NO HEART IN NEWSTART!

Making the allowance more equitable and giving recipients ``a decent start at a decent life.''

A submission by:

To the Senate Education, Employment and Workplace Relations Committee inquiry into:

``The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market''

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Who is UnitingCare?

UnitingCare Tasmania is the State arm of the Uniting Church's national body for community services and advocacy for children, young people, families, people with disabilities and older people.

It is committed to speaking with, and on behalf of, people who are the most vulnerable and disadvantaged for the common good. We partner with governments, other organisations, communities and all people of goodwill to ensure everyone has access to the means and opportunity for a decent life.

The UnitingCare network is one of the largest providers of community services in Australia and has more than 1300 social services sites nationally.

UnitingCare has a presence in every corner of Australia and provides services to over two million Australians every year.

In Tasmania it has offices in Hobart, Launceston and Ulverstone giving it a truly Statewide presence.

UnitingCare has an annual expenditure nationally of about $2.4 billion.

Introduction

The Australian Council of Social Service and UnitingCare Australia are among the welfare and social service agencies advocating for an increase in the current Newstart allowance by at least $50 a week.

It is difficult to find an Australian anywhere who considers that $35 a day is an adequate amount to meet even the most basic of living costs.

Yet, that is what is expected of Newstart recipients, who receive $245 a week (single no children and rising to $265 a week with dependent children).

From that they are expected to meet their rent, pay utilities, adequately feed themselves and their families, meet their transport requirements (petrol and insurance etc for a vehicle or bus/train/tram fees) and cover any unexpected expenses such as medication or medical appointments.

A survey of 500 people by the Australia Institute in April 2012 (see below graph) found that the average amount considered necessary to meet weekly living costs is $454 – or 187 per cent of the current Newstart Allowance.

Respondents considered that an appropriate amount for the allowance was $329 a week, or an increase of $84.

The Melbourne Institute of Applied Economic and Social Research last year defined the poverty line for a single person living along as $372.85 – $127.85 more than Newstart.

Newstart is currently 45 per cent of the net minimum wage having fallen from 54 per cent some 15 years ago.

Greens Senator Rachel Siewert argued earlier this year that there was no evidence to support the view that the declining relative value of Newstart coincided with a decline in long-term unemployment ***(A real start, smarter income support for jobs seekers briefing paper April 2012).***

The allowance is the second lowest unemployment benefit, as a percentage of the average wage, in the developed world according to the Organisation of Economic Cooperation and Development. According to the ***OECD 2011 Benefits and Wages:***

OECD Indicators Report, the only member country with a lower rate than Australia is the United Kingdom.

The national director of UnitingCare Lin Hatfield Dodds said inadequate support forced already vulnerable people into deeper poverty ``entrenching their disadvantage and making it more difficult for them to get a job.''

Writing on The Punch website earlier this year, St Vincents de Paul Society chief executive Dr John Falzon conceded that the cost of increasing Newstart was high but the costs ``of effectively condemning people to a life of long-term poverty and exclusion is significantly higher.''

But, support for an increase in the rate is certainly not confined to the community service and welfare sector.

Business Council of Australia chief executive Jennifer Westacott told ABC Radio National in the lead-up to the Budget that people could not live on the $35 a day provided by the allowance and ``entrenching them into poverty is not a pathway back into employment.''

Writing on The Drum last year, economist Judith Sloan also pointed out that it was not entirely the fault of the unemployed that they could not obtain employment.

``There are a number of reasons why the unemployed find it difficult to secure jobs. And government policy needs to focus on the impediments that exist, both in terms of the skills and capability of the jobless and the incentives for employers to offer jobs.'' ***(Newstart needs a boost, The Drum October 31, 2011)***

Even the Federal Government's 2009 Henry Tax Review recommended an increase and did not accept the oft peddled myth that if the Newstart Allowance was increased it could act as a disincentive for the unemployed to seek work.

Even on the minimum wage a Newstart Allowance recipient would double their after-tax income which is a pretty powerful incentive to seek to move into employment.

But, the Government has to date been unmoved. In the lead up to the 2012-2013 Budget Employment and Workplace Relations Minister Bill Shorten said Labor had ``got the balance about right particularly when delivering a surplus and continuing our strong economic management.''

Ironically, the Government did see fit to increase the Single Aged Pension by $33 a week in the 2012-2013 Budget, clearly recognising that at $300 a week (including concessions) it was inadequate.

Yet, it chose not to apply the same rationale to the $245 a week Newstart Allowance, which it maintains is adequate.

