

## **Submission to Senate Education, Employment and Workplace Relations Committee Inquiry: Adequacy of Newstart and other allowances by Barwon Community Legal Service, Geelong, Victoria**

**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**

### **Terms of Reference**

The following matters have been referred to the Education, Employment and Workplace Relations References Committee for inquiry and report by 1 November 2012:

**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.**

(a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care;

Newstart Allowance is inadequate. The Newstart Allowance full rate for a single is \$489.70 per fortnight. This is \$244.85 per week, or \$34.97 per day. Under \$35 per day is not a basic level of adequacy. If we include the maximum rent assistance then a single on Newstart Allowance is in receipt of a maximum of \$609.90 per fortnight. This is \$304.95 per week or \$43.56 per day.

This is well below the Henderson poverty line from the March Quarter 2012, which is \$940.72 per fortnight including housing, \$470.36 week or \$67.19 per day.

We endorse the statement of Jennifer Westacott, Chief Executive of the Australian Business Council that "Entrenching people into poverty by expecting them to live on \$35 per day is not a pathway back into employment."

Unemployed people on the Newstart Allowance are at a severe disadvantage. Searching for work comes with many expenses such as; travel via public transport, access to a telephone and the internet, and well groomed presentation at job interviews i.e. haircuts, presentable clothes, shoes. In addition are the extra expenses involved in contacting and attending Job Services Australia and Centrelink appointments. For people already struggling to pay the bills with only the inadequate Newstart Allowance for income, searching for a job becomes an unrealistic and unachievable endeavour.

### **High unemployment in Geelong**

In the Corio area, 28% of people are in receipt of Centrelink payments. In Bellarine- Inner, 22% and in Geelong 20% of people are in receipt of Centrelink payments (DEEWR Administrative data, June quarter 2011). These figures are well above the Victorian and Australian rate of 17%. Also, according to the Department of Education and Workplace Relations, the unemployment rate in Corio area is 9%.

### **Local job losses and increased job insecurity**

Ford Australia in Geelong has announced production will be reduced and 220 more jobs will be lost despite the overseas owned company recently receiving a gift of \$103 million dollars in both federal and state money which was seemingly not tied to employment or required to be repaid if parent company post profits or distributes dividends. Ford used to be one of Geelong's biggest employers with an estimated 5000 employees, now they employ an estimated 800 people. The flow on effect of the Ford job losses has already been felt in Geelong with several car parts manufacturers going into receivership. Another large Geelong employer Alcoa Australia has also posted reduced profitability on the back of reduced world aluminium prices and despite a \$40 million dollar gift from the federal government there is still uncertainty as to its future. This reduces further the available income in the local economy and further increases our already high unemployment and income support recipients rates. Geelong has a high proportion of manufacturing and retail industry employment, the increase in local unemployment and job instability in Geelong increases the difficulty of unemployed people securing jobs in our region.

- (b) the appropriateness of the allowance payment system as a support into work, with particular reference to:  
(i) the effectiveness of the payment as an incentive into work,

### **Pension vs Allowance Rates and work incentive**

#### **Pension/DSP**

Single (age pension rate)	\$ 695.30 pf
Plus pension supplement	\$ 60.20 pf
Plus rent assistance	\$ 120.20 pf
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	<b>\$ 875.70 pf</b>

Taper rates-Can earn up to \$150 before any reduction in full pension

	\$ 875.70 pf
Earnings	\$ 150.00 pf
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Maximum fortnightly income before reductions **\$1025.70 pf**

Income over \$150 reduces rate of income by 50cents in the dollar.  
Can still be eligible under income test if income less than \$1 661.00

Assets test: Single

Full Pension Homeowner \$186,750, Non-homeowner \$321,750  
Part Pension Homeowner \$690,500, Non-homeowner \$825,500

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<b>Newstart Allowance</b> single	\$ 489.70 pf
Plus rent assistance	\$ 120.20 pf
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	<b>\$ 609.90 pf</b>

Can earn up to \$62 before any reduction in full allowance

	\$ 609.90 pf
Earnings	\$ 62.00 pf
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Maximum fortnightly Allowance income before reductions **\$ 671.00 pf**

Income over \$62 and under \$250 reduces rate of allowance income by 50 cents in the dollar.

