18 October 2012

Senator Back,
Chair
Senate Education, Employment and Workplace Relations References Committee
Parliament House
Canberra ACT 2600

Dear Senator.

Re: Inquiry into the adequacy of allowance payments

I am writing to make a short supplementary submission to this Inquiry to inform the Committee about the results of major research into poverty in Australia recently published by ACOSS, which is relevant to the adequacy of Allowance payments.

A copy of the Report is attached. The research was commissioned from the Social Policy Research Centre (SPRC) at the University of NSW. It uses a standard international poverty line (which is also used by the OECD) and ABS income survey data for 2009-10. The SPRC provided us with a short report on the methodology used, which is also attached. The main poverty measure used in the Report is 50% of median household income, and housing costs are taken into account in measuring poverty.

The research found that in 2010, 12.8% of all people (and 17.3% of children) lived in households with disposable incomes below this poverty line after their housing costs were taken into account. By contrast, the risk of poverty among individuals living in households where the reference person (usually the main income earner) received Newstart Allowance was 52.2% (Table 9). This was the highest poverty rate among recipients of social security payments reported in the study and is of direct relevance to the Inquiry.

The Report estimates that around half of all children below the poverty line are in sole parent families. This raises serious concerns about the recent legislation to shift over 100,000 sole parent families from Parenting Payment to the lower Newstart Allowance. Both the Senate Employment Legislation Committee and the Human Rights Committee recommended that consideration of this legislation be deferred until your Inquiry is completed. ACOSS has called for this legislation to be revoked or at the very least its implementation deferred so that parents do not face a $60 to $100 per week reduction in their income at the end of the Christmas holiday period when family finances and emergency relief agencies are under the greatest pressure.

Given that this means that up to 100,000 sole parents will receive Newstart Allowance, this has implications for the current Inquiry. We suggest that the Committee seek further evidence on this from those who have raised this issue in their submissions.

The risk of poverty among people in households whose main source of income was social security payments was 36.5% (Table 4). Around six in ten (62.2%) of all people in poverty lived in these households (Table 5). The risk of poverty among people in households where the 'reference person' received various income support payments is: 52.2% for Newstart Allowance, 44.7% for Parenting Payment, 24.1% for Carer Payment, 41.5% for Disability Support Pension and 13.8% for Age Pension (Table 9). These differences in the risk of poverty among people reliant on social security payments reflect the levels of the payments themselves, the family composition and other income sources (if any) of the households affected, and their housing costs.

These differences in poverty levels among recipients of social security payments are consistent with the data on 'multiple deprivation' and 'households identifying as poor' in Figure 2 of our original submission. For example, the levels of 'multiple deprivation' among households receiving these payments in 2010 were 61% for Newstart Allowance, 58% for Parenting Payment, 43% for Disability Support Pension, and 12% for Age Pension. This means that our poverty research and research on deprivation (which measures the number of essential items that households lack) are telling a consistent story about the *relative* financial disadvantage of people receiving different social security payments.

The Report compares maximum rates of social security payments in December 2009 (following the $32 per week real increase in pension payments in that year), with the relevant poverty lines (Table 8). It notes that at that time:

- Newstart Allowance for singles was $74 per week (21%) below the poverty line (or $130 if the person did not receive Rent Assistance).
- Similarly, Youth Allowance for a young single person living independently of their parents was $172 (48%) below the poverty line ($228 without Rent Assistance).
- Parenting Payment Single together with family payments for a sole parent family with two school age children was $17 (3%) below the line or $83 without Rent Assistance, while Newstart Allowance and family payments for the same family was $57 below the line (10%) or $123 without Rent Assistance.
- Pensions for singles were $34 above the poverty line for those with Rent Assistance and $22 per week below it (6%) for those without Rent Assistance.
- Pensions for couples without children were $22 above the line for those with Rent Assistance and $30 (6%) below it for those without Rent Assistance.

The research takes account of Family Tax Benefits and other relevant payments. It should be noted that the vast majority of Age Pensioners do not receive Rent Assistance although a significant minority of Newstart Allowance and Parenting Payment recipients receive this payment. However, those who rent privately are still more likely to be financially worse off, as the maximum rate of Rent Assistance is approximately $70 per week and typical private rents are much higher than this. This is one of the reasons that the risk of poverty is higher for recipients of the working-age payments (including Parenting Payment) than it is among Age Pensioners.

The reasons that many people on social security payments have incomes above the poverty line despite the maximum rates of their social security payments being below the line include part time earnings, investment income, and relatively low housing costs (mainly among Age Pensioners). People who have no other significant sources of income except social security face the deepest poverty, and this explains in part the high risk of poverty among Disability Support Pension recipients. It is the living standards of those on the maximum rates of payment that concern us most because they must rely completely on the adequacy of the social security safety net.

The Report provides further evidence of the inadequacy of that safety net, especially for people on Newstart Allowance, Parenting Payment and Disability Support Pension. Although poverty among Youth Allowance recipients was not measured separately in the research, it is likely that this was also high given the difference between the maximum rate of that payment and the poverty line. The report also suggests (Table 8) that social security payments for single people (including sole parents) fall further below the poverty line in percentage terms than payments for couples. This, together with the fact that housing costs generally consume a higher proportion of the incomes of single low income-earners, supports the priority that we have given to increasing the maximum *single* rates of the lowest (Allowance) payments by $50 per week. The Harmer Report on the adequacy of pensions came to a similar conclusion.

Should the Committee have further queries, we are happy to respond to them, or to appear before the Committee to outline the results of the research if that would be of assistance.

Yours sincerely,

Cassandra Goldie
Chief Executive Officer
Australian Council of Social Service