2 February 2023

Submission to inquiry into the extent and nature of poverty in Australia

Executive Summary

Financial Counselling Victoria (FCVic) welcomes the opportunity to make a submission to the inquiry into the extent and nature of poverty in Australia.

Financial counsellors in Victoria work with and represent individuals who live in or on the brink of poverty and have considerable insight into the drivers of financial hardship, as well as interventions needed to reduce poverty. As part of its role, FCVic also advocates on behalf of financial counsellors and their clients on systemic issues that cause and exacerbate poverty and hardship.

This submission, drawing on client experiences and our members' professional observations, will focus on the following issue areas:

1. Financialisation, credit and debt
2. Social Security system
3. Family Violence
4. Mental Health
5. Housing
6. Digital access gap
7. Energy hardship
8. Migrants and refugees
9. Financial literacy and capability

FCVic makes the following recommendations to the Inquiry as steps that will significantly and quickly reduce the individual and community burdens from widespread, preventable poverty:

Recommendation 1: *Increase working age payments (JobSeeker Payment, Disability Support Pension) above the poverty line to at least $88 a day.*

Recommendation 2: *Establish an expert advisory committee including people with lived experience of poverty to review and recommend changes to Government systems and communications that stigmatise, victimise, isolate and, in other ways, exacerbate the difficulties faced by people experiencing poverty.*

Recommendation 3: *Review pensions and parenting payments to identify quantum and threshold adjustments with the objective of reducing poverty amongst recipient families and individuals.*

About Financial Counselling Victoria

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. Financial counsellors are professionals providing free, confidential, and independent advice and advocacy for people experiencing, or at risk of, financial hardship.

Financial counselling is regulated under the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009* [1] specifically exempting financial counsellors from having to hold Financial Service or Credit licences to undertake their work. The conditions of the licence exemptions require that financial counsellors not charge clients for their services, work free from conflicts, are trained and qualified, and maintain membership eligibility with their state based professional body (in Victoria, FCVic). To satisfy this, FCVic requires financial counsellor members to meet annual professional development and professional supervision requirements.

As part of its role, FCVic advocates on behalf of financial counsellors and their clients on systemic issues that cause and exacerbate poverty and hardship. FCVic is the Victorian member body of Financial Counselling Australia (FCA).

Introduction

About 11% of Victorians live in persistent poverty[2], and the financial counselling sector is keenly aware that many more people are on the brink of poverty, and only one bad life event (such as illness or loss of employment or being scammed) away from finding themselves in poverty.

Poverty is a complex issue, but one of growing concern. Those in poverty, or at risk of poverty, experience literally impoverished, stigmatised and drastically diminished and too often shortened lives. There is an unfortunate tendency on the part of some commentators to blame poor people for their own circumstances. It is evident to financial counsellors that the drivers of poverty are largely and most significantly structural, and can be changed by well-directed policy reform.

The most prominent and significant of these structural drivers of poverty is the shrinkage of the social safety net. The relationship between income support payments and poverty is clear: people who rely on these payments are living in poverty.[3] The current rate of JobSeeker Payment for a single adult is $718.60 per fortnight or around $359 a week. The *2022 Poverty in Australia Snapshot* by Australian Council of Social Services (ACOSS) found that the poverty line works out to $489 a week for a single adult[4] – $130 a week more than JobSeeker Payment.

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[1] Corporations Regulations 2001, Regulation 7.6.01, and National Consumer Credit Protection Regulations 2010 Regulations 3 and 20

[2] VCOSS, The real frontline against the 'cost of living', https://vcoss.org.au/vcoss-organisation/2022/11/the-real-frotnline-against-the-cost-of-living/ (accessed 5 January 2023)

[3] Davidson, P., Saunders, P., Bradbury, B. & Wong, M. (2018). *Poverty in Australia.* ACOSS/UNSW Poverty and Inequality Partnership Report No. 2, Sydney

[4] Ibid.

In March 2020, when the $550 Coronavirus Supplement effectively doubled the level of income support, Australian National University (ANU) researchers observed that people on Jobseeker Payment and Youth Allowance experienced the largest reduction in household poverty, with poverty rates dropping from around 67 per cent to just under 7 per cent.[5] Financial counsellors saw the impact of this reduction in poverty on the levels of demand for their assistance and the kinds of financial issues being seen. Most powerfully, people who had no good options before the increase now began to have options to live with dignity. However, the support was rolled back on 31 March 2021 and income support returned to levels significantly below both the Henderson poverty line and relative poverty line, as the below graph (Figure 1) illustrates.

