



11 May 2023

Committee Chair  
Select Committee on Cost of Living  
Parliament House  
Canberra ACT 2600

Dear Committee Chair,

**RE: SELECT COMMITTEE ON COST OF LIVING**

The St Vincent de Paul Society National Council of Australia ('the Society') welcomes the opportunity to provide a submission to this inquiry. The Society is a lay Catholic charitable organisation that comprises over 45,000 volunteers and members and 6,000 employees who provide on the ground assistance across Australia.

Our members and volunteers provide over \$50 million each year in emergency relief assistance to cover people's basic needs. While this assistance makes a difference, it is not a long-term solution to prevent homelessness or poverty. We believe there are clear policy choices available to the Australian Government that can reduce inequality and support the most vulnerable.

**Cost of living pressures**

Rising inflation is impacting on cost of living. Global supply chains, the war in Ukraine and natural disasters within Australia are all drivers. While the Consumer Price Index (CPI) is the most important indicator for inflation, cost of living is broader because it includes other living expenses such as housing (namely rent and mortgage payments). The Reserve Bank of Australia has observed that, over time, inflation and cost of living indices tend to track each other, with inflation being a reasonable indicator of cost-of-living trends. However, deviations occur, and these can usually be attributed to interest rate cycles.

Some of the blow has been softened by a strong labour market, increases to the minimum and award wages and indexation of income support payments and pensions. However, inflation also exacerbates bracket creep, resulting in more household incomes being eaten away by income tax. As noted by the Reserve Bank, incomes have not kept pace with inflation, with the CPI growing faster than households' disposable incomes, resulting in an overall decline in real incomes.<sup>1</sup>

While the Society appreciates the need for fiscal restraint and for governments to balance competing priorities, this should not come at the expense of people who are in need and who are disproportionately affected by cost-of-living pressures. The goal of any economic order is to recognise and nurture human dignity.

**2023-24 Budget**

The 2023-24 Budget has provided some relief to households, and we commend the Government for this action. It has been many years since we have seen any serious commitment to addressing growing inequality in Australia. However, more needs to be done.

We welcome eligibility criteria for Parenting Payment (Single) being increased from eight to 14 years for the youngest child and the abolition of the ParentsNext Program.

We support energy subsidies being directed to 5 million households and 1 million small businesses and welcome funding to improve the energy efficiency of social housing. Energy concessions will give some relief for households who are expecting a 20 to 30 per cent rise in electricity costs from July 2023.

We support a 15 per cent increase to Commonwealth Rent Assistance but given the current housing crisis, we consider that a review of this Program, along with a further increase, would help alleviate housing stress.

We support increases to Medicare to cover bulk billing costs for vulnerable Australians. We see this was a well targeted response that especially assists families with children.

The \$40 per fortnight increase to JobSeeker is insufficient to lift people out of poverty. Our experience tells us that recipients will continue to struggle to meet everyday costs which is an obstacle to finding work. It is especially inadequate considering the slowing and uncertain global economy over the next two years, with growth expected to be the weakest in over two decades, excluding the Global Financial Crisis and the recent pandemic, and limited by pressures from high inflation, high interest rates and tighter financial conditions.<sup>2</sup>

Australia's Gross Domestic Product growth is expected to slow (1.5 per cent in 2023-24) due to high inflation and interest rates, a deteriorating economy and cost of living pressures, which are slowing domestic demand. The Government considers that its targeted cost of living relief will directly reduce price pressures and the CPI (by around .75 per cent); and that this, together with faster wages growth (of around 4 per cent) and lower inflation, will promote real wages growth in early 2024.<sup>3</sup>

We acknowledge that a cautious and balanced approach has been taken, with the aim of minimising inflationary pressure. However, for low-income households, expenditure on the basics, such as housing, food and energy costs, absorbs a disproportionate amount of their income. Around 40 per cent of these households are also vulnerable to energy stress.<sup>4</sup>

The most recent ABS data shows that the annual increases in living costs this quarter were the largest seen across all household types since their series commenced. Higher food and utilities prices have contributed to increased living costs for all household types. Over the last year, food prices rose between 9 and 10 per cent and utilities prices between 8 per cent and 10 per cent.<sup>5</sup>

We remain concerned that low-income households will continue to find it increasingly difficult to make ends meet, let alone get ahead. A longer-term solution is required.

