



# BRIEFING PAPER

Raising the Rate of JobSeeker for Good





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## Overview

Both Anglicare Australia and UnitingCare Australia have long called for JobSeeker payments to be raised for good. In 2020, we welcomed the Government's move to raise the rate of JobSeeker above the poverty line, finally ending its 26-year freeze on support for people out of work. This lifted hundreds of thousands of Australians out of poverty and shielded the newly unemployed from destitution.

Cutting the rate in March will undo much of that work, further slashing rates on top of cuts already made in September and December. It will reverse the gains that Australia has made in tackling poverty, and plunge record numbers of people into hardship and deprivation as they work to recover from this historic downturn.

Many Australians were out of work and living in poverty for years before the COVID-19 pandemic. In the months since, those numbers have ballooned as record numbers of people lost their jobs and livelihoods as a result of the Government's shutdown. Despite the recent rebound in employment, most of the jobs growth has been in part-time or insecure work, and more than 1.6 million people continue to rely on unemployment payments to make ends meet.<sup>1 2</sup> It is clear that people will be recovering from this downturn for months and years to come. These people need certainty. That means a permanent increase above the poverty line, not more cuts.

Research from Anglicare Australia and UnitingCare Australia shows that:

- » 2 out of 3 people (58 percent) who needed emergency relief were out of work on the old rate of JobSeeker. 1 in 2 (44 percent) had been coming to our services for a year or more.
- » Three quarters of surveyed jobseekers (72 percent) skipped meals every week on the old rate. Most skipped an average of 3-4 meals a week.
- » One in ten jobseekers (9 percent) were forced to couch surf on the old rate.
- » JobSeeker increases halved the percentage of people living on \$7 a day, and left people with more income across the board.

The experiences of people on the old rate of JobSeeker are shocking, and the benefits of the increase have been profound.

Anglicare Australia and UnitingCare Australia are coming together to urge parliamentarians to consider the message further cuts will send to the people in their electorates who are struggling in the wake of the recession. We are calling on the Government to stop the cuts and permanently raise the rate of JobSeeker payments above the poverty line. With so many parliamentarians acknowledging the need for a permanent increase, now is the time to match that acknowledgement with action.

## **An increase is long overdue**

Before the COVID-19 pandemic, one in eight Australians lived in poverty. Worse still, one in six children lived in poverty. The biggest risk factor for living in poverty was living on income support.<sup>3</sup>

Even with top-ups and extra payments, the old rate was trapping people in hardship. With many more people now reliant on JobSeeker, further cuts will push record numbers of Australians into poverty and housing stress. This is backed by a recent survey of 2,000 Anglicare Australia clients. We found that two out of three people (58 percent) who came to us for emergency help were out of work; one in two needed help to get basic essentials such as food or medicine; and one in three (33 percent) needed help to manage a low income.<sup>4</sup> This reinforced what the evidence had already been telling us – that the old rate of JobSeeker was so low that many people were turning to agencies like ours just to get by. Our survey also showed that emergency relief isn't a long-term answer to poverty. Almost one in two clients were coming to us for over a year.<sup>5</sup> What these people really needed was a decent income to match the basic cost of living.

Much was made of the doubling of the JobSeeker rate at the beginning of the pandemic. In reality, the rate had simply caught up with living costs after a 26-year freeze. The long stagnation of payments made the increase look large, but in truth, Australia's unemployment payments have been so low for so long that the debate over rates lost all sense of proportion. This helps explain why doubling the rate still left people barely above poverty line.

In the decades since the rate was frozen, rents in capital cities have more than doubled and income support payments have failed to keep up. For example, a median rent in Sydney is \$500 per week. The proposed cuts would force a person on JobSeeker to spend all of their income on rent, even with the help of Commonwealth Rent Assistance.

Anglicare Australia's Rental Affordability Update, released in the wake of the COVID-19 downturn, found that almost 99 percent of rental listings and sharehouses were not affordable for someone on Jobseeker, even with payments doubled. Under the old rate of Newstart, 0 percent would have been affordable.<sup>6</sup> Other essential living costs like food, education, health, transport, petrol, and electricity have also been rising since the early nineties.<sup>7</sup> When compared to living costs, it's clear that payments are due for a big boost.

Put simply, the increase delivered in March was long overdue. Cuts delivered in September and December are already hurting people, and further cuts will create an unprecedented crisis across the country.

