeeker and related payments is inadequate

The introduction of the Coronavirus Supplement in March 2020 was a clear acknowledgement by the Government that the rate of JobSeeker payment was too low. Prior to this there had been almost universal recognition that the rate of JobSeeker Payment was inadequate, but no progress towards increasing the rate. The payment was significantly below all poverty benchmarks and had not been increased in real terms for 26 years. It is imperative that the JobSeeker Payment rate is significantly increased to a rate that enables people to afford the essentials of life. The proposed rate is not sufficient to achieve this.

The Coronavirus Supplement has been progressively reduced since September 2020. Until the 31 March 2021 it is paid at \$150 per fortnight, which along with JobSeeker Payment, means people have \$51 a day to live on. Already, people are being forced to make impossible decisions, choosing between housing, food, medications, basic toiletries and paying bills.

From the end of March people are expected to survive on even less with the new rate of JobSeeker Payment – just \$44 a day to cover the essentials of life, including rent, as well as the cost of job searching.

This rate is more than \$100 per week below the poverty line, and less than 40% of the minimum wage. Youth Allowance is even less.² Despite government claims that JobSeeker recipients receive other payments, the reality is that the only payment that all receive is the Energy Supplement, of \$4.40 per week. Other payments, such as rent assistance and family payments are designed to meet additional expenses, such as the cost of raising children.³

People who are locked out of paid work tell harrowing accounts of how JobSeeker Payment is too low for them to afford essentials such as a roof over their head and food on the table. They must make difficult choices between eating a meal, paying a bill or maintaining their health. As a cohealth client described:

² ACOSS 2019, Survey of People on Newstart and Youth Allowance https://www.acoss.org.au/media-releases/?media_release=more-food-for-my-kids-replace-worn-through-clothing-keep-a-car-running-to-get-to-a-job-acoss-survey-shows-what-a-newstart-increase-wou

³ <https://raisetherate.org.au/raise-the-rate-faqs/>

'There is no way for me to pay for essential medication or treatments - hindering my health in many ways. I also cannot afford private health insurance in order to access adequate mental health care.'

The many impacts of the low rate of JobSeeker Payment have been thoroughly documented over many years by a wide range of organisations and individuals, including ACOSS, The Salvation Army, St Vincent de Paul Society and Anglicare, to name just a few. Common experiences include struggling to meet costs of housing, health care, utilities, food and job search, going without meals, and children unable to participate in school and community life. The rate of JobSeeker Payment is now so low that it hampers people's ability to seek employment.

cohealth clients reflect these experiences, but also describe the significant impacts on their physical and mental health stemming from the low rate of JobSeeker Payment. At cohealth we hear from people whose health deteriorates as they are unable to meet the costs of their healthcare needs because they:

- Are unable to pay for essential medications
- Delay seeking treatment for health conditions
- Are unable to pay for transport to attend medical appointments
- Live with ongoing pain as a result of delayed dental care and inability to afford pain relief
- Live with constant stress about their very survival

As eligibility for the Disability Support pension has tightened in recent years, the number of people with a physical or mental illness or disability trying to survive on JobSeeker Payment has also increased. Currently 24% people on JobSeeker Payment have a serious disability or illness that means they have partial capacity to work.⁴ With higher healthcare and medication costs, reduced capacity to work, and facing discrimination in the labour market these people face serious struggles surviving from day to day.

The stress of living on such a low income, the stigma attached to unemployment and the onerous and demeaning processes required to receive the payment, combine to place great pressure on people's mental wellbeing. This stress can be both a contributing factor to the development of mental health issues and exacerbate existing conditions.

The proposed increase of \$3.57 per day will not relieve this stress. Such an amount does not even cover the cost of a prescription for a person with debilitating health conditions (\$6.60 for a concession card holder⁵). Nor would it meet the cost of public transport fares to a job interview or a medical appointment (\$4.50 for concession daily fare in Melbourne⁶).