### **What is the Society seeing?**

Cost of living statistics are also borne out by the Society's experiences over the last 12 months. We are witnessing overall increases in demand for emergency relief, particularly help with food, utility, transport and accommodation expenses. Requests for assistance are increasing month on month and are up 20 per cent this year in NSW alone. This has been a long-term trend, only interrupted when COVID emergency payments were available.

Of those we help:

- most are aged between 30 to 70 years (around 70 per cent)
- females are overrepresented (around 60 per cent)
- most are renters (around 70 per cent) and around one-fifth are homeless
- around one-third are single parent families, but many also live alone (30-50 per cent)
- many are seeking our help multiple times a year, on top of seeking help from other charities
- most are on income support (90 per cent)
- around one-third live with a disability, and
- more people are seeking help for the first time (around 20 per cent)

We are also helping people from backgrounds previously unknown to the Society, including middle income earners. In NSW, 30 per cent of people seeking assistance are doing so for the first time, while four-in-five people are reaching out for support with food. Case studies are attached.

The reality is that Commonwealth Emergency Relief is no longer a one-off solution, there to help people with occasional extra cost of living stress. It has become a necessary supplement to JobSeeker, Youth Allowance, Disability Support Pension and Parenting Payment (single), with more and more people relying on it due to the inadequacy of these payments.

A recent survey of the Australian population found that around four in 10 people (39 per cent) are reporting financial difficulties and people are negative about their immediate outlook, as household cost of living issues begin to bite hard.<sup>6</sup>

### **Ways to ease cost of living pressures through the tax and transfer system**

Poverty and inequality condemn people to a life of lost opportunities. The negative impacts are not only limited to adverse health, education and social outcomes. They also affect a country's productivity.

The cost-of-living discourse must include reducing inequality and lifting people out of poverty.

This means helping people find work, if they can, or giving them the right to work. However, people cannot be expected to find work if they do not know where they will be sleeping at night. And the work itself must be safe and secure, with fair pay and conditions.

For those who cannot find work or are unable to work due to health, carer, study or other reasons, they must be able to access adequate income support. It must be sufficient to cover food, medical, energy, utility, education, training and transport costs. It should not keep people below the poverty line or be an impediment to finding work, as is currently the case.

The community wants the Australian Government to make life easier for households. Measures supported by the community include higher personal taxes on high income earners and increased company tax rates, additional measures to identify errors and reducing the size of government.<sup>7</sup>

Leading economists, researchers and advocacy groups have also called for the stage 3 tax cuts to be dropped, noting they will cost over \$18 billion a year and go to people who need the least support. A recent survey found that around 55 per cent of people would even be willing to pay more tax to increase JobSeeker payments.<sup>8</sup>

- ***A Fairer Tax and Welfare System for Australia (ANU Centre for Social Research & Methods)***

In April 2022, the Society commissioned the ANU to model reforms to the tax and welfare system and the paper is available on our [website](#). The report is currently being updated based on the recent Budget announcements and will be provided to the Committee when it is finalised.

The updated paper outlines three budget neutral options that are paid for by.

- reducing the capital gains tax discount (from 50 per cent to 37.5 per cent)
- restructuring the superannuation tax system, and
- indexing income thresholds against income growth.

The stage 3 tax cuts would be dropped but the tax-free threshold would be increased (\$18,200 to \$24,000) so that lower income people could claw back some bracket creep.

This would also cover increases to Commonwealth Rent Assistance, JobSeeker, Youth Allowance, Disability Support Pension, Carers Payments and Family Payments.

