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Submission to the Senate Select Committee Inquiry on the Cost of Living

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Executive Summary

Mallee Family Care (MFC) welcomes this inquiry by the Senate Select Committee on the Cost of Living. Our experience, as a place-based provider of human services in the Mallee region, is that increasing cost of living pressures have resulted in many people struggling to meet fundamental needs such as housing, healthcare, energy, and food. This has exacerbated existing economic inequalities and intensified the strain on charitable organisations and social services.

There are many drivers of this situation, some of which, such as the COVID-19 pandemic, were unavoidable. Others are the result of decades of policy choices that have eroded economic equality, restricted social security provisions, privatised essential services and incentivised property investment above equitable home ownership.

Attempts to address the cost of living through monetary policy, such as interest rate adjustments, are inadequate as they disproportionately impact those with fewer financial resources, such as low-income individuals and families with mortgages. MFC urges the government to address the underlying structural issues driving the cost-of-living crisis, such as corporate profiteering, stagnant wages, inequitable housing policies, insecure employment conditions and an inadequate income support system.

We also call on the government to shift its focus towards sustainable, long-term solutions to cost-of-living pressures through increasing support payments and ensuring they provide a liveable baseline for recipients. While short-term measures, including fuel excise and temporary income supports are welcome, they should not distract from how outdated existing systems are.

MFC has itself faced significant challenges in recent years stemming from funding cuts to the community service sector, escalating service delivery costs and funding models that fragment service delivery and continuity. This funding environment has eroded our sector's capacity to provide vital services to society's most vulnerable people. Ensuring that our services remain efficient, accessible and of the highest quality has become an ongoing – and increasingly complex – challenge.

This submission outlines measures to address the immediate the impact that the current crisis is having on our clients and the Mallee community, while also developing a comprehensive policy agenda to tackle the root causes of economic inequality and build a fairer and more equitable society over the long term.

Key recommendations

- **Increase income support levels:** Income support payments should be increased beyond current levels to cope with rising living costs. This includes redesigning the federal income support system to permanently boost payments, index-linking the Disability Support Pension, and raising the Jobseeker payment.

- **Boost access to financial counselling:** Prioritise and enable a place-based approach to financial counselling service provision, under a national framework. Localised, place-based services can support clients to navigate health and social support systems locally and comprehensively address the drivers of their financial hardship.

- **Lift mental health service investment:** Greater investment and better targeted mental health services are recommended, particularly for disadvantaged communities who are disproportionately impacted by the cost of living crisis.

- **Inject funding into community service organisations:** Boost the service capacity of place-based CSO's operating in targeted areas of significant disadvantage and those servicing vulnerable rural and remote communities:
  - Funding indexation and facilitating wage growth to support the workforce required to deliver these essential services.
  - Extending government contracts to provide stability and enable effective planning for both service providers and clients is another needed reform.
  - A new approach to the current system of competitive tenders, to ensure that procurement processes ultimately foster cooperation between community organisations rather than pit them against each other.

- **Address housing availability and affordability:**
  - Significant investment in the construction of social and affordable housing.
  - Nationally consistent protections and uniform tenancy legislation.
  - Increases in social security payments to ensure they keep pace with rising housing costs.
  - An overall increase in the housing supply through national construction programs and policy reforms to streamline planning regulations.

- **Address drivers of poverty and housing insecurity that impact outcomes during early years.** This should be included in the government's Early Years Strategy 2024 – 2034.

- **Invest in better data collection**: There is a need for better data collection around food insecurity and cost of living pressures, especially in rural and regional areas.

- **Encourage competition and disincentivise price gouging**: The government should consider measures to increase competition and minimise the potential for price gouging within essential services. This should include ongoing scrutiny by parliamentary committees, 'naming and shaming' repeat offenders, and levying financial penalties where appropriate.

Cost of living: Insights from the Mallee Region

Introduction

Over the past few years, Australians have endured significant challenges. The ongoing impacts of the COVID-19 pandemic, steadily rising inflation, extreme weather affecting food supplies, global energy market instability and domestic policy settings in key areas, such as housing and social security, have all contributed to the rising costs of living and decreased availability of essential goods.