Two significant inquiries into mental health – the Royal Commission into Victoria's Mental Health System and the Productivity Commission Inquiry into Mental Health – have both

⁴ Raise the Rate for Good FAQ, January 2021 <https://raisetherate.org.au/raise-the-rate-faqs/>

⁵ <https://www.nps.org.au/consumers/keeping-your-medicines-costs-down#what-will-a-medicine-on-the-pbs-cost-me?%C2%A0>

⁶ <https://www.ptv.vic.gov.au/tickets/fares/metropolitan-fares/#mykimoney>

highlighted the correlation between mental ill health and poverty. As the Royal Commission observes: 'Research indicates that those who experience poverty and/or disadvantage face an increased risk of developing a mental illness and experience disproportionately poor health outcomes.'⁷ The Productivity Commission notes that 'Socioeconomic disadvantage has strong links to mental ill-health ... Financial stressors and/or compromised financial security (such as being unemployed or having excessive debt) increase the risk of developing mental illness.'⁸

The Government states it is committed to improving Australia's mental health. To achieve this they need to ensure that income support payments provide an adequate income to live on and lift people out of poverty.

The continued refusal of successive governments to increase the real rate of JobSeeker Payment to meet the essentials of life, while the cost of essentials is skyrocketing, can only be seen as a denial of the established link between poverty and mental health and therefore a clear abrogation of responsibility to meet the needs of the most disadvantaged Australians.

In line with calls from a wide cross section of community services, business groups, unions and civil society, cohealth urges **an immediate increase of the JobSeeker Payment of at least \$25 a day on top of the inadequate old rate of just \$40 a day**. This would increase the JobSeeker Payment rate to \$65 a day and recognise the benefits to the physical and mental wellbeing of individuals and families that will flow from such an overdue measure.

Recommendation

The Committee recommend the Government immediately increase the rate of JobSeeker, and related payments, by a minimum of \$25 per day, in line with recommendations by ACOSS.

cohealth would welcome the opportunity to provide more information about this submission. Please contact:

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⁷ State of Victoria, Royal Commission into Victoria's Mental Health System, Final Report, Volume 1: A new approach to mental health and wellbeing in Victoria, Parl Paper No. 202, Session 2018–21 (document 2 of 6), p35. <https://finalreport.rcvmhs.vic.gov.au/>

⁸ Productivity Commission 2020, Mental Health, Report no. 95, Canberra Vol 2, p95
<https://www.pc.gov.au/inquiries/completed/mental-health/report>

Impact of poverty on health

Poverty is both a determinant and a consequence of poor health, and the relationship between low economic status and elevated incidence and prevalence of physical and mental illness is now well recognised.⁹

Meeting health costs is a struggle for people on low income, with the costs of services and prescriptions harder to meet. It is also common for people on low incomes to delay seeking medical care due to cost. Health conditions are then more severe when treatment is sought, with corresponding greater impact on the individual. If you are unable to get to a service, or pay for it, then conditions go untreated.

In *Australia's Long Term National Health Plan to Build the World's Best Health System* Health Minister Hunt states that 'good health is essential to our happiness and wellbeing'.¹⁰ With people receiving JobSeeker Payment unable to meet the costs of health care, this goal is out of their reach.

Physical Health

Poverty is the key driver of poor health. Compared to the wealthiest Australians, the most socio-economically disadvantaged:

- Are **twice as likely** to have a long-term health condition
- Are **twice as likely** to suffer from chronic illnesses
- Will die on average **three years earlier**¹¹
- Are **2.3 times** as likely to die of potentially avoidable causes¹²
- Have a **mortality rate 1.5 times as high**¹³
- Have a **burden of disease 1.5 times as high**¹⁴

The impacts of low income are exacerbated by expensive housing, insecure employment, unemployment and underemployment, and location that is removed from services, jobs and health services.

⁹ https://www.cambridge.org/core/services/aop-cambridge-core/content/view/39E6EB94B44818EDE417F181AC300DA4/S1355514600001322a.pdf/poverty_social_inequality_and_mental_health.pdf

¹⁰ https://www.health.gov.au/sites/default/files/australia-s-long-term-national-health-plan_0.pdf