Currently 86 per cent of JobSeeker recipients, 13 per cent of children and 34 per cent of single parents are living in poverty (after housing costs). If tax revenue is increased by \$20 billion, almost one-third of people on JobSeeker, half of all children and half of single parents would be lifted out of poverty.

This equates to lifting around 860,000 people out of poverty including 260,000 children.

The result is that the majority of low- and middle-income households (bottom 60 per cent) are either better or no worse off. Just over 20 per cent of high-income households (top 20 per cent) would be worse off by more than \$3,000 per year.

We also note that nearly one-in-four people receiving JobSeeker is in some form of minimal employment. An increase in the earnings threshold from \$150 to \$300 per fortnight would allow people to earn extra income while gaining experience and improving their transition to work. This approach is in line with the recent one-off income credit available to people receiving age and veterans' pensions and Disability Support Pension to earn an additional \$4,000 to June 2023, without losing any of their pension.

We also support income support payments being indexed biannually in line with wage growth or CPI, whichever is higher.

### **Ways to ease cost of living pressures through the provision of Government services**

- ***Increased social, community and affordable housing***

Housing affordability and rental prices are emerging as major issues, with almost 60 per cent of Australians considering it is extremely important to increase the availability of affordable rental housing.<sup>9</sup>

Under international law, secure and adequate housing is a human right, essential for human survival with dignity. Those most affected by housing stress are people living in poverty – JobSeeker recipients, single parents, older people in the rental market and people living with disability. A single person on JobSeeker cannot afford to rent anywhere in Australia, even after factoring in Commonwealth Rent Assistance and other available payments. And forty per cent of low-income

households are experiencing housing stress.

Continued failure to act is estimated to cost the community \$25 billion per year by 2051.

Given the extent of the housing crisis the nation is currently experiencing, we support action in the following areas that could be implemented quickly with immediate effect namely:

- a review of Commonwealth Rent Assistance and commitment to increase funding
- increased private sector investment to replace the National Rental Affordability Scheme
- development of national rental standards for landlords and tenants

We support the passage of Housing and Future Fund Bill but would welcome scrapping of the disbursement cap of \$500 million, quarantining funds for Aboriginal and Torres Strait Islander housing, indexing availability payments (to ensure preservation in real terms), and improving representation on the National Housing Supply and Affordability Council.

The Select Committee needs to understand that the projections around the future lack of affordable, secure rental options will only exacerbate the bleak options that confront a growing number of individuals and families who can no longer afford the costs of accommodation. The Society, and other charities involved in emergency relief and food relief are confronting serious increases in requests seeking supports that directly relate to increased inability to find and maintain shelter.

Serious questions need to be considered by Government regarding how the human cost behind this trend, which continues to stretch the capacity of charities to respond, will be addressed. At present, there is a need for the emergency relief and the food relief funding allocated by the Commonwealth within the Financial Wellbeing and Capability Program to be increased.

- **Secure work, decent wages**

Australian workers in all fields deserve to be treated with dignity and respect. They must be able to pursue their rights and have just working conditions.

Everyone deserves a fair, living wage, one that provides job choice and security.

The wellbeing of workers continues to decline, despite job market growth. Wages are failing to keep up with inflation. In contrast, gross corporate and business profits have skyrocketed.

Australia has one of the highest rates of insecure employment in the OECD.

St Vincent de Paul Society in Australia supports the *Fair Work Legislation Amendment Bill 2022* and welcomes its passage through Parliament particularly:

- strengthened access to flexible working arrangements
- limited use of fixed-term contracts used for the same role over an extended period
- prohibition of pay secrecy clauses and sexual harassment in connection with work
- strengthening of protection for workers against discrimination and harassment
- a new statutory equal remuneration principle including equal pay for female-dominated industries and the establishment of two expert panels in the Fair Work Commission covering women and the care and community sectors.
- changes to flexible work arrangement processes where employers are obliged to consult with employees and the Fair Work Commission may intervene, and
- amendments to support more than one form of bargaining (enterprise level).