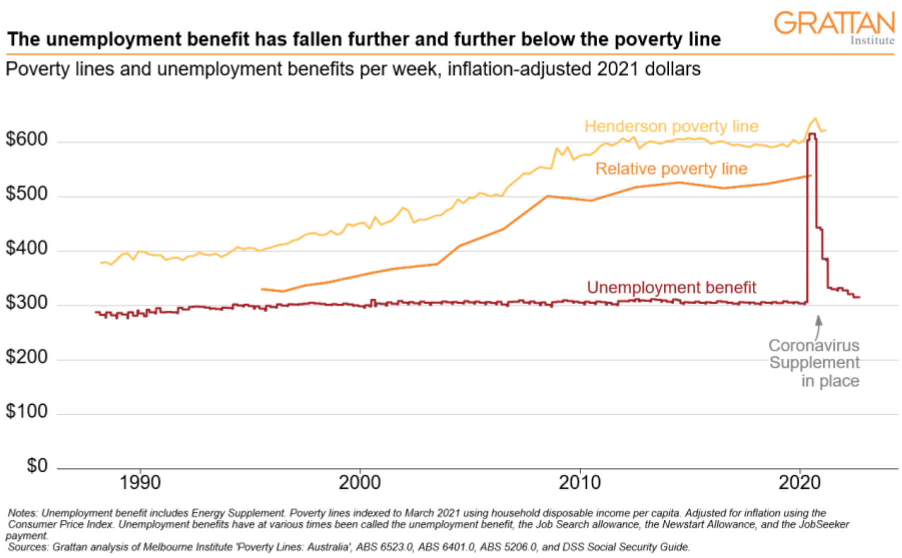

Figure 1: Poverty lines and unemployment benefits

The decision to retract this much needed support from the most financially vulnerable group of Australians was a devastating decision by the then Government. This recent episode emphasises how much we as a society make political choices about the extent of poverty we have in our communities. How those choices are made and influenced has all too often been linked with stigmatising and victim blaming narratives. For those, like financial counsellors, who work closely with people in hardship, the human, community and societal costs of poverty are simply staggering and must be stopped.

This submission will look across an array of factors connected to causing and/or exacerbating poverty; all these issues can be responded to by improved policy. However, it all begins and ends with a key choice we make as Australians, via our elected representatives – how many of our fellow Australians do we chose to threaten with, cast into, or leave, in poverty?

[5] Phillips, B, Gray, M & Biddle, N 2020, *COVID-19 JobKeeper and JobSeeker impacts on poverty and housing stress under current and alternative economic and policy scenarios*, ANU Centre for Social Research and Methods, Canberra.

Financialisation, credit and debt

Socially and economically, the way in which debt and credit operate in our society is very different from what it was 20 years ago. The process known as 'financialisation' refers to the massive growth in an array of products and services in the financial sector, and in particular an explosion in the use of credit. This has largely involved the use of complex contracts that shift risk from banks and financial service providers onto consumers, with vulnerable people bearing most of the risk[6]. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry exposed just how deep and widespread the exploitation of consumers by many banks, insurers and retail superannuation funds has been.

At the same time, these problems are not only in the financial services sector. Marketisation and privatisation has forced consumers to negotiate complex contracts and use credit to obtain basic utility services such as energy, water and telecommunications. Again, risk is shifted down the line in these market processes to the most vulnerable.

Significant increases in the price of housing, and consequent increases in the size of mortgage debt, have also driven indebtedness levels in Australia to very high levels, however it is not mortgage debt alone that has contributed to the significant rises in the levels of debt and indebtedness in Australia, these other processes of change are contributing as well.[7]

Financial counsellors see an array of credit contracts and lending processes that exacerbate poverty. These range from credit card debt (at very high interest rates) to Buy Now Pay Later debts (also at high effective interest rates); finance for purchases such as car loans or via consumer credit leases, and pay day lending. Financial counsellors also see the impacts of scams that are clearly illegal, but very difficult to recover lost money from.

Many people, due to inadequate income support, are desperate for money to pay for the most basic living expenses. They are in a position of having to choose – for themselves and/or their children – between eating, getting medication, paying rent (or a mortgage) and having power on or a phone with credit. Many are put in a position where they are forced into incurring high interest debt from accessing second or third tier lenders and are ultimately made even worse off. In this way, inadequate Centrelink payments push many into an unsustainable debt spiral, but the large number of people in a vulnerable financial position also highlights weaknesses with regulation of lending, and poor consumer protections in relation to provision of credit.

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[6] Bourova, E. Anderson M., Ramsay, I., Ali, P. 2018. "Impacts of financial literacy and confidence on the severity of financial hardship in Australia" *Australasian Accounting, Business and Finance Journal,* Vol 12, Issue 4, p5.

[7] According to the ABS Survey of Income and Housing 2019–20 (published in 2022), three in four (75%) households had debt in 2019–20 compared to 72% in 2009-10. 30% of households had debt 3 or more times income in 2019-20 compared to 24% in 2009-10: Australian Bureau of Statistics (2019-20), *Household Income and Wealth, Australia*, ABS Website, accessed 10 January 2023.

Social Security System

Fundamentally, a social security system is unfit for purpose if it is difficult to access and puts those relying on it below the poverty line. At present, Australia's social security system is falling short of providing social security to individuals and the community; instead of protecting and supporting the vulnerable it all too often traps them in poverty and debt. Significant and urgent change is needed.