Specific cost of living issues affecting the Mallee community are the surging price of fresh food items, record-high petrol costs and unaffordable rental markets. As income support payments have not risen to reflect these cost pressures, the result is that many individuals and families are unable to afford the basic necessities of life.

This impact is widespread, affecting people receiving income support payments, those with part-time and insecure employment and even some with full-time jobs. Younger Australians are particularly impacted, with many reporting reduced spending and considering second jobs. MFC has experienced an increase in demand for our support services, including among people in full-time employment. We are concerned about the alarming levels of food insecurity and impact that financial strain is having on households, with evidence that many people are being forced to skip meals or reducing essential services like heating due to cost constraints.

MFC does not believe that in a wealthy country such as Australia, anyone should have to make a choice between essentials like food, utilities, and healthcare. It is important to understand that this cost-of-living crisis is not only a financial challenge but also has profound implications for individuals' health, wellbeing and the community's sense of cohesion and security.

We support the findings of other groups in this sector, including The Consumer Action Law Centre, Australian Council of Social Services (ACOSS) and the Salvation Army, that there is a 'poverty premium', in which financially disadvantaged Australians are often forced to pay more for essential goods and services, trapping them in financial difficulty and that it has become 'more and more expensive to be poor in Australia'.

Below we outline the compounding impact of these pressures on our clients in the key areas of housing, health, energy, and food.

Housing

The housing affordability crisis in Australia is the result of a complex set of factors, including trends in global financial markets, government and regulatory policy settings and supply issues which have been exacerbated by the COVID-19 pandemic. At the domestic level, the rise in housing prices has been driven by policies such as the capital gains tax discount and negative gearing, which have encouraged investment in the housing market rather than fostering adequate supply. Regulatory frameworks in favour of housing investment coupled with insufficient investment in social and affordable housing have further exacerbated the crisis and initiatives such as stamp duty discounts and first homeowner grants have failed to address the root causes of housing unaffordability but instead contributed to price inflation. The rental market has been further strained by short-term letting practices, reducing available housing stock.

The net result of these factors has been increased pressure on both mortgage holders and renters, leading to rising rates of mortgage and rental stress and ultimately an increase in homelessness. In the Mallee region rental costs have increased, exacerbating the financial strain on low-income individuals and families. The current vacancy rate in the rental market remains low which intensifies competition for the limited available properties.

In last year's Housing Snapshot, Anglicare found that 0% of available rental listings were suitable for families on Jobseeker, parenting payments, the disability or youth allowance. Families on minimum wage, in particular single parents, can also face significant housing stress as their incomes fail to keep pace with increasing rents.

The resultant increase in homelessness is placing additional demands on charities and social care organisations and increases the risk of other adverse outcomes, such as mental and physical health problems, family breakdowns and drug and alcohol misuse.

MFC proposes a comprehensive set of measures to address the growing housing crisis in Australia including:

- significant investment in the construction of social and affordable housing.
- nationally consistent protections and uniform tenancy legislation.
- increases in social security payments to ensure they keep pace with rising housing costs.
- an overall increase in the housing supply through national construction programs and policy reforms to streamline planning regulations.

Physical and mental health

Cost of living pressures in Australia are significantly impacting the mental health of many individuals, with evidence suggesting a correlation between financial strain and increased risk of suicide. A recent survey by Beyond Blue has found that one in five people's mental health is being extremely impacted by the rising cost of living. The survey found that 83 per cent report of respondents said that the rising cost of living is negatively impacting their mental health, with one in five respondents reporting that impact is extreme. The situation is particularly concerning for vulnerable groups, including First Nations Peoples, small business owners, and those still recovering from the economic fallout of the COVID-19 pandemic.

While the full extent of the mental health impact of the cost-of-living crisis is yet to be realised, MFC is concerned about the impact on our clients and community. We echo the call from Suicide Australia for a whole-of-government approach to reducing financial stress on individuals and families, supported by a comprehensive suicide prevention strategy.

Physical health impacts resulting from the cost-of-living crisis can arise from a range of factors, most are most often associated with missed care. As noted by the National Rural Health Alliance, 'the combination of lower incomes and higher pressures on those incomes often means that people in rural and remote areas are more likely to skip or delay visits, treatments, tests and medications because of cost. This, in turn, can result in poorer health outcomes. Additional costs are also placed on the health system when patients are eventually admitted to ED or hospital care for longer and more complicated conditions that might have been otherwise prevented if addressed early.