We call for a timeframe for consultation on and implementation of the remaining commitments made by the Australian Government to address wage suppression and undervalued jobs.

We support funding in the 2023-24 Budget for an additional 300,000 fee-free TAFE and vocational education training places, redesigning Australian Apprenticeship Support Services, increasing access to foundation skills training and setting national apprenticeship targets for the Australian Skills Guarantee. However, a substantial increase to the Youth Allowance is also required.

## Recommendations

In summary, the Society recommends to the Select Committee that the Australian Government:

- (i) develop an action plan outlining how the Economic Inclusion Advisory Committee's recommendations will be implemented
- (ii) increase the earnings threshold for JobSeeker recipients (from \$150 to \$300 per fortnight)
- (iii) increase the base rate of working age payments (in line with pensions)

- (iv) index income support payments biannually in line with wage growth or CPI, whichever is higher
- (v) increase the tax-free threshold from \$18,200 to \$24,000, and
- (vi) review and increase Commonwealth Rent Assistance by 50 per cent.

Further, the Society requests the Australian Government consider the following proposals to increase budget revenue:

- (i) drop the stage 3 tax cuts
- (ii) reduce the capital gains tax discount (from 50 per cent to 37.5 per cent)
- (iii) restructure the superannuation tax system, and
- (iv) index income thresholds against income growth

Yours sincerely



Mr Toby oConnor  
**Chief Executive Officer**

## **CASE STUDIES**

### *Summary*

These select case studies have been collected from three jurisdictions (WA, NSW and Qld). They illustrate how low levels of income support, housing status, domestic violence and inadequate government support services exacerbate poverty and disadvantage. In conjunction with increased costs of living, poverty contributes to increased household debt, mental health issues, family breakdowns, and homelessness. For children, this negatively impacts on their educational and social opportunities.

The Society refers to people we assist and support as 'companions'.

### *Housing Status*

- The companion is a mother with two children who has recently been re-housed into a new social housing property due to maintenance issues. The companion had to pay for removalist costs when she moved into the new property. She did not anticipate this expense and, as a result, it has placed her under significant financial stress. The added expenses related to the move meant that the companion could not afford to buy her son's winter school uniform. Because of this, her son started to refuse going to school, saying that he was too cold and that he was being teased by his peers for dressing differently. The teachers from the school were also pressuring the companion about the winter uniform.
- The companion and her husband were renting in the private rental market for approximately 8 years before her husband, who was the main income earner, passed away. Having used all her savings to pay for the rent and funeral costs, the companion also sold her husband's car to try and meet future rental payments and avoid eviction. With the rent being more than 50 per cent of the companion's income, she was often forced to buy minimal food to ensure she could pay the rent and utility bills. She was no longer able to afford to pay her mobile phone bill and made the decision to cancel her mobile plan.
- The companion is a single mother of four children who, because of a relationship breakdown, is currently renting a room in a boarding house with her youngest son who is 6 years old. The companion has one older adult child who lives with a disability supported living arrangement, and two other children who live with their father. The companion's ex-partner's name was the only one on the lease and he told her that he was not going to renew it. The companion contacted Link2home who placed her in temporary accommodation for 28 days. Following this she and her child had to pay out of pocket for a backpacker's hostel until she could enroll her son in school and obtain work. In the interim, the companion and her son were living off Jobseeker payments and Family Tax Benefits for the youngest child, totaling \$1,200/fn.

### *Domestic Violence*

- The companion is a single mother with four children, two of whom have special needs. The companion left her marriage after experiencing domestic and family violence. She has been trying to cover daily living expenses for her and her four children. One of companion's children was asked by the school to attend a school camp. The cost of her child's school camp was an added expense that was unexpected. For her child to attend school camp, the companion missed her electricity bill payment and now has a debt to the utility company. She was forced to have to choose between her electricity expenses and the psycho-social health of her child. Her income support payments were not able to sufficiently cover these additional expenses.