Research from Swinburne University of Technology and Centre for Excellence in Child and Family Welfare shows that 'low payments and mutual obligations in current social security policy are functioning contrary to the outcomes government are trying to achieve by creating barriers to work, compromising physical and mental health, reducing self-worth and wellbeing, providing inadequate financial resources for basic living needs, reducing capacity to focus on anything other than survival, and disregarding people's unpaid caring responsibilities, community contributions and long-term goals'.[8]

This research accords with the professional practice experiences of financial counsellors, who consistently observe a clear relationship between a person being on income support payments and becoming vulnerable (if they were not already). Being unemployed is stressful, and financial difficulty only causes further stress. This makes it hard to look for work, negotiate with creditors, deal with debt collectors, and meet the mutual obligation requirements of Jobseeker.[9]

A better social security system would be person-centred and trauma informed, placing the individual at the centre of the engagement with control over the process and decisions rather than subjecting everyone to the same compliance requirements which for most are rigid and punitive in effect. Person-centred practice is a key tenet of financial counselling, and has positive impacts on feelings of confidence, competence, and empowerment for clients.

This is possible to achieve – in fact Centrelink is already able to work in this way in some circumstances. Financial counsellors working in disaster response and recovery have noticed that in disaster circumstances, such as communities affected by bushfire or flood, Centrelink staff are enabled to focus on the needs of the individuals they are dealing with in exactly this way.

By way of contrast, as we prepare this submission, the Robodebt Royal Commission is hearing a sequence of horror stories about the impacts of a culture of victimising and stigmatising Centrelink payment recipients – how it distorts thinking and facilitates unconscionable decision making by Government officials, and can even be used to manipulate media reporting. To prevent a re-occurrence of Robodebt, there is a need to reshape the way Government thinks about poverty.

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[8] Klein, E, Cook, K, Maury, M & Bowey, K 2021, *Social security and time use during COVID-19,* Swinburne University of Technology & Centre for Excellence in Child and Family Welfare, Melbourne.

[9] Financial Counselling Australia, Joint submission to Senate Inquiry re Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia, September 2019, https://www.financialcounsellingaustralia.org.au/docs/adequacy-of-newstart-and-related-payments-and-alternative-mechanisms-to-determine-the-level-of-income-support-payments-in-australia/, accessed 23 Jan. 2023

In previous submissions to this committee,[10] the financial counselling sector has argued that the welfare safety net should be designed and assessed through the prism of fairness. This means that income support should not be linked to 'good behaviour' and should reflect the understanding that people do not choose poverty.

Also, the social security system must recognise and support various productive activities people undertake, such as unpaid care work, rather than punishing people for engaging in this work because it interferes with them meeting their 'mutual obligations'. As the report *Social security and time use during COVD-19* highlights, "narratives of welfare dependency obfuscate how society and the economy are dependent on these forms of labour."[11]

A universal basic income (UBI) is a payment made to all adult individuals that allows people to meet their basic needs. It is made without any work or activity tests.[12] This alternative model for social welfare has the potential to alleviate poverty in Australia. UBI would also eliminate the social stigma of receiving benefits, put an end to punitive and disempowering mutual obligation requirements, and recognise the contribution of unpaid forms of labour to society. By simplifying the existing social security system, it could also increase efficiency and reduce administrative costs.

In relation to UBI, we endorse the following recommendation made by FCA in their submission to this Inquiry:

- *The Productivity Commission should examine the different forms of Universal Basic Income models, identifying which one would be the most appropriate for Australia's support payment system and recommend the parameters for setting up a pilot.*

- *The Government could then set up this pilot to run for five years, with an evaluation by the Productivity Commission.*

This recommendation is in addition to raising Job Seeker and the Pension, which would provide interim funding to the most vulnerable in our community to lift them out of poverty.

Recommendation 1: *Increase working age payments (JobSeeker Payment, Disability Support Pension) above the poverty line to at least $88 a day.*

Recommendation 2: *Establish an expert advisory committee including people with lived experience of poverty to review and recommend changes to Government systems and communications that stigmatise, victimise, isolate and, in other ways, exacerbate the difficulties faced by people experiencing poverty.*

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[10] Financial Counselling Australia, Joint submission to Senate Inquiry re Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.
[11] Klein, Cook, et al, *Social security and time use during COVID-19.*
[12] Arthur, D 2016, Basic income: a radical idea enters the mainstream, Research paper series, 2016–17, Parliamentary Library, Department of Parliamentary Services, Canberra.

Family Violence

Poverty is well established as linked to, and resulting from, family violence. One reason for this is that financial abuse is a widespread form of family violence, often deliberately designed to isolate and impoverish the victim/survivor, making them financially reliant on the perpetrator, or loading them with debts and financial obligations, and taking away financial resources and capacity.

Financial counsellors work to sort out and disentangle the financial abuse from the lives of victim/survivors, but financial abuse can continue to impoverish victim/survivors for years after they leave a relationship.