For patients in the Mallee region, the cost-of-living crisis has real implications for access to healthcare. It is a 4.5-hour drive from Mildura to Adelaide, the nearest metropolitan city, and there are no longer any buses or planes for this route. This forces people to access specialist services in Melbourne, which is further away (6-hour drive) particularly those who do not have their own car to drive or do not have family support.

Food insecurity is another factor that is linked to an increased risk of poor nutrition, obesity and chronic illness, as households facing cost-of-living pressures shift towards cheaper, lower-quality food options. Energy poverty can also increase physical and mental health problems as people struggle to keep warm in wintertime, and cool in the summer.

MFC recommends policies to address the dual challenge of enhancing healthcare access during periods of high inflation and mitigating health risks arising from economic stress.

We equally support integrating health and well-being considerations into policy decisions aimed at managing inflation. Conventional approaches like raising interest rates may worsen short-term cost-of-living pressures while potentially leading to longer term health consequences. As Australia seeks to foster an economy centred on equity, health, and well-being, evaluating the health impacts and exploring alternative responses to inflation is imperative.

Food

In the last 12 months, there has been a significant increase in food prices, reversing the trend of decreasing grocery costs since 2006. Annual food inflation has been around 7.5 per cent over the past two years, with the cost of dairy rising around 15.2 per cent in the past 12 months and breads and cereals increasing at around 11.2 per cent over the same period. This has greatly contributed to the ongoing issue of food insecurity, characterised by inadequate access, insufficient supply, and improper utilisation of food (e.g., improper food preparation). Research from Foodbank shows that 3.7 million Australian households experienced food insecurity in 2023 – 10% more than in 2022.

Many of the factors contributing to food inflation and insecurity are well known and include natural disasters at home and geopolitical uncertainty abroad. Certain demographics in Australia are particularly vulnerable to these developments – including unemployed individuals, single-parent households, low-income earners, rental households, and young people. Indigenous, culturally and linguistically diverse (CALD), and socially isolated populations may also face higher rates of food insecurity. But it is of often forgotten that the impact of food inflation and insecurity has hit rural and regional Australia as a whole particularly hard.

For example, data suggests that transport costs and monopolistic behaviour by the major supermarket chains have resulted in a trebling in cost for certain grocery staples. The ABC reported in 2023 that a kilogram of beans cost upwards of $36 in western NSW, while only $11 in Sydney. Such a difference in price is unacceptable. MFC therefore strongly supports the ACCC's current inquiry into Australia's supermarket sector and the inclusion of the specific characteristics of the food situation in rural and regional areas. Likewise, MFC encourages these same considerations to influence a proposed National Food Plan that was recommended following a parliamentary inquiry into food security in late 2023.

In a similar vein, whilst almost all food categories have experienced price increases, many healthy foods appear to have increased in price at almost double the rate of discretionary (unhealthy) foods. This is often coupled with the reality that in order to source affordable fresh fruit and vegetables, regional consumers often are forced to travel long distances for competitive prices. Not being able to routinely afford and access healthy food in regional areas is a public health risk that is a direct consequence of the cost-of-living crisis and yet another reason why the current state of the sector requires close and ongoing scrutiny.

Such action by policymakers is not unheard of. In the UK the major supermarket players have routinely been subject to parliamentary inquiry, despite their profit margins being significantly less than what their Australian counterparts enjoy. In France the action against anticompetitive practices has been even more ambitious, with direct negotiation extending to suppliers and sellers and leading to across-the-board price cuts on food prices. The alternative was to 'name and shame' and even impose financial penalties on parties found to be engaging in 'greedflation'. It is high time that Australian governments consider introducing similar mechanisms should evidence of similar circumstances emerge through the ACCC inquiry.

MFC proposes that government address food insecurity by:

- Incorporating rural and regional perspectives into efforts to address food insecurity and inflation, in particular through the National Food Plan and similar measures.
- Implementing ongoing parliamentary oversight of food prices and ensure that government can act to bring down prices by engaging with suppliers and producers.
- Considering financial penalties for stakeholders who are shown to be price gouging and do not cooperate with government initiatives to bring down prices.