Newstart and the Aged Pension – a growing inequity

According to Centrelink's payment rates as at April 2012, a recipient entitled to the full Newstart Allowance would receive $245 per week which rises to $265 a week if there are dependent children or the recipient is aged over 60 and has been unemployed for more than nine months.

By comparison, a single person in receipt of a Disability Support or Aged Pension receives a weekly benefit of $347 a week.

Supplementary payments, such as rental assistance, are also greater for those receiving pensions than Newstart recipients.

In simple terms the Newstart Allowance has fallen from 91 per cent of the Aged Pension in 1997 to 65 per cent some 15 years later.

In their policy brief ***Are employment benefits adequate in Australia? (April 2012)*** Australia Institute researchers Richard Denniss and David Barker said the large disparity had emerged gradually over time driven by the higher rate of indexation that has been applied to pension payments.

Newstart has risen in accordance with movements in the Consumer Price Index (CPI) but since 1997 the aged pension has risen in line with the higher of the Male Total Average Weekly Earnings (MTAWE) or CPI.

In other words, Newstart recipients will continue to fall further and further behind those on pensions as time goes by.

The allowance is the second lowest unemployment benefit, as a percentage of the average wage, in the developed world according to the Organisation of Economic Cooperation and Development. According to the OECD, the only member country with a lower rate than Australia was the United Kingdom.

In fact the OECD's report says the low level of Newstart ``raises issues about its effectiveness.''

Dr Denniss has argued for many years that ``*we should be doing more to help the unemployed who are discriminated against compared to pensioners, thus creating an escalating problem of financial hardship.''* **(Increasing the Newstart Allowance- A necessary part of equitable fiscal stimulus, David Ingles and Richard Denniss, February 2009).**

In its 2012-2013 Budget Analysis, the Australian Council of Social Service said the gap between the single Aged Pension and Newstart rates had widened to $106 a week.

``Instead of a well integrated system of social security payments, we will have one divided into first, second, third and fourth-class payments based not on financial need but on outdated divisions between groups considered `more' or `less' deserving of support,'' ACOSS warned.

``Those who miss out are the people most severely affected by the recession, and it is well established that they face a higher risk of poverty.''

Newstart and poverty

The Melbourne Institute of Applied Economic and Social research set the Poverty line for the September quarter 2011 at $372.85 per week for a single person living alone meaning a Newstart recipient securing $245 a week, is $127.85 a week – or 6648.20 a year – below the poverty line.

This is something which should be considered totally unacceptable for a civilised nation such as Australia.

Another measure is to use the ``multiple deprivation'' model which is seen as a more direct measure of poverty.

Rather than assessing income this model measures whether a person can access what are regarded as essentials – things like a substantial meal at least once a day, an annual dental check-up, warm clothes and bedding if it is cold, a hobby or leisure activity for children, a separate bed for each child, a washing machine, secure locks on doors and windows, presents for family and children at least once a year and heating in at least one room of the house.

Failure to access at least three of these elements equates to multiple deprivation and, on that measure, 61 per cent of households whose main income source is Newstart would fall into multiple deprivation.

That compares with 15 per cent of all Australian households and 12 per cent of households relying on the Aged Pension.

Conclusion

The evidence supporting the belief that the Newstart Allowance is inadequate is overwhelming and not simply a position being championed by the welfare sector.

The current single rate equates to $245 a week - or $35 a day - to pay accommodation, utilities, food and clothing and other living expense many take for granted.

Clearly, the allowance is far too low to meet the basic cost of living given it is almost $130 a week below the Australian poverty line.

The Federal Government often uses the argument that Newstart is a transitory payment designed to help people out for a short period of time between jobs and not something for people to live on for an extended period of time.

Yet, the Department of Education, Employment and Workplace Relations own data shows that six in every ten recipients end up on the payment for more than 12 months.

Increasing the allowance by at least $50 a week is achievable given Australia's current economic position and would certainly not make remaining on Newstart an attractive option compared to taking employment even at the minimum wage.

It is also worth remembering that the Federal Government has made much of its desire to ensure all Australians have the opportunity to bask in the nation's economic sunshine.

In an address to the National Press Club earlier this year Treasurer Wayne Swan spoke of his desire to create a society in Australia ``that lifts up the worst-off and gives everyone a decent shot at a decent life. ''

Increasing Newstart certainly fits with that noble sentiment.

All that is needed is the political will as it is clear that Australians clearly consider the allowance inadequate.

Not increasing the allowance is somewhat counter productive as it will require increased spending on a range of social services which support the disadvantaged.

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