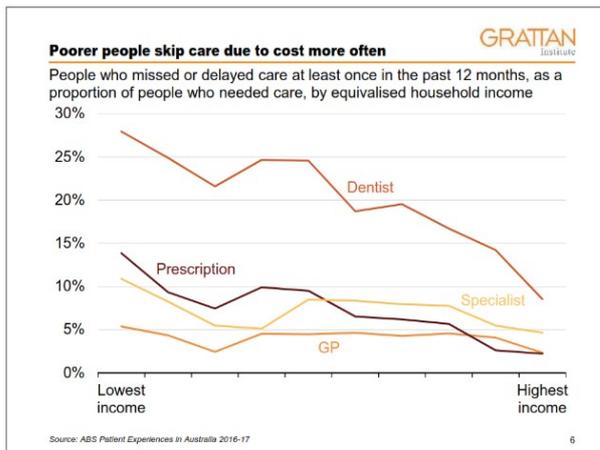
¹¹ The Cost of Inaction on the Social Determinants of Health, *CHA-NATSEM Second Report on Health Inequalities* <https://apo.org.au/node/29676>

¹² <https://www.aihw.gov.au/reports/australias-health/health-across-socioeconomic-groups>

¹³ <https://www.aihw.gov.au/reports/australias-health/health-across-socioeconomic-groups>

¹⁴ <https://www.aihw.gov.au/reports/australias-health/health-across-socioeconomic-groups>

The Grattan Institute has illustrated how cost is key barrier for people accessing health care, with this burden the greatest for people on low incomes.¹⁵



Mental Health

'When I had a very severe episode of mental health I was on Newstart for 2 years. it was demoralising. Luckily I lived with my family. Begging for payments was disempowering and distressing. I have zero idea how anyone pays rent on it. All my clients struggle on it. the only ones with heads just above water are on DSP, and that's impossible to get these days.' Previous Newstart (now JobSeeker) recipient

Studies throughout the world have demonstrated an inverse relationship between mental illness and social class¹⁶ – that people on lower incomes have poorer mental health than those on higher incomes.

Socio-economic disadvantage is clearly associated with poorer mental health. Barriers to opportunities such as work and education can lead to poor social connection, increased social isolation and a lack of attachment to communities. Social exclusion, and the stress of living on or under the poverty line have a negative effect on mental health.¹⁷

Children's development

Research has now found that poverty also has a significant influence on the development of children's brains. Disturbingly it has found that disadvantage begins at birth, is intergenerational and children from poorer socio-economic backgrounds are at greater risk of mental illness than those from more affluent circumstances.¹⁸

¹⁵ Grattan Institute Commonwealth Orange Book 2019, p94

<https://grattan.edu.au/wp-content/uploads/2019/04/916-Commonwealth-Orange-Book-2019.pdf>

¹⁶ https://www.cambridge.org/core/services/aop-cambridge-core/content/view/39E6EB94B44818EDE417F181AC300DA4/S135551460001322a.pdf/poverty_social_inequality_and_mental_health.pdf

¹⁷ <https://www.sbs.com.au/topics/life/health/article/2017/11/07/surprising-link-between-mental-illness-and-poverty>

¹⁸ <https://www.sbs.com.au/topics/life/culture/article/2017/11/24/how-much-do-you-know-about-science-poverty?cid=inbody:the-surprising-link-between-mental-illness-and-poverty>

774,000 Australian children (17.7%) now live in poverty, many with parents trying to raise them on JobSeeker Payment.¹⁹ The implications for their long-term health and wellbeing should be of profound concern to all Australians.

The extreme level of poverty experienced by people receiving JobSeeker and related payments is a serious concern for both physical and mental health and wellbeing. This payment is now so far below all poverty benchmarks that it works against the ability of people to seek work and contributes to social isolation and marginalisation. Research that specifically examines the health of people on JobSeeker Payment is limited, however, as outlined above, the impacts of poverty on physical and mental health are incontrovertible. One study that has addressed this issue examined the impact of 'Welfare to Work' policies on single mothers. These policies moved single parents from the higher paid Parenting Payment Single to the then Newstart Allowance when their youngest child turned eight years old. The findings clearly showed that those parents receiving Newstart Allowance showed higher levels of mental health problems, compared with parents with continued eligibility for the higher paid Parenting Payment Single.²⁰

¹⁹ ACOSS 2020 Poverty in Australia <https://www.acoss.org.au/poverty/>

²⁰ <https://onlinelibrary.wiley.com/doi/full/10.1111/1753-6405.12304>