

Submission to the Senate Community
Affairs References Committee on the
adequacy of Newstart and related
payments and alternative mechanisms
to determine the level of income
support payments in Australia

The Accountable Income Management
Network, September 2019

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About the Accountable Income Management Network

The AIMN is a nation-wide group of community members; representatives of national, state and local non-government organisations and community bodies; academics; social researchers and public policy experts. Our members have a strong commitment to social justice and human rights and are concerned about the provision of equitable and appropriate social security support to economically marginalised Australians. The AIMN is particularly concerned with issues raised by compulsory income management through such programs and trials as the BasicsCard and the Cashless Debit Card.

Introduction

The Accountable Income Management Network (AIMN) welcomes the opportunity to respond to the Senate Community Affairs References Committee on the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payment in Australia.

Our submission addresses the Committee's terms of reference through our focus on the following key categories: poverty in Australia and the rate of Newstart, debunking myths about unemployment in Australia, the need to invest in community services, compulsory income management programs and the rate of Newstart, and alternative mechanisms for setting social security payments. We provide associated recommendations under each category in order to guide the Committee's decision on raising the rate of Newstart and related payments and investing in a restructuring of the Australian social security geared towards long-term sustainability and the wellbeing of all Australians.

Summary of Recommendations

Recommendation 1: Increase the rate of Newstart and related payments, including Youth Allowance, by a minimum of \$75 per week.

Recommendation 2: Increase Commonwealth Rent Assistance by 30 per cent.

Recommendation 3: Institute reforms to make sure that income support payments are regularly updated to keep pace with the cost of living in Australia.

Recommendation 4: Commit to raising the rate of Newstart and related payments *as well as* providing targeted funding to services supporting income support recipients.

Recommendation 5: Commit to ending compulsory income management programs in Australia.

Recommendation 6: Establish an independent Social Security Commission as soon as possible to advise Parliament on the appropriate minimum level of social security payments.

Key Issues

Poverty in Australia and the Rate of Newstart

Data on poverty in Australia

For the March quarter of 2019, the poverty line for a single adult (based on disposable income) was \$529.57 per week, or \$356.39 per week after housing costs.¹ The Melbourne Institute compared this with the maximum welfare payments in the same quarter and found that for a single adult receiving Newstart Allowance, the maximum basic weekly payment (including rent assistance) is \$347.40, or \$182.17 below the poverty line.²

Elsewhere, ACOSS has found that the average single rate of Newstart is \$282 per week- over \$100 per week below the poverty line, and under 40 per cent of minimum wage.³ The current rate of Newstart (with the addition of a \$4.40 per week energy supplement) leaves single people on the payment with approximately \$40 per day.⁴

Furthermore, the rate of Newstart Allowance has not increased in real terms in the last 25 years. In ACOSS' words, 'unemployed Australians have not shared in increases in living standards received by the rest of the community for almost 25 years.'⁵

In ACOSS' 2018 'Poverty in Australia' report, it was identified that after housing costs, over one in eight people (13.2 per cent) live below the 50 per cent median income poverty line. It is particularly concerning that the poverty rate is much higher among children- one in six or 17.3 per cent of children in Australia are living in poverty.⁶

Taking either the maximum or average weekly rate of Newstart, it is clear that income support payments fall far below the poverty line, and therefore cannot provide for an adequate standard of living for recipients. We support ACOSS and the Australian Unemployed Workers Union's call to raise the rate of Newstart and related payments by a minimum of \$75 per week.⁷ We also support ACOSS and the Australian Unemployed Workers Union's call to provide a 30 per cent increase in Commonwealth Rent Assistance to help people in private rentals.⁸

¹ https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0009/3121686/Poverty-lines-Australia-March-Quarter-2019.pdf p. 1

² https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0009/3121686/Poverty-lines-Australia-March-Quarter-2019.pdf p. 4

³ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf>

⁴ https://www.acoss.org.au/media_release/raise-the-rate-of-newstart-fact-check/

⁵ https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf p. 74

⁶ https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf p. 22

⁷ https://www.acoss.org.au/media_release/raise-the-rate-of-newstart-fact-check/

⁸ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 5

The harms of inadequate social security payments

The rate of Newstart allowance falls well below the poverty line and therefore cannot possibly support an adequate standard of living for income support recipients. ACOSS' recent survey of people on Newstart and Youth Allowance presents the stark details of income support recipients' quality of life. We outline some of the most concerning issues below:

- 84 per cent of Newstart or Youth Allowance recipients who responded to ACOSS' survey said that they skip meals to save money.⁹ On average, 47 per cent of people surveyed skipped over 5 meals a week, and 12 per cent said they skipped over 8.¹⁰
- 66 per cent of respondents advised that they don't use heating in winter, and 64 per cent don't use cooling in summer in order to minimise living costs at the expense of their own personal comfort and wellbeing.¹¹
- Many respondents advised that they had to go without healthcare and other personal hygiene essentials due to the cost.¹²
- Housing was reported as the most significant cost for respondents, with 59 per cent having less than \$100 per week to cover all other expenses after paying for housing costs- \$14 or less per day.¹³
- Many respondents advised that they have experienced a significant reduction in their quality of life including social life, where Newstart and Youth Allowance recipients restrict or avoid social activity due to associated financial costs.¹⁴

It is simply unreasonable to expect that people who are deprived of such basic needs as housing, food and access to healthcare will also be in a position to fulfil onerous job search requirements, particularly those mandated within the Targeted Compliance Framework.

We also raise the following additional concerns about the inadequacy of current rates of income support payments:

- The low rate of Newstart is particularly inappropriate considering that many people with a disability are no longer considered eligible for the Disability Support Pension, and therefore fall into the lower payment category while still requiring access to additional disability supports.
- According to Anglicare's Rental Affordability Snapshot Report from April 2019, only 2 out of 69,000 rental properties on the market were assessed to be affordable and

⁹ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 1

¹⁰ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 2

¹¹ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 2

¹² <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 3

¹³ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 4

¹⁴ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 3

appropriate for a single person without children on Newstart and receiving Rent Assistance.¹⁵

- Research from the University of New South Wales has identified that in 2016, the single rate of Newstart fell short by \$96 per week to meet the costs of housing, food, basic healthcare and transport.¹⁶

We note that while it is important to do so, increasing investment in community services cannot alone address the significant hardship faced by income support recipients. While alternative investments in health, education, and other social and community services are crucial in supporting our community, any associated merits are significantly diminished when individuals and families' primary concern is survival. This is supported by data from the Centre for Excellence in Child and Family Welfare's recent survey, which demonstrates that child and family services are being diverted from their primary purpose (supporting parenting capacity to ensure child wellbeing) to instead deliver emergency relief to families.¹⁷ The rate of income support payments including Newstart must be increased as a first priority to allow individuals and families to make the most of community support services.

The impact of inadequate income support on Aboriginal and Torres Strait Islander Peoples
The inadequate rate of income support payments in Australia has a disproportionate impact on Aboriginal and Torres Strait Islander peoples. While Indigenous people make up approximately 3 per cent of the population, they represent 9.6 per cent of those receiving Newstart Allowance, 14.3 per cent of those receiving Single Parenting Payment, and 18.9 per cent of those accessing Youth Allowance (other)- all of which have been shown to fall below the poverty line.¹⁸ In 2015, Newstart Allowance was the most common income support payment received by Aboriginal and Torres Strait Islander Australians (15.5 per cent), followed by the Disability Support Payment (10.5 per cent) and the Single Parenting Payment (7.6 per cent).¹⁹

The inadequate rate of Newstart is compounded by the higher cost of living in remote areas, which disproportionately affects Aboriginal and Torres Strait Islander peoples living in regional and remote areas. This also intersects with communities being subject to welfare quarantining programs, such as the Basics Card or Cashless Debit Card, and the Community Development Program (CDP).

For example, from the 1st of July 2009, participants of the then Community Development Employment Program began to receive income support payments instead of wages. This was then rolled into the Remote Jobs and Communities Program in 2013, which was

¹⁵ <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshota302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4> p. 8

¹⁶ <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf> p. 6

¹⁷ Centre for Excellence in Child and Family Welfare, July 2019. Disrupting attachment and entrenching poverty: the consequences of a dysfunctional safety net: Overview of findings from a survey on the impact of income support policy on single mothers and their children in Victoria.