Energy

MFC is concerned that the impact of rising energy prices can compound existing socioeconomic disparities, disproportionately affecting low-income families by increasing financial burdens, exacerbating housing insecurity, impacting health and well-being.

Rises in energy prices in recent years has placed a significant financial burden on Australians, with some households unable to reduce these costs. Low-income families spend a higher proportion of their income on basic necessities like energy compared to higher-income households. As energy prices rise, a larger portion of their budget is allocated to utility bills, leaving less money for other essential needs such as food, housing, and healthcare. Some low-income families may struggle to keep up with rising energy costs, leading to utility disconnection due to non-payment. This can result in living without essential services like heating, cooling, and electricity, posing health and safety risks, particularly in extreme weather conditions.

Even before the pandemic and the current cost-of-living crisis it was evident that regional Australia was bearing the brunt of higher energy prices. St Vincent de Paul's annual energy report found that in 2018, two years before the pandemic, regional consumers were faced with power bills that could be upwards of $1000 more expensive than their urban counterparts. Since this time prices have continued to climb, and policies to minimise the burden on regional Australia have been missing.

We are seeing this play out in our communities, particularly through our financial counselling service which has seen an increase in clients who are struggling with power bills. The Mallee region is prone to extreme weather, exacerbated by climage change. Our communities are extremely hot in summer and cold in winter, forcing people to rely on air conditioning and heating for their health, safety and comfort. In 2022-2023, our financial counselling service helped a total of 888 clients experiencing financial difficulty, and of these 41% had utility debts contributing to their challenges.

To cope with increasing energy bills, low-income families have had to resort to living in substandard housing that lacks adequate insulation or energy-efficient appliances. This can lead to higher energy consumption and perpetuate a cycle of poverty, as they are unable to afford more energy-efficient housing options. Low-income families may sacrifice heating or cooling their homes adequately to save on energy costs, resulting in exposure to extreme temperatures that can negatively impact health, particularly for vulnerable populations such as children, the elderly, and those with pre-existing health conditions.

Certain initiatives, such as the Energy Bill Relief Fund, have been good initial forays into alleviating financial stress, but they do not go far enough. For instance, the Energy Bill Relief Fund only provides one-off support of $500 without reflection on longer-term sustainability. Instead, comprehensive strategies are required that focus on improving energy efficiency, providing targeted financial assistance, and addressing underlying factors contributing to poverty and inequality that exceed a band-aide approach.

Children and families

MFC recognises the profound impact of cost-of-living pressures on families and children in our region. These pressures have a direct impact by compromising their access to basic life necessities, as well as indirectly through the impact cost of living pressures have on the mental, physical, and financial well-being of parents, children, and caregivers. Furthermore, evidence suggests that the cost-of-living crisis has contributed to a spike in domestic violence as the ability for families to extract themselves from harmful situations becomes more complicated. Those in rural and regional areas are once again most likely to be affected due to the limited supports available and the difficulty in relocating.

For example, MFC has recently been supporting a 32-year-old mother of three who fled from a domestic violence situation and re-established her life in the Mallee region. She presents with symptoms of major depression and general anxiety disorder. Her eldest child has been diagnosed with level three autism and has high and complex support needs. Without a car, her ability to access NDIS services for her son are limited, and she refrains from public transport due to a fear of being judged due to her children's behaviour. Her private rental costs $420 a week which she finances through Centrelink support and casual work at a bar, but only when she is able to find help to mind her children. Often she resorts to Small Amount Credit Contract loans and buy now pay later schemes to make ends meet. Due to the rising cost of living, she is now engaged in sex work – both online and in person. She actively hides this fact from her family, but feels there is no other way to currently survive and support her children.

Cost of living concerns are impacting other areas of family services in the region. We are aware that families accessing MFC's playgroups are increasingly requesting support with transport to get to the playgroups, as transport costs have become prohibitive for them. In some cases, providing children with healthy food has become increasingly difficult and their attendance at playground means an opportunity access to healthy foods. Child and family service providers such as MFC can also play a crucial role in addressing food insecurity among clients through practical interventions and by facilitating access to services like financial counselling that address underlying factors contributing to food insecurity.

