



Senate Select Committee on Cost of Living Inquiry Submission

March 2023



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About UnitingCare Australia

UnitingCare Australia is the national body for the Uniting Church's community services network and is an agency of the Assembly of the Uniting Church in Australia.

We give voice to the Uniting Church's commitment to social justice through advocacy and by strengthening community service provision.

We are the largest network of social service providers in Australia, supporting 1.4 million people every year across urban, rural, and remote communities.

We focus on articulating and meeting the needs of people at all stages of life and those that are most vulnerable.

Introduction

UnitingCare Australia welcomes the opportunity to submit to the Senate Select Committee on Cost of Living's Inquiry, acknowledging the timeliness of this process as Australians increasingly feel the impacts of rising cost of living pressures.

Today, one in four Australians report difficulties in getting by on their current income as we live through the largest cost-of-living increase since the year 2000.^{1 2} Australians are facing difficult choices between paying their mortgages, food and electricity bills, or finding the means to cover medical, childcare, and fuel costs. More people are relying on emergency relief and poverty-related services to survive each day, as financial hardship impacts a broader cross-section of the population.³

As one of the largest provider networks of community services in Australia, the UnitingCare network has felt the increasing strain of financial hardship being borne by the community. The capacity of front-line services and staff to respond to those in need is increasingly constrained due to chronic under-resourcing of the care sector and growing pressure being placed on an already stretched care workforce.

Mitigating the effects of the current affordability crisis must begin with immediate investment in the services and supports that Australians are relying on in the face of financial hardship. The community services sector urgently requires a funding injection to ensure service providers are adequately resourced to deliver the supports that individuals and communities are depending on. Further, government-administered income support rates need to be increased, to ensure recipients have the means to cover their daily expenses and overcome poverty.

Summary of recommendations

UnitingCare Australia proposes the following recommendations aimed at achieving the structural reform required to safeguard against financial disadvantage and poverty being caused by rising cost of living pressures:

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| 1. Adequately fund the services that Australians depend on in the face of growing financial hardship. |
| 2. Renew support for critical homelessness services. |
| 3. Increase income support to fend against spiralling cost-of living pressures. |
| 4. Raise sufficient government revenue to fund what matters. |

¹ ABS. November 2022. *Higher Rises in Living Costs for Employee Households*.

² ABS. September 2022. *Selected Living Costs Indexes, Australia*

³ Uniting Vic.Tas. 2022. Can't Afford to Live. https://www.unitingvictas.org.au/wp-content/uploads/FINALCant-afford-to-live-report_web-version-embargoed-until-19.10-1.pdf

Adequately fund the services Australians depend on in the face of growing financial hardship

Millions of Australians depend on the care sector every day to provide support in times of need. Beyond those services that meet the daily needs of Australians such as aged care, disability services and children's education and care services, increasingly a larger number of Australians are relying on emergency relief and poverty-related services to overcome financial hardship. In particular, services supporting people in relation to financial, housing and food insecurity, mental and physical health, and social isolation have experienced significant growth in demand.⁴

UnitingCare services are reporting that people accessing these types of crisis supports increasingly include first-time support recipients, many of whom are employed and double-income earning families finding themselves at risk of poverty, homelessness and financial stress.^{5 6}

More support is being delivered to more Australians than ever, with no increase in the amount of funding to providers delivering to those in need. Further, increasing complexity of client circumstances is requiring a greater investment of time and resources from service providers to ensure people receive the assistance they need and expect.⁷

Service viability has become a critical issue in this context.

In 2022, only 3% of service providers indicated that they were always able to meet the demand for delivery of their services.⁸ 80% of service providers identify that funding for their services does not cover the cost of delivery.⁹

Within UnitingCare's network of service providers, Emergency Relief Services are reporting that they are forced to turn away approximately 56% of clients presenting to their services each month. This is a result of funding limitations and organisations operating significantly beyond their resourcing capacity.

The care sector is facing a funding crisis that will have significant adverse flow-on effects for individuals and communities in need.

As economic pressures threaten to impact an increasing proportion of Australians, services and supports aimed at alleviating financial hardship and improving individual wellbeing need to be available to all who need them, when and where they need them.