Financial counsellors also encounter many family violence victim/survivors who have had to face the impossible choice of leaving the violent relationship and entering into poverty, or remaining with the perpetrator of family violence to avoid poverty. In her 2022 report 'The Choice: violence or poverty', Dr Anne Summers found that 'as many as half the women who choose to leave [the violent relationship] will end up in poverty'.[13] Our section below on housing insecurity talks more about the issue of homelessness amongst women.

Those who leave family violence might be able to access services like crisis support and emergency accommodation during the initial phase after leaving. In Victoria, short-term financial support includes the Family Violence Flexible Support Package (FSP). Also, the Federal Government's Escaping Violence Payment (EVP) is accessible in all states and territories. Whilst very helpful, these payments are restricted and capped and not able to meet all the needs of victim/survivors without housing, income or assets. Not having adequate finances to rebuild their lives to a pathway of recovery prolongs and complicates the process of recovering from family violence and increases the risk of being forced to return to the relationship. According to the Australian Bureau of Statistics 2016 Personal Safety Survey, 37 per cent of women who returned to their violent partner did so because they had no money, or nowhere else to go.[14]

In family violence situations, it can often take multiple attempts before a victim survivor is able to leave the relationship permanently. The EVP can only be accessed once in a twelve-month period, so if it is used for establishing housing during what turns out to be a temporary separation, it will not be available to access again within a year. The FSP is more flexible in terms of its definition of a support period as an 'episode of support provided to an adult or child victim survivor by the applicant agency'.[15] However, the FSP is only available to Victorians.

In terms of income support from Services Australia, single parents receive the Parenting Payment Single (PPS) of $927.40 per fortnight until their youngest child turns eight, when they are forced to go onto JobSeeker Payment. This amounts to a reduction in income of more than $208 a fortnight and includes additional compliance obligations as well as the social stigma associated with receiving unemployment benefits.

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[13] Summers, A. (2022). The Choice: Violence or Poverty. University of Technology Sydney. https://doi.org/10.26195/3s1r-4977, accessed 10 January 2023.
[14] ABS Customized data 2021, Table 18, *Women aged 18 years and over who experienced violence by a current partner since the age of 15 and who had temporarily separated, Reasons for returning to violent current partner.*
[15] Family Safety Victoria, *Family Violence Flexible Support Packages (FSPs): Program guidelines*, https://providers.dffh.vic.gov.au/program-requirements-delivery-family-violence-flexible-support-packages, accessed 25 January 2023

This sudden and significant loss of income causes financial distress for parents, who typically do not experience a reduction in costs or parenting responsibilities associated with the youngest child turning eight. In fact, in a 2018 national survey by the Council of Single Mothers and their Children, parents whose youngest child was between 6 and 12 years at the time of the survey were finding it most difficult to meet the costs of living.[16] In the Final Report of the Reference Group on Welfare Reform (McClure Review) in 2015, it was recommended that a Parenting Payment equivalent be paid to parents or guardians of dependent children and dependent young people under the age of 22 (the age of independence), and should increase with the age of the child to better reflect the increasing costs of children as they grow up.[17]

Financial counsellors are also concerned about abuse perpetrated through the social security system, through manipulation of parenting payments, family tax benefit, childcare benefits and child support. For example, where a perpetrator does not give accurate information about their income, this can impact a victim/survivor by creating a social security debt when the reconciliation of their income is finally completed.

Case study from a financial counsellor in metropolitan Melbourne

Shayla* came to Australia as a migrant and now lives in regional Victoria. She is a single parent aged in her early 40s looking after her only child aged 9 years of age. Shayla experienced financial abuse, physical and verbal abuse throughout her marriage. When she was living with her husband, he took control of all the finances and never included her in decision making or information. A couple of years ago he disclosed they were in a financial mess and put their housing at risk as they could not keep up with mortgage repayments.

Shayla initiated changes on her bank account and he subsequently made her move out of the family home. Shayla went into refuge and later received housing support through a family violence service to move into private rental. Shayla later received support to apply for Jobseeker. She now receives Jobseeker Allowance, Family Tax Benefits and Commonwealth Rent Assistance and her private rental costs take almost 65% of her Centrelink income. Shayla does her best to keep a budget but with the increased cost of living, especially in terms of food, energy costs, petrol and car maintenance, her income is not enough to get by.

Shayla recently advised that she also had a Centrelink debt of over $5,000 whereby she is paying a $80 per fortnight deduction for something to do with her Family Tax benefit. When the financial counsellor contacted Centrelink, they advised that she did not properly disclose the income of her family, however she did not know what her husband's income was when they lived together.

*Name has been changed

[16] Andi Sebastian and Irit Ziv: *One in eight: Australian single mothers' lives revealed*. Council of Single Mothers and their Children. November 2019. Available at: https://www.csmc.org.au/publications-on-single-mother-issues/, accessed 17 January 2023.

[17] Reference Group on Welfare Reform, *A new system for better employment and social outcomes: final report of the Reference Group on Welfare Reform to the Minister for Social Services*, (McClure Report), Commonwealth of Australia, 2015. https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_exec_summary_access_2_final_0.pdf, accessed 23 January 2023.