It is therefore vital that the specific of children and families are recognised within broader solutions. In response to the government's recent consultation on the Draft Early Years Strategy 2024 – 2034, MFC advocated for the inclusion of measures to address both housing and poverty which are crucial determinants of early years outcomes as part of the Strategy.

Given the life-long adverse impacts of poverty, MFC urges the government to prioritise children and families within the scope of the inquiry. Specifically, we propose that the Committee:

- Recognises the specific impacts of cost of living increases on children and families.
- Takes a comprehensive, cross-sectoral approach involving education, health, housing, transport, and recreation systems.
- Acknowledges the perspectives of children, young people, and parents/caregivers with lived experiences of financial strain.
- Considers investments in parental support and family programs to directly address the adverse impacts of the cost of living crisis.

Impact on Mallee Family Care

The cost-of-living crisis in Australia is significantly impacting the charity and not-for-profit sector in two main ways. Firstly, there is an increased demand for services provided by charities due to rising cost of living pressures – particularly in relation to emergency relief. This demand is observed across various demographics, including people in full-time employment, with many seeking help with basic necessities such as food and housing. One reason MFC advocates for increased support payments is to empower individuals and allow them to minimise the burden of relying on both government and community organisations for financial assistance. The current system is both onerous and inefficient and forces the sector to effectively do 'more with less'. By raising support payments, less people will require direct intervention by community organisations and allow resources to flow towards the most vulnerable groups.

Secondly, the sector is facing a 'perfect storm' scenario with the aforementioned growth in service demand, mounting costs, and pressures on revenue. Natural disasters, income crises, and the overall cost-of-living crisis have exacerbated all of these challenges. Even if demand were lessened, current funding has not kept pace and cannot maintain baseline service expectations for intended, or original, cohorts. It should come as no surprise that the strain placed on the increasingly fatigued workforce within the sector has only risen as a result. Often this leads to community organisations cannibalising each other in an attempt to secure staff and funding – further eroding available resources. Unless these issues are addressed, the long-term sustainability of the community sector will remain in question.

MFC therefore renews it previous calls on the government to address the funding gap and increase support for social care organisations to ensure that they can meet the increasing demand for services. This should include:

- Funding indexation and facilitating wage growth to support the workforce required to deliver these essential services.
- Extending government contracts to provide stability and enable effective planning for both service providers and clients is another needed reform.
- A new approach to the current system of competitive tenders, to ensure that procurement processes ultimately foster cooperation between community organisations rather than pit them against each other.

For more details on how government can better support the community service sector, including through more meaningful and effective partnerships, please see our full list of recommendations for a stronger, more diverse and independent community sector.

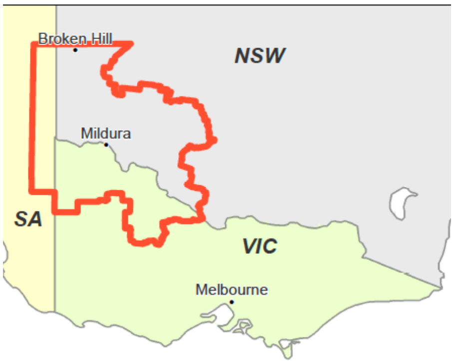
SELECT COMMITTEE ON THE COST OF LIVING - TERMS OF REFERENCE

To inquire into and report on:

- cost of living pressures facing Australians;
- the Government's fiscal policy response to the cost of living;
- ways to ease cost of living pressures through the tax and transfer system;
- measures to ease the cost of living through the provision of Government services; and
- any other related matter.

About Mallee Family Care

MFC is a place based, not-for-profit community service organisation (CSO) that has been supporting the regional, rural and remote communities of northwest Victoria and far west New South Wales since 1979.



Our organisation employs almost 300 staff to deliver more than 60 federally and state funded programs reaching thousands of community members across the Mallee region. These programs span family, youth and children, disability, mental health, housing, legal, financial, research, education, philanthropy, and advocacy.

MFC embodies what it means to be truly place-based, creating and leading local solutions targeted to the specific needs of our community. We are committed to ensuring that clients get the right support, in the right environment, at the right time. We work tirelessly to achieve the best outcomes for vulnerable children, individuals, and families, who are facing disadvantage.

To learn more about our work, visit www.malleefamilycare.com.au

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