Government must provide the insurance policy for all Australians in this context by:

- analysing the actual level of demand for services across the community;
- measuring the gap between current funding levels and the investment required to meet current and projected demand;
- immediately increasing investment in the care sector and support services to cover total costs of service delivery;

⁴ Uniting Vic.Tas. 2022. Can't Afford to Live. https://www.unitingvictas.org.au/wp-content/uploads/FINALCant-afford-to-live-report_web-version-embargoed-until-19.10-1.pdf

⁵ Australian Institute of Family Studies. 2021. Responding to increasing and changing client needs in crises.

⁶ Uniting Vic.Tas. 2023. Senate Select Committee on Cost-of-Living Inquiry, Public Hearing (1 February 2023).

⁷ ACOSS. 2022. Helping People in Need During a Cost-of-Living Crisis. https://www.acoss.org.au/wp-content/uploads/2022/12/ACSS_demand_snapshot_2022.pdf

⁸ *Ibid.*

⁹ ACOSS. 2022. Carrying the Costs of the Crisis: Australia's Community Sector Through the Delta Outbreak. <https://www.acoss.org.au/wp-content/uploads/2022/04/ACSS-Full-2021-Report-v6.pdf>

- ensuring that funding indexation for service providers meets the increasing costs of wages and goods; and
- facilitating wage growth in low-paying industries like the care sector to ensure its workforce is fully resourced to deliver the services that Australians need, when they need them.

Adequately funding the care sector also entails extending the term of government contracts awarded to service providers, which will enable more certainty for clients in accessing the supports they need over the longer term¹⁰. It will also allow service providers, as employers, to effectively undertake workforce and business planning, enabling continuity of quality service delivery over the immediate and longer term.

Renew support for critical homelessness services

The combination of spiralling cost of living pressures and soaring rent prices has triggered a surge in Australians seeking homelessness support. Australian Bureau of Statistics estimates indicate that around one million low-income households currently experience housing affordability issues due to 'rental stress'—meaning to spend more than 30% of an individual's gross weekly income on housing costs.¹¹

UnitingCare financial counselling services have reported an approximate 33% increase in the number of clients experiencing housing instability and homelessness between July 2021 and January 2023. Further, UnitingCare services are reporting delivery of increased support to clients to cover costs of vehicle registration, with an alarming number of individuals and families being forced to live in their cars for lack of affordable housing options.

As more Australians find themselves at risk of homelessness, the viability of specialist homelessness services to support those in need is increasingly under threat. Homelessness services are already operating significantly beyond their capacity and resourcing. The Australian Institute of Health and Welfare has reported that, on average, service providers received nearly 300 unassisted requests for help per day in the 2021-22 financial year.¹²

An urgent reinstatement of Equal Remuneration Order (ERO) funding for specialist homelessness services—currently due to cease on 1 July 2023—is needed to ensure that homelessness services are adequately resourced with personnel to help all Australians in need. UnitingCare Australia calls on the Commonwealth Government to maintain the current level of ERO funding, of \$65 million a year, to ensure that no Australian is excluded from accessing homelessness support when they need it.

¹⁰ ACOSS. 2022. Helping People in Need During a Cost-of-Living Crisis. https://www.acoss.org.au/wp-content/uploads/2022/12/ACSS_demand_snapshot_2022.pdf

¹¹ Australian Institute of Health and Welfare. 2021. Housing Affordability – Measures Relating to Housing Affordability. <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

¹² Australian Institute of Health and Welfare. 2022. Specialist Homelessness Services Annual Report 2021-22: Unmet Demand for Specialist Homelessness Services. <https://www.aihw.gov.au/reports/homelessness-services/specialist-homelessness-services-annual-report/contents/unmet-demand-for-specialist-homelessness-services>