¹⁸ <https://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf> p. 37

¹⁹ <https://www.pc.gov.au/research/ongoing/overcoming-indigenous-disadvantage/2016/report-documents/oid-2016-overcoming-indigenous-disadvantage-key-indicators-2016-report.pdf> p. 9.34

replaced by the CDP in mid-2015.²⁰ This perversely means that persons subject to the CDP are engaged in work activities under the scheme but are being paid at a rate that keeps them below the poverty line due to the inadequacy of current income support payment levels.

Debunking myths about unemployment and income support in Australia

Lack of job vacancies

Newstart is currently structured and described as a short-term payment to support people between periods of employment, but this is clearly not reflected in the way that the payment actually operates. As of March 2018, 64 per cent of Newstart recipients had received unemployment payments for over 12 months, 44 per cent had received them for over two years, and 15 per cent for more than five years.²¹

However, while there has been a tendency to place the fault at the feet of unemployed persons, according to the Australian Unemployed Workers' Union's (AUWU) analysis of national job vacancy data, as of December 2018, there was 1 job available per 15.57 job seekers.²² As of February 2019, 87.8 per cent of unemployed persons reported having difficulty in finding work, with some of the top issues reported including 'too many applicants for available jobs', 'insufficient work experience', 'own ill health or disability' and 'other difficulties'.²³ Furthermore, the data shows that approximately 1 in 5 Newstart recipients do have a job, but are underemployed. While they are technically working, they do not receive adequate hours or income to enable them to move off Newstart.²⁴

Stigmatising descriptions of long-term income support recipients

As well as this, framing the long-term receipt of Newstart Allowance payments as 'welfare reliance' is both inaccurate and stigmatising. On the one hand, in relation to the AUWU's analysis of job vacancies, there are simply not enough accessible jobs available to unemployed workers. On the other, there are a wide range of reasons why a person may be receiving Newstart for over 12 months. As mentioned in our submission to the Inquiry into Intergenerational Welfare Dependence in December 2018, the government's use of language around long-term receipt of income support payments:

...appears to conflate 'welfare dependency' with poverty²⁵. This clearly fails to acknowledge the impacts of enduring relational poverty- caused by structural

²⁰ <https://www.pc.gov.au/research/ongoing/overcoming-indigenous-disadvantage/2016/report-documents/oid-2016-overcoming-indigenous-disadvantage-key-indicators-2016-report.pdf> p. 9.30

²¹ https://www.acoss.org.au/wp-content/uploads/2018/09/ACOSS_JA_Faces-of-Unemployment_14-September-2018_web.pdf

²² <http://unemployedworkersunion.com/job-seekers-v-job-vacancy-data/>

²³ <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6226.0>

²⁴ Junankar, R. 2019. Australia Institute, Centre for Future Work. *Unemployment and the Newstart Allowance*. Calculations from Department of Social Services (2019a) and ABS Catalogues 6302.0 (Table 2) and 6401.0 (Table 1). Earnings refer to average full-time ordinary time weekly earnings, seasonally adjusted data, p. 3. https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/3046/attachments/original/1566631364/New_start-Allowance_and_Unemployment_Junankar_July2019.pdf?1566631364

²⁵ <https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS-submission-to-HoR-Select-Committee-on-IWD.pdf>

disadvantage and systemic inequality- that is experienced by marginalised income support recipients in Australia²⁶. ACOSS and the UNSW... have found that 13.2 per cent of Australians currently live below the poverty line²⁷- a concerning figure which indicates a lack of opportunities rather than participation.

The appropriateness of Newstart as a payment category

Furthermore, the fact that there are a large proportion of Newstart and Youth Allowance (other) recipients who are exempt from job search requirements suggests that the very structure of these payments is inappropriate in relation to both their intended purpose and their practical application. This is particularly important considering the 1996 end of the Sickness Allowance category for adults, and the 1998 incorporation of Sickness Allowance for 16-20 year olds under Youth Allowance more broadly.²⁸ Newstart and Youth Allowance have become catch-all payments for persons requiring income support despite both the rising cost of living in Australia and the specificities of peoples' circumstances.