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Income over \$250 reduces rate of allowance income by 60 cents in the dollar.

Can still be eligible under income test if income less than \$909.50

Assets test: Single

Liquid assets test- payment may be deferred when liquid assets exceed \$3,000

Full Allowance: Homeowner \$186,750, Non-homeowner \$321,750  
Allowances, Austudy and Parenting are not payable over these amounts

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As the above comparison clearly shows the incentive for an unemployed person to work is less than for those on a pension, as earned income will reduce allowance income where they earn income at \$62 by 50 cents in the dollar and by 60 cents in the dollar when they earn over \$250.

Effectively the income reduction taper rates being different for pensions and allowances provides more incentive for people in receipt of pensions to work than for those on allowances.

The safety net of assets and income is also considerably lower for those on allowances.

Source: Centrelink Guide to Australian Government Payments-  
Rates 1 July 2012-19 September 2012

(ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and

### **Disability and Newstart barriers to employment**

We raise our concerns that for many people living with disability, eligibility criteria for Disability Support Pension are now too high since the recent legislative changes effective from September 2011 and the new Impairment Tables for Assessment of Disability Support Pension effective from 1 January 2012. Disability Support Pension new applicants living with disability are rejected outright and/or until they can demonstrate they engaged for 18 months with a programme of support. Those currently in receipt of Disability Support Pension will be reviewed against the more stringent new Impairment Tables. The Advisory Committee Report indicates up to 38% of current Disability Support Pension recipients will have the Disability Support Pension cancelled after review and they will be shifted to an allowance such as Newstart Allowance. Consequently more people living with disability will be

trying to survive and find work/or study on inadequate Newstart Allowance despite having additional health related costs and barriers.

There is a difference of up to \$132 per week between Disability Support Pension and Newstart Allowance. For people living with disability on Newstart this difference affects their ability to buy medication, access health professionals and meet living and other essential needs required by their disability. This is at a time when rent and utility bills are increasing. Newstart Allowance also has activity and participation requirements that can be onerous and unachievable for people living with disability. If people are not able to meet their activity requirements due to the inadequate income and their disability; they may be subject to payment penalties ranging from a reduction in payment (which has recently increased from 1/14th to 1/10 of total payment) to 8 week no payment penalties. These increased penalties further decrease an already inadequate payment.

For example: a Disability Support Pension recipient with fully diagnosed treated and stabilised schizophrenia who is well- managed, functioning and compliant with medication and treatment is assessed upon review under the new Impairment Tables. He is likely to have Disability Support Pension cancelled upon review. He is transferred to Newstart Allowance and is now receiving \$264 less per fortnight. He is unable to afford his medication at \$60 per fortnight. Without his medication, he is unable to manage and his mental health deteriorates. He is unable to meet his participation requirements, and receives several connection failures. He is unable to pay his email and phone bill due to decreased income support and so cannot contact Centrelink or his Job Services provider to reconnect. Centrelink penalises him under the current legislation of 1/10<sup>th</sup> of his income support until he reconnects. Having further reduced means does not enable him to reconnect or purchase the required medication. He misses appointments and his income support payment is suspended. He cannot pay his rent and bills and falls into rent arrears and debt, the extra stress and worry further negatively impacts his mental health. After 4 weeks his income support payment is cancelled. He is evicted for rent arrears, is homeless and his mental health further declines. It will require intensive intervention and assistance from many government funded services such as mental health, health, homelessness, housing and legal services to restore him to his previous position. Unfortunately, on the inadequate Newstart Allowance the cycle will reoccur at great cost to him, his family, friends, services and the public purse. This hypothetical example could be prevented by increasing the rate of Newstart to an adequate level.

### **Study/ training**

There needs to be more supported places or money for study and training. Tafe training has had substantial funding cuts at the state level in Victoria. Courses and places in courses will be reduced and more expensive at a time when federal legislation is requiring more people to be engaged in study or work in order to receive income support payments.