Case study from a financial counsellor in metropolitan Melbourne

Serina* is a single parent aged in her late 30s and lives with mental health issues that mean she periodically needs to be hospitalised. She is well engaged with family support services and mental health supports. Serina became homeless whilst in hospital after a family violence relationship separation.

Her daughter 10 years of age was put into the care of her ex-husband whilst she was hospitalised. With legal support, she now has a shared parenting arrangement with most of the care and has moved into private rental from the support of community agencies and support workers.

Serina is on a Disability Support Pension and is paying a Centrelink debt for incorrect information that her ex-husband provided her when she applied for Centrelink while living with him for over 11 years. Serina's ex-husband is very unpredictable and often cancels the parenting arrangement with their daughter, leaving Serina with uncertainty and in a position of more care. Whilst Serina is managing mostly with her new independent living and caring for her daughter, she cannot manage the additional deductions of the Centrelink debt and does not understand how this happened when she had told Centrelink her details.

*Name has been changed

Financial abuse may leave victim/survivors with a poor credit rating which then excludes them from accessing credit from lenders regulated under the National Consumer Credit Protection Act 2009. Consequently, they are forced to use less regulated, or unregulated, credit products with high effective interest rates such as buy now pay later or pay day loans. With cost of living increases, financial counsellors are increasingly seeing people with bad credit ratings forced use buy now, pay later products to cover basic living expenses, and entering into a debt spiral as a consequence.

> 'Victim survivors of family violence and economic abuse present each week with buy now, pay later debts and issues. Some of [these] will be debts incurred in their name by their ex-partners, and some are applications made by the victim-survivor themselves because they have otherwise been left in poverty after leaving the violent relationship.' Dacia Abela, WEstjustice[18]

Recommendation 3:
Review pensions and parenting payments to identify quantum and threshold adjustments with the objective of reducing poverty amongst recipient families and individuals.

[18] Jarni Blakkarly, CHOICE, 'Buy now, pay later failing family violence victims', 17 October 2022, https://www.choice.com.au/money/credit-cards-and-loans/personal-loans/articles/bnpl-family-violence, accessed 12 January 2023.

Mental Health

Poverty and debt are important and underestimated mental health co-morbidities. A deterioration in a person's financial position can cause situational distress and, left unaddressed, can be a major contributor in triggering a mental health crisis. At the same time, long term mental health conditions can contribute significantly to the likelihood of a person making poor financial decisions or living in poverty.

In collaboration with Beyond Blue, the Australian Securities and Investment Commission (ASIC) commissioned research to examine the relationship between financial wellbeing and mental health which was published in the report 'Money and mental health' in August 2022. The research found that that people experiencing financial challenges are twice as likely to be experiencing mental health challenges as those who are not experiencing financial challenges.[19]

The research also found that negative impacts of financial and mental health challenges can accumulate over time, and can be reciprocally reinforcing, leading to downward spirals and entrenched issues. Downward spirals can be unexpected and can progress more quickly and be more difficult to halt or reverse than the people experiencing them initially anticipate. Financial counsellors encounter many clients with significant mental health issues that prevent them from working, who cannot access the Disability Support Payment (DSP) due to the prohibitive eligibility criteria and application process, as outlined in FCVic's 2021 [Submission to the Senate Inquiry into the purpose, intent and adequacy of the Disability Support Pension.] These people are then forced to go on JobSeeker, with a lower rate of benefit, and additional mutual obligation requirements that they are often not able to meet. The stigmatised status of benefit recipients also creates additional mental health burdens.

Between March and June 2022, FCVic surveyed 90 people who were clients of financial counsellors about trying to live on the JobSeeker Payment. 83% reported experiencing mental health issues.[20] Mental health treatment in Australia is expensive and inaccessible to many people in financial hardship, creating a vicious cycle where poverty makes it difficult to recover from mental illness, and vice versa.

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[19] Heartward Strategic. Money and Mental Health Social Research Report. Australian Securities & Investments Commission, Beyond Blue. 2022. https://www.beyondblue.org.au/docs/default-source/about-beyondblue/20061-money-and-mental-health-research-final-report-220804.pdf?sfvrsn=fd5d30e5_2, accessed 12 January 2023.

[20] Financial Counselling Victoria, *Short-changed: The ongoing costs of an inadequate JobSeeker Payment,* October 2022. https://fcvic.org.au/wp-content/uploads/FCVic-Report_Short-changed_The-ongoing-cost-of-an-inadequate-JobSeeker-payment_Web_FA.pdf, accessed 12 January 2023

Case study from a specialist family violence financial counsellor

Lara* lives in regional Victoria. She was a stay-at-home mum raising her 3 children and picked up some casual work when she could. However, her 3 children had special needs that meant she had to care for them at times, limiting her opportunities to work. Her husband never took on any caring responsibilities and used violence. After the kids left high school, Lara left her marriage after the last significant incident of family violence. Lara's youngest child stayed living with her.