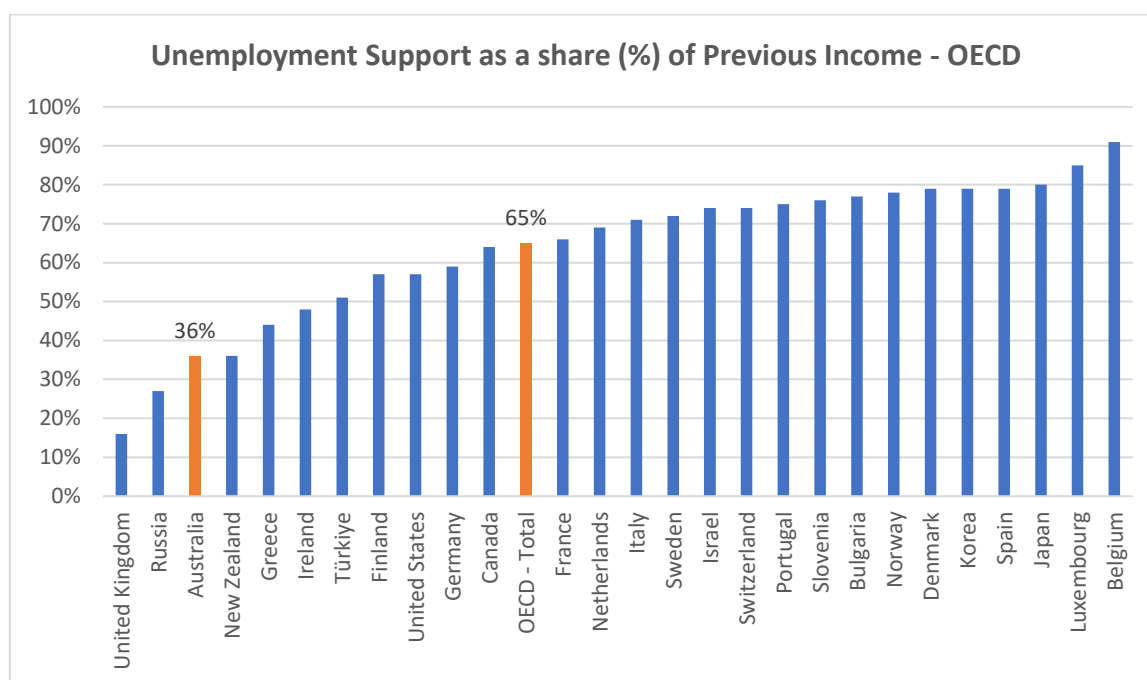
Increase income support to fend against spiralling cost of living pressures

With Australians experiencing a 17.1% increase in non-discretionary household spending during 2022¹³, the likelihood of more individuals and families declining into poverty, and needing to access income support to survive, is growing daily.

Forecasting from the Reserve Bank of Australia's February 2023 Economic Outlook backs this prediction, noting that, "inflation in Australia and internationally is high and expected to continue weighing on real incomes".¹⁴

The government's ability to contain the fallout of the continuing cost-of-living crisis will therefore be directly linked to its ability to invest adequately in the income support system to help those in need over the immediate period and in the longer term.

Notably, the inadequacy of income support payments has been an issue that pre-dates the current cost-of-living crisis. Working age payments have not kept up with inflation and Australia's unemployment payment rates, for example, are among the lowest of all Organisation for Economic Cooperation and Development (OECD) members.¹⁵



At a rate of \$48 a day, Job Seeker consigns those 830,000 Australians in receipt of the payment to live in poverty – that is, surviving on a median income of less than \$489 a week.

Rental assistance payments are also substantially inadequate in the face of soaring rental costs. The Productivity Commission's 2023 Report on Government Services revealed that 43.9% of Commonwealth

¹³ Australian Bureau of Statistics. November 2022. Monthly Household Spending Indicator.

[https://www.abs.gov.au/statistics/economy/finance/monthly-household-spending-indicator/latest-release#:~:text=Media%20releases-,Key%20statistics,\(%2B6.3%25\)%20spending%20increased.](https://www.abs.gov.au/statistics/economy/finance/monthly-household-spending-indicator/latest-release#:~:text=Media%20releases-,Key%20statistics,(%2B6.3%25)%20spending%20increased.)

¹⁴ Reserve Bank of Australia. 2023. Statement on Monetary Policy – February 2023: Economic Outlook.