The fact that Newstart and Youth Allowance are inappropriately structured is clear in relation to data on job search requirements. According to the Department of Social Services, as of July 2019, there were 538,521 persons who had received Newstart Allowance for 12 months or more. Of this cohort, however, 277,592 or over 50 per cent of recipients were *not* long-term job-seekers- that is, they were exempt from job search requirements. This included people who were not required to seek work because they were undertaking full-time voluntary or a combination of voluntary and part-time work, persons who were engaged in other activities without job search such as self-employment development, persons who were temporary ill or incapacitated, and other/temporary exemptions, such as allowees who are known not to have participation requirements and allowees participating in Disability Management Services.²⁹ The highest proportion of people not engaged in job search activities were classified as incapacitated, while the majority of the cohort fell under a combination of incapacitated and other/temporary exemptions.

Therefore, while these individuals are labelled and treated by the government as job seekers, they have been granted exemptions from job search requirements due to personal circumstances deemed legitimate by the government. This indicates that there is no clear correlation between the government's choice to keep the rate of income support payments low and increase punitive compliance measures, and the actual likelihood of people entering sustainable paid employment.

Finally, while we note that the number of recipients of Newstart Allowance and Youth Allowance (other) have decreased by 4.3 per cent overall between July 2018 and July 2019,³⁰ this drop does not necessarily translate into job security or an increased quality of

²⁶ See Mendes, P 2004, 'Is there such a thing as welfare dependency?', *Arena Magazine*, vol. 69, pp. 31-35.

²⁷ https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

²⁸ https://www.dss.gov.au/sites/default/files/documents/08_2019/labour-market-and-related-payments-july-2019.pdf p. 22-23

²⁹ https://www.dss.gov.au/sites/default/files/documents/08_2019/labour-market-and-related-payments-july-2019.pdf p. 5

³⁰ https://www.dss.gov.au/sites/default/files/documents/08_2019/labour-market-and-related-payments-july-2019.pdf p. 3

life for those who no longer receive such payments. The Department of Social Services' report does not include any information about if and under what circumstances these former recipients of Newstart and Youth Allowance (other) have entered the labour market.

Compulsory income management programs and the rate of Newstart

We note that there are problematic interactions between compulsory income management programs and the rate of Newstart and associated payments, which have led to increased hardship for income support recipients. Income Management and the Cashless Debit Card negatively impact upon income support recipients by further restricting their access to an already inadequate level of payment, with around 50 per cent of payments quarantined in a restricted bank account for Basics Card holders and 80 per cent for Cashless Debit Card holders. For further information about the issues associated with compulsory income management, we refer you to the AUWU's Ceduna Report³¹ and to the AIMN's previous submissions on the Cashless Debit Card³².

Alternative mechanisms for setting social security payments

The AIMN supports the establishment of an independent Social Security Commission to provide Parliament with independent and ongoing advice on the appropriate minimum level of all social security payments, as outlined in the *Social Security Commission Bill 2018*. The establishment of the Commission offers an opportunity for a more thorough overhaul and recalibration of Australia's social security system. The AIMN proposes that there is value in the Commission to have a broad role and function which includes an in-depth consideration of the structure, modalities and mechanisms, as well as the associated payment rates, of the entire social security system. For further information on the proposed structure and functions of such a commission, we refer you to our submission on the inquiry into the Bill.³³

Conclusion and Recommendations

While fixing the problematic details of the Australian social security payment system is essential, the overarching design must recognise the rights of people receiving income support to be treated with dignity and goodwill. This must be underpinned with positive assumptions of peoples' capacities and intentions. Designing payment structures and compliance mechanisms that assume a universal requirement for government control and coercion of income support recipients imposes both financial and social harm to individuals' wellbeing and agency.

We present the following recommendations to the Committee in relation to the adequacy of Newstart and related payments.

³¹ <https://unemployedworkersunion.com/wp-content/uploads/2019/02/Ceduna-AUWU-Report-FINAL-VERSION-2019-1.pdf>

³² <https://accountableincomemanagementnetwork.wordpress.com/resources/>

³³ <https://accountableincomemanagementnetwork.files.wordpress.com/2019/05/sub011.pdf>

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