Lara was left with no savings, hardly any superannuation and no significant assets. She went back to work in a low skilled job and sustained a workplace injury that has impacted her mobility, and in turn, her physical and mental health. Lara could no longer afford the private rental that she and her son, who was not able to work, lived in. They spent the next 6 months homeless until receiving housing support and finding an affordable rental property.

Since the accident, Lara has applied for the Disability Support Pension twice. She has been rejected although she had letters from the doctors and specialists. Lara was assessed to be able to work 8 hours per week. However, she cannot find 8 hours per week employment in her area, and physically cannot work 8 hours straight due to her disability. Her doctor is fed up with filling out forms and doesn't really understand the Centrelink system either.

Lara used what was left of her superannuation when she and her son became homeless. She has a few very large utility debts because she can't afford to pay the bills. She struggles to pay for any specialist services and additional medications. When the Coronavirus supplement came in 2020, Lara found things manageable on her Centrelink income. As the Coronavirus supplement started to be reduced, she became increasingly anxious about how she would survive. Nowadays she often cannot afford her rent and has exhausted all emergency relief providers in her region. She worries she and her son will end up homeless again. She feels completely overwhelmed and depressed, and often has suicidal ideation.

*Name has been changed

Case study from a financial counsellor in metropolitan Melbourne

Paul* is a recently widowed man living in a private rental with his 8-year-old daughter. The Parenting Payment he was receiving changed to Jobseeker when his daughter turned 8. He also hasn't received Family Tax Benefit A and B since this change of payment.

Paul is suffering from depression and post-traumatic stress disorder since his wife's long illness and death. He hasn't been able to contact Services Australia to remedy the situation.

Paul hasn't been paying gas and electricity bills, as he has no money left after rent and food. He was threatened with disconnection and rang his utility company who referred him to a financial counsellor.

***** Name has been changed

Housing insecurity

Poverty and housing insecurity are interlinked and cause enormous harm to children, adults, and older Australians. Victorian financial counsellors work with and represent many clients who experience poverty-related housing stress in a range of circumstances. Some clients are homeless; many clients with housing are at risk of homelessness and forced to forego one or more of food, medications, or heating to keep a roof over their heads. They may be tenants, or they may be homeowners experiencing mortgage stress, but they're increasingly confronted by a perfect storm of general cost-of-living pressures, significant increases in energy costs (often in the context of already having significant energy debt), rent increases or home loan interest rate increases.

Housing is essential to human dignity, but reliable and stable access to it increasingly requires a level of wealth unavailable to many in our community. Insecure housing brings with it a loss of dignity and a sense of transience and uncertainty, linked to increased risks to mental and physical health and to a lack of financial capacity to access appropriate health care.

Housing insecurity both reflects vulnerability and exacerbates vulnerability. South East Community Links is a Melbourne community organisation working with migrant communities. It estimates that, amongst the culturally and linguistically diverse women in the communities it works with, 70 per cent face housing insecurity. These women face enormous barriers to even being aware of their rights as tenants, given that most are not homeowners.

As noted above, often women subjected to extreme housing insecurity are victim-survivors of family violence who've been forced to leave stable housing for safety reasons, typically in hardship, and with few options for long-term, stable accommodation. In 2019 the Human Rights Commission published a paper highlighting the growing problem of homelessness amongst older women. Its research found that older women, aged 55 and over, were the fastest growing cohort of homeless Australians between 2011 and 2016. It increased by 31 per cent during that time, and it's likely that trend will continue given the ongoing shortage of affordable housing, the ageing population and the significant gap in wealth accumulation between men and women across their lifetimes. The circumstances since 2019 have not significantly changed, and in many ways the pandemic exacerbated those sorts of issues.

In Victoria, due to the extensive use of lockdowns and shifts in work, the pandemic has also impacted the housing markets in regional areas. Moving away from the city used to be a cheaper option than living centrally, but rental prices have increased significantly in rural and regional areas because people with the option to work remotely since the pandemic are taking advantage of the opportunity for a 'tree-change'. Weekly rent in the regions ($395 median) is now the highest it has ever been.[21] This is compounding existing rental pressures. Additionally, small businesses in rural and regional areas are finding it difficult to recruit staff because people can't afford to live locally on the incomes they would receive for those jobs.[22]

Recent natural disasters have also had significant impacts on housing. Climate change is driving a significant increase in environmental disasters and property damage, which is in

[21] Anglicare Victoria, Rental Affordability 2022 Snapshot, https://www.anglicarevic.org.au/wp-content/uploads/2022/04/Victorian-Rental-Affordability-Snapshot-2022.pdf, accessed 30 Jan. 23
[22] Feedback from regional members of the Victorian Chamber of Commerce and Industry.

turn causing large increases in home and contents insurance premiums, limiting access to insurance for many. Affordability issues result in non-insurance and underinsurance of households, especially those with lower incomes – yet these are more likely to be the households that can only afford to buy property in higher risk locations or uninsurable locations. Renters may have contents insurance but often have limited information on the location risks or whether the house they are renting is insured.