<https://www.rba.gov.au/publications/smp/2023/feb/economic-outlook.html>

¹⁵ OECD. 2022. Benefits in Unemployment, share of Previous Income. <https://data.oecd.org/benwage/benefits-in-unemployment-share-of-previous-income.htm>

Rental Assistance recipients still experienced rental stress despite receiving the payment¹⁶. This is due to rates of support not increasing in line with rental costs, which rose by a record 10.2% in the 12 months to December 2022¹⁷.

There is a critical need for investment in the income support system to ensure that payments are adequate and realistically meeting living costs for those receiving support. This includes ensuring the adequacy of payments such as Commonwealth Rent Assistance and the Energy Supplement to ensure that support is proportional to, and adjusted in accordance with, inflation and market price increases, to provide genuine financial relief to recipients.

The Australian Government's response to the COVID-19 pandemic is evidence of the beneficial impact that adequate support and crisis relief funding can deliver. Research has highlighted benefits for individuals receiving COVID-19 related support payments, including:

- the ability to meet basic needs and improve long-term financial security
- improvements to physical and emotional well-being
- increased labour market engagement
- engagement in other forms of unpaid and productive work.¹⁸

UnitingCare Australia acknowledges the measures so far implemented by the government to provide temporary and targeted fiscal support to vulnerable households, such as through the one-off Cost of Living payment administered by Services Australia. While providing some immediate, albeit limited, support for individuals and families in need, such measures do not provide the ongoing assistance that individuals and families need to sustain themselves through a cost of living crisis. They should therefore not be regarded as a substitute for the more fundamental, structural reform that is required to address economic inequality over the long term. Rather, structural change that replicates the response to the pandemic is needed to bring Australia's income support system up to scratch in terms of payment adequacy, and to enable a reliable safety net for all Australians impacted by economic hardship.

Raise sufficient government revenue to fund what matters

Addressing the effects of spiralling living costs involves Government driving the systemic and structural reform needed to make our taxation and transfers system more sustainable and fairer. This means ensuring that government has the resources to invest in what matters, when and where that investment is needed.

Toward this end, a review of the government's revenue base should be the starting point, accompanied by a re-examination of investment policy and decision-making through the lens of individual and community wellbeing.

UnitingCare Australia commends the Government's acknowledgement of wellbeing as an indicator of social and economic health, in line with the forthcoming 'Wellbeing Budget' to be handed down in 2023. Moreover, the 'Measuring What Matters' initiative and proposed application of a national wellbeing framework to government spending is a positive step towards improving life outcomes for all Australians.

¹⁶ Productivity Commission. 2023. Report on Government Services 2023: Housing and Homelessness. <https://www.pc.gov.au/ongoing/report-on-government-services/2023/housing-and-homelessness>

¹⁷ CoreLogic. 2023. Quarterly Rental Review – Q4 2022. <https://www.corelogic.com.au/news-research/news/2023/pressure-on-australias-rental-market-shows-tentative-signs-of-easing-despite-new-10.2-record-for-annual-rent-growth>

¹⁸ Klein, Cook, Maury and Bowey. 2022. An Explanatory Study Examining the Changes to Australia's Social Security System during COVID-19 Lockdown Measures. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8652978/>

These initiatives must be complemented by comprehensive evaluation of how revenue is raised, and how it is spent, to ensure that funding is provided for the critical human services that matter to individuals and communities. Achieving a fairer tax system, focussed on supporting those most in need and seeking equitable contributions, is the gateway to government having capacity to fund the critical human services that Australians need and deserve, particularly in a cost of living crisis.

UnitingCare Australia recommends that Government enact the following measures:

- Within the next twelve months conduct a full analysis and projection of social service needs, including increasing income support payments and allowances, to establish the necessary baseline for revenue.
- Review the taxation system with a view to growing revenue and scrap the Stage 3 tax cuts to better serve all Australians.
- Expedite the appointment of an Evaluator General to oversee the evaluation of Government programs and cut wasteful and inefficient spending.

Conclusion

UnitingCare Australia thanks the Committee for the opportunity to submit to the Cost of Living Inquiry and remains committed to working in partnership with Government to alleviate cost of living pressures and poverty for the wellbeing of all Australians.

We would welcome the opportunity to speak further to the content of our submission and the recommendations forwarded.