### *Inadequate Support Services*

- The companion moved to Australia several years ago and more recently his wife migrated to Australia to join him due to his ill health. He has been living in social housing. However, when his wife migrated to Australia to live with him, his rent was increased. The companion's wife has no income, is not eligible for Centrelink, and therefore is unable to contribute towards the increase in household expenses. She is actively trying to improve her English so she can find a job and has been taking English classes. In the interim, the companion is struggling to manage his health costs, pay the extra rent, the increase in utility expenses and food costs, and the travel expenses for his wife to attend English classes.
- The companion is an older man who originally migrated to Australia from China. He speaks little English but was assisted by Vinnies staff with the help of an interpreter. The companion explained that his daughter was recently diagnosed with cancer and had to stop working. As a result, his daughter, who is not entitled to society security payments, was no longer able to afford the rent and living expenses for her and her family. To support his daughter during this time, the companion has been giving more than half of his Age Pension to his daughter and her family, so that they can remain in their home and afford



to eat. His contributions to his daughter's household expenses have meant that he is unable to cover his rent, utilities, and food expenses.

#### *Household Debt*

- The companion is a single mother of three children, one with autism. During 2022, the companion struggled with cost-of-living increases. She has increasingly found herself without any savings by the end of the week, often unable to fill her car with fuel or to pay for groceries. The companion is concerned by the impact of these financial stresses on her children's education.
- The companion has six children aged two months to 13 years but is struggling to cover school costs (including uniforms). She has found herself skipping rent and food.
- The companion aged 70 years has six grandchildren currently in her care ranging from 6-14 years old. The children were previously living in squalor in a caravan with parents, going to school without clean uniforms, or even being fed. The children were bullied, and the experiences of poverty have caused issues with their social development. The companion is looking after the children to give each a better chance at schooling, but the costs of their education get more expensive each year.
- The companion is in his seventies and lives alone in a home he bought approximately 30 years ago. While he receives an Aged Pension of about \$990, rising interest rates require him to pay \$860 per fortnight towards his mortgage repayments. This leaves the companion with no more than \$140 per fortnight to make ends meet. In addition to these financial pressures, the companion's health is deteriorating with age, and he recently had to undergo surgery. While his daughter is doing her best to support him, he relies upon Vinnies for food support so he can afford to pay for his bills and health expenses.
- The companion is in her mid-fifties and lives by herself on a Disability Support Pension of just over \$1,000 per fortnight. She is experiencing significant rental stress, paying \$900 per fortnight, leaving her with less than \$130 a fortnight after her rent deductions. To add to the companion's concerns, she was diagnosed with cancer approximately one year ago and has other physical health issues that impair her mobility. Her health issues require ongoing medical care, resulting in substantial medical expenses and prescription costs. This is not affordable with companion's remaining income, yet these added expenses have not been acknowledged by Centrelink and they have not assisted with covering these medical costs.
- The companions are a married couple who receive the Age Pension and are renting in the private rental market. Currently, they are paying 60 per cent of their income towards their rent but were recently forced to make the difficult decision between paying rent or paying important medical expenses. The husband needed urgent surgery. However, as his anaesthetist did not bulk bill, the companion now has a significant medical bill. The couple was forced to make a difficult decision and go into rental arrears to afford their medical bill. Now, the couple must continue paying their normal fortnightly rent, but also must make fortnightly rental arrears repayments, forcing them into further financial hardship.