## The jobs aren't there

Even before the pandemic, there simply weren't enough jobs for those who needed them.<sup>8</sup> Government shutdowns and the COVID-19 pandemic have only worsened this problem. There are eight jobseekers for each vacancy, and the situation is especially bleak for people with barriers to work in need of entry-level roles.<sup>9</sup> Anglicare Australia's latest Jobs Availability Snapshot, released in October 2020, shows that there were 106 jobseekers for each entry-level vacancy.<sup>10</sup>

More than 1.6 million people continue to rely on unemployment payments to make ends meet.<sup>11</sup> Although jobs are being restored after the deepest recession in almost a century, most of the jobs created since the height of the pandemic are part-time or insecure. One third of full-time jobs lost have not yet been recovered, and more than 940,000 people remain unemployed and are looking for work.<sup>12</sup> Underemployment also remains high, with more than a million people looking for more hours of work. Unemployment is expected to increase once JobKeeper comes to an end, and there continues to be significant uncertainty and volatility in the jobs market. In May, around one in ten Australians who were surveyed said they believe they will never work again.<sup>13</sup> Cutting JobSeeker payments now will condemn these people to poverty until they reach retirement age.

## An increase will benefit everyone

Raising the rate of JobSeeker will benefit whole communities, and the impact will go far beyond those who get the payment. The March 2020 JobSeeker increase boosted spending and helped protect Australia from a catastrophic downturn. Accenture has found that payment increases for people on low incomes deliver more benefits than those for people on medium or high incomes. This is because people who don't need tax cuts or stimulus payments are much less likely to spend them, especially during downturns.<sup>14</sup> That makes JobSeeker critical to our economic recovery.



Accenture's spending tracker shows that people getting the payment increase spent 39 percent more than they normally would in the second week of May 2020. Those receiving neither payment spent 18 percent less than they normally would.<sup>15</sup> Crucially, the new rate helped households to spend and stimulate the economy in the midst of the downturn.

In the week of the JobSeeker increase, total spending went up from 80 percent of the normal weekly average to 93 percent. In the months after, it bounced between 93 to 97 percent until the first round of cuts in September 2020.<sup>16</sup>

Much of that spending was on household essentials. In the first week of the JobSeeker increase in, essential spending jumped from 87 percent of the normal weekly average to 99 percent. In the months after, it bounced between 95 to 99 percent. This is because thousands of Australians out of work had been going without essentials like food, medicine, and heating.

The survey found that the old rate of JobSeeker was leaving people with as little as \$7 a day after paying rent.<sup>17</sup> Most people who took the survey were skipping meals, and some were couch surfing. Three quarters (72 percent) told us they were regularly skipping meals each week.<sup>18</sup>

After JobSeeker was raised, the percentage of people living on \$7 a day was halved. Most people told us that an increase would help them move into better, more stable accommodation. This is vital considering that one in ten (9 percent) were forced to couch surf before the increase.<sup>19</sup> Many who had their incomes boosted by the increase were finally able to buy fresh fruit and vegetables.



## Raising the rate for good

With so many Australians relying on JobSeeker, and even more on related payments such as Youth Allowance, the Government's planned cuts will put Australia's economic recovery at risk.

Anglicare Australia and UnitingCare Australia are calling on the Federal Government to stop the cuts and permanently raise the rate of JobSeeker payments above the poverty line. This will mean raising the rate of JobSeeker and related payments to at least meet the Henderson poverty line. The Henderson poverty line accounts for different costs to different groups, and this will mean paying supplements to some people depending on their situation. It will also involve taking account of Australia's high housing costs (the Henderson poverty line assumes that 30 percent of a person's income is spent on housing).<sup>20</sup>

It is time to stop the cuts and permanently raise the rate of JobSeeker payments above the poverty line. With so many parliamentarians acknowledging the need for a permanent increase, now is the time to match that acknowledgement with action.

## **About Anglicare Australia**

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas. With a combined income of over \$1.94 billion, a workforce of over 11,000 staff and 6,000 volunteers, the Network delivers more than 50 service areas in the Australian community. Our services are delivered to over 474,00 people and reach close to 1.37 million Australians in total. In all, Anglicare services reach over 1 in every 19 Australians.

As part of its mission the Anglicare Australia Network “partners with people, families and communities to provide services and advocacy and build resilience, inclusion and justice.” Our first strategic goal charges us with reaching this by influencing “social and economic policy across Australia with a strong prophetic voice; informed by research and the practical experience of the Network.”

## **About UnitingCare Australia**

The UnitingCare network is one of the largest providers of community services in Australia. With over 1,600 sites, the network employs 50,000 staff and is supported by the work of over 30,000 volunteers.

UnitingCare Australia is the national body for the Uniting Church’s community services network and an agency of the Assembly of the Uniting Church in Australia. The work of UnitingCare Australia is grounded in the values and vision of the Uniting Church in Australia, the expertise in the Church’s network of service providers and the experience of those people who use those services.

## References

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