In Geelong, there are several different providers funded to provide entry level study courses such as return to study, English literacy, women's access, basic business access and basic computer courses. The costs for these courses vary and are not easily determined as this writer discovered as the variables are concession, non-concession, course fee, amenities fee and fee per hour which differ for each course. This cost outlay and uncertainty can be an additional barrier to study on meagre income.

### **Disability study support**

People with disability may require extra support to study. For people with disability for example The Gordon Institute of TAFE has funding to provide disability support for only 145 people and advise that there is unmet needs without extra funding.

### **Childcare**

Parents of young children who had been saved (grandfathered) from the effects of the previous legislative change will also be streamed onto the Allowance with increased participation requirements, job search and study without access to high quality, affordable childcare.

Federal legislation that requires more people to engage in study or work should be matched with Federal funding creating more places to engage with meaningful study to increase skills and work experience for work in growing sectors of employment. In addition, more affordable childcare should be created to enable parents to fulfil participation requirements. Industry should proactively train and increase on the job training for skilled and unskilled vacancies in growth industries (not fill vacancies with overseas workers.)

(iii) the impact of the differences between pensions and allowances on the transition between working and other activities; and

Recent legislative changes are funnelling more income support recipients from Disability Support Pension and Parenting Payment to Newstart Allowance which is approximately \$265 less per fortnight.

We refer to the comments at the end of this submission from people who contacted this service to provide comment for this submission.

These comments strongly affirm the contention that the low rate of Newstart Allowance and taper rates/ deduction levels provide a disincentive to work, disincentive to study, create more barriers without providing effective assistance to engage with study or work.

(c) the impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the:

(i) nature and frequency of individual interaction with the allowance payment system, and

The above mentioned factors combined with the current income support participation requirements. Some participation requirements include frequent contacts, appointments and interviews. The inadequacy of Newstart and other allowances ensures recipients are unable to afford to purchase credit for their phones, public transport to attend appointments and interviews.

(ii) over and underpayment of allowances to recipients.

The system needs to be simplified. The broad definition of income as being earned, derived and/or received creates unnecessary and preventable over and underpayments of allowances to recipients. For example, if a recipient has a part time job, or several part time or casual jobs and the employment payment periods do not match Centrelink reporting periods then both overpayments and underpayments can arise over different fortnights. Further, when income is reported as required, for income earned but not received in one fortnight/payment period, recipients may not be able to meet their rent and/ or bills for that fortnight. Due to the current liquid assets test, recipients may not have savings to assist in meeting expenses and living fortnight to fortnight.

A simplified system where income is declared only when income is received would minimise over and underpayments and the hardship that can result from the current system.

### **Closing Statement**

In closing, we call on you to address this inequity and increase the Newstart Allowance from the current inadequate \$35 per day by at least \$50 per week – to a basic level of adequacy as recommended by the Henry Tax Review. Further that it is indexed in the future to wages as pensions are already, rather than to CPI. This will assist all income support recipients' ability to look for and prepare for paid work, including people living with disability and parents, regardless of the class or name of income support payment they receive.

Service Inc. 3 August 2012

**Please see below comments by Geelong residents currently in receipt of Newstart Allowance provided for this submission to the Senate.**

## **Public comments for Submission to Senate Education, Employment and Workplace Relations Committee Inquiry: Adequacy of Newstart and other allowances**

1. telephone interview conducted by 17  
July 2012

57 years of age

Barely surviving on Newstart Allowance as a single parent

- Rents through human services - public commission housing and rent formula doesn't encourage people to obtain employment
- Can't afford internet, keeping vehicle on the road, daughters mobile phone, her phone,
- Currently has arthritis
- Is a qualified masseuse and has been trying to up skill for the last 10 years, unable to find a job due to travel and financial restrictions.
- Loan repayment – Alcoa Bank
- Focuses on her daughter – doing VCE, talented gymnast (has apparently needed a knee reconstruction for 10 years).
- Daughter currently 'couch surfing'. Walk to school. Doesn't know exactly where she is.