Houses are being lost to disasters, but rebuilding is unaffordable, with insurance payouts well under the cost of replacement housing. Even if it is affordable, it takes years to eventuate. Almost three years after the bushfires, financial counsellors and housing workers in East Gippsland still report cases of families with children living in cars and elderly couples in their 80s living in tents in the bush.

Anglicare's rental affordability snapshot[23] points to a crisis in the availability of affordable rental accommodation for those on government benefits. Housing policy experts and economists tend to focus on supply and demand issues around housing and seek to explain problems with reference to market drivers of property prices. However, one of the many positive effects from the reduction in poverty observed by financial counsellors due to the pandemic supplement to Job Seeker was the reduction in the levels of housing insecurity amongst clients. This strongly suggests that concerted actions to reduce poverty—for example, by increasing income support payments and rest assistance —can bring about real reductions in the level of housing insecurity in our community.

Commonwealth Rent Assistance is currently available to Australians on pensions and benefits including JobSeeker, the Family Tax Benefit and Parenting Payment. The maximum available to a person living alone is $75.80 per week, or about $10 a day. Associate Professor of Social Policy at UNSW Bruce Bradbury has argued that rent assistance should double (based on the threshold proposed by the 2009 Henry Tax Review). This would make the assistance more meaningful in relation to current rental prices.

Case study from a financial counsellor in outer-metropolitan Melbourne

Marjorie* is female, aged mid 50s to early 60s. She has been a stay-at-home parent during her 30s and 40s while raising children, and re-enters employment after this.

Marjorie's marriage breaks down once the children leave home and there are insufficient assets to divide upon separation. She moves into a private rental. Her rent and cost of living is affordable while she is employed, earning minimum $800 a week. She has one credit card with $10,000 limit (for emergencies), car value less than $2000, less than $20,000 in superannuation, and no savings.

Marjorie loses her job and struggles to secure new employment, applies for JobSeeker & Rent Assist and receives less than $400 a week. She is too young for the age pension, does not meet Disability Support Pension eligibility, and is struggling to secure employment. She is unable to afford rent and cost of living, immediately driven into poverty, causing mental health issues and putting her at high risk of eviction and homelessness.

* Name has been changed

[23] Anglicare Victoria, Rental Affordability 2022 Snapshot

Digital access gap

Digital poverty is a real and increasingly significant form of poverty which compounds other forms of poverty. The research project 'Advancing Digital Inclusion in Low Income Australian Families' has found that families living on low incomes are among the least digitally included Australians and are at greater risk of broader social exclusion and worse outcomes across life spheres including education, work, finance, health, and wellbeing.[24]

Lack of access to digital or online services is a widespread and common issue amongst clients of financial counsellors. This could be due to not having a device or internet connection, or lacking sufficient credit, or lacking skills and confidence with using digital technology. This was very evident during COVID lockdown restrictions in Victoria, when services had to be delivered over the phone or on a computer rather than in person. Many financial counselling clients, for example, had a phone, but couldn't afford credit for calls and data.

In addition to making it very difficult to access a range of services which are increasingly migrating online (banking, utilities, government services), barriers to digital access may mean people are unable to report income to Services Australia which can prevent them from accessing payments, thus being unable to afford phone credit and continuing the cycle. Services Australia physical offices are becoming fewer, which means there are longer lines for those offices that remain open for people who require face to face services.

The Australian Digital Inclusion Index 2021 found that digital ability declines with age, significantly dropping after the age of 55 and decreasing in the older age brackets and as tasks become more complex.[25] At the national level, women have slightly lower Digital Ability scores than men. In relation to the digital access requirements to access income support, these findings are concerning as the Parliamentary Budget Office's January 2023 analysis of JobSeeker Payment recipients by age and gender has shown that women over 60 are the largest cohort.[26]

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[24] Dezuanni, M., Osman, K., Foth, M., Kennedy, J., Marshall, A., McCosker, A., Mitchell, P., Notley, T., Mamalipurath, J., Mavoa, J. and Tucker, J. (2022). Advancing digital inclusion in low income Australian families: Interim findings report. QUT, Brisbane, Australia.

[25] Thomas, J., Barraket, J., Parkinson, S., Wilson, C., Holcombe-James, I., Kennedy, J., Mannell, K., Brydon, A. (2021). Australian Digital Inclusion Index: 2021. Melbourne: RMIT, Swinburne University of Technology, and Telstra.

[26] Parliament of Australia, Parliamentary Budget Office, JobSeeker Payment: COVID-19, age & gender, 12 January 2023.

Case study from a specialist family violence financial counsellor

Angelina* left a family violence situation with police arriving to remove the perpetrator. At that stage Angelina had rental arrears because the person using violence had not contributed to the private rental costs. She was subsequently evicted and lost her job.

In her 50s, Angelina had nowhere to live and had no option but to live in her car. Her children were removed from her whilst she was homeless. Angelina had never been in this situation and was not confident with IT, computers and systems online.

Angelina went to a Centrelink office and advised of her situation. As a result, Centrelink cut her payments. They incorrectly calculated her payments based on her working income and as such, were not paying her correct entitlements.