#### *Mental Health*

- The companion is a single 48-year-old Indigenous female who presented with inadequate income, debts, and substance abuse. She lived in government housing with her 19-year-old daughter and had a support worker. The companion was part of the Stolen Generation and was seeking a claim through the Redress Scheme. One concern was her high gas bill around \$2600. [SVdP] set up a payment plan addressing the arrears and informed her of eligibility for a Hardship Utility Grant Scheme (HUGS). The companion had multiple ambulance debts and owed over \$4200. SVdP coordinated with a local emergency relief agency to get her ambulance insurance paid for 12 months. SVdP negotiated with the creditor for the ambulance debt arranging a payment of \$25 fortnight.
- The companion and her daughter had tried to secure a rental property, but the cost of rent was more than they could afford. The daughter was preparing for her Higher School Certificate at the time, and the living situation was affecting on her ability to study. As a result, the daughter decided to move in with her father, so she could have her own room and space. While the companion understood her daughter's decision, this changed her relationship with her daughter significantly, as well as the companion's mental health, as she felt heartbroken and alone.

#### *Homelessness*

- The companion is a middle-aged gentleman, lost his job during COVID-19 and struggled to find ongoing, consistent employment. After a marriage breakdown, he could not afford to pay for housing by himself and resorted to couch surfing. When the house was sold, the companion had nowhere to go – and with

no affordable options in the community, he ended up sleeping on the streets. He checked into one of Vinnies hostels and ended up staying there for 7 months.

- The companion, his wife and two kids (10 and 5 yrs.) are living in a tent on the beach due to no affordable accommodation being available. They applied for 180 homes in a single year – but could not secure one. The companion had lost employment during COVID and had a very tough time finding work during and after pandemic. The companion eventually found a place through another housing organisation, and then employment, but the family had spent more than a year homeless.
- The companion is a single mother of 4-year-old, who herself grew up in poverty. Due a dangerous housing situation and her personal circumstances, she lost custody of her son. Desperate to find a safe home and get her son back, the companion reached out to Vinnies for help. SVdP searched desperately to secure accommodation for the companion but was frequently informed that “If she’s on JobSeeker without employment, there’s nothing here for her.”
- The companion is a single mother with two kids. When the business she worked for suddenly closed she was forced to go to Centrelink. JobSeeker was not enough to pay for rent on a three-bedroom home and food for children. The family was forced to leave the property but was unable to secure another affordable rental. The oldest son (17 yrs.) moved in with a family friend while the companion and her daughter (9 yrs.) slept in their car for several weeks.



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- <sup>1</sup> Kohler, M. Rosewall, T., 1 February 2023. *Opening Statement to the Senate Select Committee on the Cost of Living | Speeches | RBA*. Accessed at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-02-01.html#:~:text=What%20matters%20also%20is%20whether%20people%E2%80%99s%20means%20to,incomes%2C%20meaning%20that%20real%20incomes%20have%20declined%20overall>.
- <sup>2</sup> Australian Government. Budget 2023-24. May 2023. *Stronger foundations for a better future*. Accessed at: <https://budget.gov.au/content/overview/index.htm>, p. 8.
- <sup>3</sup> *ibid.*, p. 9.
- <sup>4</sup> Bryant, D., Porter, E., Rama, I., Sullivan, D., 2022. *Power pain: an investigation of energy stress in Australia*. Brotherhood of St Laurence. Accessed at: <https://www.bsl.org.au/research/publications/power-pain/>
- <sup>5</sup> ABS. 1 February 2023. *Employee households living costs highest in two decades | Australian Bureau of Statistics*. Accessed at: <https://www.abs.gov.au/media-centre/media-releases/employee-households-living-costs-highest-two-decades>
- <sup>6</sup> SEC Newgate Australia. April 2023. *Mood of the Nation*. Accessed at: <https://www.secnewgate.com.au/sec-newgate-mood-of-the-nation-april-2023/>
- <sup>7</sup> *ibid*
- <sup>8</sup> ABC. 8 May 2023. *Cancel culture, Cost-of-living & the Coronation*. Q&A survey of 9,000 respondents. Accessed at: <https://www.abc.net.au/qanda/ep15-08052023/102217202>
- <sup>9</sup> SEC Newgate Australia. *op.cit.*