### Quotes

- “My daughter is doing VCE, I want to support her, but the system won't support me”
  - “Well below the poverty line, really, really difficult to survive”
  - “Impossible to live on if you are running a household, to maintain a vehicle, internet, other things necessary for employment.”
  - “Where to from here?”
-

2.

telephone interview conducted by

17 July 2012

What benefit are you on?

Newstart allowance –

No Rent as he is a home owner

Hardworking man just down on his luck.

- Newstart - \$536, rising utility costs makes it near impossible to support himself
- He is a home owner. Otherwise he would find it impossible to survive
- He pays at least \$20 a day in utility bills and has two children.
- Has had to dip into his super role over in recent years just to try and make ends meet
- says 'We are people; we contribute to society and deserve the same concessions as pensioners do'.
- has been actively seeking work and trying desperately to find employment but with no luck at all.
- He is angry with his current jobs services centre as they have offered him very little in the way of assistance.
- Is extremely eager to work and very stoic in his nature.
- Has had very little computer training and finds it impossible to apply for work when it is basically solely online and he does not have enough income to be able to afford the internet.

What would he say to the senate inquiry?

- "We are real people, we deserve the same concessions as a pensioner"
- "We need more money for basics like car registration as it is near impossible at the present"
- "Highly disappointed with his Job centre provider as has done little to help him"
- "He wants to work but at the present is finding it impossible because he has no computer training and most jobs are only available to be applied for online"

Supplementary comments – 24<sup>th</sup> July 2012 – 4:36 PM

- wants local Federal Member Richard Marles to introduce the private members bill in regards to challenging the validity of the Newstart payments

- has just received his electrical supply surcharge which has increased by 47% and is costing him an extra \$162 and Centrelink has only compensated him for \$180. This has to include the increase in his gas bill as well. This will easily exceed the residual amount of \$18.
  - was interested in getting a bus down to Melbourne to put a face to the problem at the moment. He is a very stoic and genuine man.
  - He was informed that if he obtains volunteer work that this would allow him to remain on Newstart and not affect his payments.
  - “Just wants a chance and a job.”
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3.

2012

, telephone interview conducted by

17 July

- On the Newstart dole
- Only income is from this allowance
- Seeing as she owns her own home (inherited from parents) she gets no rental assistance
  - However has to pay rates, insurance and maintenance for the home which is very hard to do with sole income from allowances. She feels this is “unfair” and “no advantage from owning own home”
- Unemployed for 7 years, went back to work for awhile at the start of this year, however the extra costs that came with traveling to and from work as well as the deductions in the Centrelink allowance due to making a ‘wage’, made going back to work essentially pointless because there was no difference in financial funds coming in on a weekly/ fortnightly basis.

Quote

- “what’s the point of working when it makes no difference”
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4.

2012 telephone interview conducted by

25 July

- Currently on NewStart
- Lives by herself and pays \$170 a week in rent which is basically half of her Newstart weekly package
- Has no car so must ride her bike and or use public transport.
- Studies at Deakin University part-time (2 subjects a semester)
- Works 30 hours a fortnight, which deducts her NewStart payments, which in turns means she only makes a little more than just Newstart payment.

“This makes her feel upset/ vulnerable and lacking in self confidence”

- She also feels that many people take advantage of the system, which is unfair on those who are actually in need of the service
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5.

interview conducted by

25 July 2012

Newstart recipient

- Pays a service fee over \$500 per month
- This includes rates, medical expense that she wears
- Maintenance of the property – presumably the grounds outside the property
- has nothing against Newstart, but she unlike others is not in a position to look for work at the moment.
- She has debilitating medical conditions but has been rejected from Disability Support Pension as she has been assessed as not having 20 points.
- She has other expenses on top of her service fee that includes meals and cleaning of the unit which she estimates at \$240/250 per month.
- She has her own car, but can only drive short distances due to her physical condition.

Quotes from

- “If I didn’t have savings I would be stuffed”.
  - “I’m not in a position to look for work; this is not what I need.
  - Thinks that she would be more suited to Disability Support Pension.
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3 August 2012