For almost six months, Angelina was struggling to even buy food as most of her money went on paying for petrol and car maintenance so that she had somewhere to live. She would use what extra she had for her children when she had contact with them.

Fortunately, Angelina received community services support and her Centrelink income was rectified, but it has still not been enough to live off. Angelina has had no choice but to take up work to survive and pay for a private rental, even though she is still recovering from the family violence.

*Name has been changed

Energy hardship

Financial counsellors commonly see clients with utility debts in excess of $2000. Customers who are unable to pay their bills are entitled to financial assistance, including grants and payment plans. In Victoria, State Government supports include Concessions, Utility Relief Grants, and obligations for energy retailers to support vulnerable customers set out in the Payment Difficulty Framework (PDF) by the Essential Services Commission.

However, it can be difficult for customers in financial hardship to access information about their entitlements because many retailers prioritise putting the customer on a payment plan before, or instead of, initiating a discussion about concessions and grants, despite the PDF requirements. According to VCOSS, roughly 14% of Victorians who are eligible for a power bill concession—that's as many as 130,000 people—don't currently receive it.[27] This may also be due to accessibility issues for people who don't speak English or don't have the devices, data or digital skills required to apply online.

Payment plan arrangements are often put forward by energy retailer staff as non-negotiable, due to either inadequate training of call centre workers in matters of financial hardship and vulnerability, or inappropriate scripts and incentives for retail staff. This can put the customer in a worse position as payment plans are often unreasonable and unsustainable. In January 2023 alone, Victorian financial counsellors have reported multiple major energy retailers demanding that clients on income support payments agree to payment plans that represent between 50% and 100% of their fortnightly income.

[27] VCOSS, The real frontline against the 'cost of living'

There is a large and growing cohort of people who cannot afford to pay for their ongoing energy usage. Non-payment risks disconnection from an essential service. In Victoria, customers are not supposed to be disconnected if they remain in contact with their retailer, although inappropriate disconnections do still happen. Moreover, there are many good reasons that a person in financial hardship may be unable to engage with their energy retailer, including family violence, caring responsibilities, trauma or lack of access to devices or credit for phone-calls and internet use.

Migrants and refugees

Asylum seekers, refugees and migrants on temporary visas generally do not have access to any kind of Commonwealth Government income support in Australia. Consequently, Australia is failing to honour its international obligations in relation to the right to social security, which is recognised in numerous instruments including the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights.[28]

Financial counselling is accessible to people in Australia regardless of their visa status, with access to interpreter services where necessary. Therefore, financial counsellors are accustomed to working with clients from migrant and refugee communities. Their experience is that people from these communities are particularly vulnerable to poverty due to the lack of financial support available to them, and other factors such as discrimination, language and cultural barriers, and trauma, which can make it difficult to secure employment. They are left to rely on material aid and emergency relief from charities and other support services.

Case study from a specialist family violence financial counsellor

Thuy* is a single mother and has been living in Australia for 8 years. She experienced family violence and had to escape into refuge with 2 children. She does not qualify for a permanent visa and only receives Centrelink Family Tax benefits.

Her family violence worker assisted her with getting accommodation through a housing service which is subsidised. After rent, Thuy has $250 left per week to pay for food, utilities, phone, school costs, transport expenses and anything else. She is constantly contacting emergency relief services to assist because she has no other option.

As she speaks very little English, her employment options are limited.

*Name has been changed

[28] Office of the High Commissioner for Human Rights, OHCHR and the right to social security, United Nations, 2023, https://www.ohchr.org/en/social-security, accessed 19 January 2023

Case study from a financial counsellor in metropolitan Melbourne

Farshid* is a living in Australia on a Bridging visa E Subclass 050. He is unable to work because of a stroke 5 months ago and receives no income support from Services Australia due to his visa status.

He was referred to a financial counsellor by the hospital. He speaks Farsi and requires an interpreter.

Farshid is at risk of disengaging with the health service due to the mental health impact of financial hardship and not being able to work. He has also been threatened with disconnection from utilities.

The financial counsellor called Farshid's utility companies and applied for the Victorian Government's Utility Relief Grants, which are accessible to people on temporary visas.

*Name has been changed

Financial literacy and capability

Empowerment and education of people is always important, and understanding how to navigate the financial complexities of living in our society are key skills for people to have. In that context, financial literacy and capability are one important element of what financial counsellors address in their practice with clients and outreach, and in working alongside financial capability workers.

However, financial counsellors often observe that the clients that they see struggling to live on government benefits are the best budgeters that they've ever met—they must be to survive.

Financial capability and literacy work should not be overemphasised as an answer to the structural and systemic factors that have allowed poverty in Australia to increase substantially in recent decades. Poverty in Australia, as is evidenced in this and other submissions, is being driven primarily by an inadequate social safety net; this reflects structural factors and political choices to tolerate record and increasing levels of poverty.

Care must be taken by policy makers to avoid an undue focus on financial literacy as a response to poverty, and thereby implying poverty is a matter of individual failure.