

# Some myth-busting: What are the facts about Newstart?

There are a number of myths about the purpose and use of the Newstart Allowance

- **Myth One: Poverty in Australia is not growing nor wide-spread in Australia;**

Statistics from a wide range of sources all point to increasing poverty. HILDA, ACOSS, and Deloitte Economics have reported that the current rate of Newstart is below the poverty line. We have included a table which shows the fall of Newstart when compared to Average Weekly earnings from 2008 to today.

- **Myth Two: That most people on Newstart are only on it for a short time, in between jobs;**

The vast majority of people who end up on Newstart stay for over 12 months. Only 24% of people on Newstart are short term. In this section we have included tables which break down the reasons people are either short or long term. Very few people are in between jobs for a short term.

- **Myth Three: That most people on Newstart are young;**

The largest number of people on Newstart are between 45-54 years old. Excluding those over 65 years old, young people are the smallest group of participants in Newstart.

- **Myth Four: That there is an adequate labour market and jobs for people on Newstart to move into;**

The data shows that approximately one in five (more than 130,000) Newstart recipients have a job, but they do not receive either enough hours or income to enable them to move off Newstart.

**Read on to get into the detail of each of these myths.**

## **Myth One: Poverty in Australia is not growing**

Social security payments, including the Newstart Allowance, need to be considered in the context of broader poverty indicators, real wages and the cost of living.

According to the Household, Income and Labour Dynamics (HILDA 2019) survey<sup>1</sup>, poverty in Australia is increasing again after several years of decline, with changes to social security policies being attributed as a possible contributor to this increase. The proportion of people living below the relative poverty line (50% of the median income) increased in 2017, from 9.6% to 10.4%. Researchers have suggested that the increase was probably caused by the ‘tightening of the screws’ of the social security system and many Australians having been transferred from receiving higher pension benefits to the Newstart allowance.

According to the ACOSS ‘Poverty in Australia’ Report (2018)<sup>2</sup> there are just over 3 million people (13.2%) living below the poverty line – including 739,000 children (17.3%). In dollar figures, this poverty line works out to \$433 a week for a single adult living alone, or \$909 a week for a couple with two children. The Newstart Allowance of \$277.85 per week is therefore well below the poverty line.

Sole parents are a particularly vulnerable group, with 82% being women. Changes to income support payments, such as moving sole parents from the Parenting Payment Single onto Newstart, have pushed more women into poverty. The transfer of 80,000 sole parents to the Newstart Allowance in 2013 is associated with an increase in the rate of poverty among unemployed sole parents from 35% in 2013 to 59% two years later. Lower employment levels (due to caring responsibilities, child care availability and limited family-friendly employment options) and the level of social security payments (especially the Newstart Allowance once the youngest child is over 8 years) have affected sole parents and their children and have led to heightened levels of poverty experienced by women.<sup>3</sup>

Research by Deloitte Access Economics (2018) for ACOSS, indicates that while average weekly earnings have increased in real terms, Newstart has remained almost constant since 2000. The table below<sup>4</sup>, based on ABS and DSS data, shows that the relative size of Newstart, compared to wages, has continued to fall.

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<sup>1</sup> [https://melbourneinstitute.unimelb.edu.au/\\_data/assets/pdf\\_file/0005/3126038/LivingInAus-2019.pdf](https://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0005/3126038/LivingInAus-2019.pdf)

<sup>2</sup> [https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS\\_Poverty-in-Australia-Report\\_Web-Final.pdf](https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf)

<sup>3</sup> Data taken from Australian Council of Social Service, "Poverty in Australia 2018", Australian Council of Social Service in partnership with UNSW Sydney, (2018), <http://www.acoss.org.au/poverty>

<sup>4</sup> 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

Quarter	Nominal NSA	Real NSA, 21+	Adult Nominal Earnings	NSA/Earnings (%)
Sept 2008	\$224.65	\$224.65	\$1,143.30	19.6%
Sept 2013	\$250.50	\$223.28	\$1,437.00	17.4%
Sept 2019	\$277.85	\$224.36	\$1,634.80	17.0%

**Table 1: Newstart Allowance (NSA) and Average Weekly Ordinary-Time Earnings**

In September 2008, a single person's Newstart Allowance was \$224.65 a week. By September 2013, it was \$250.50 per week. In June of 2019 it was \$277.85 per week. Using September 2008 as the base year, the real value of Newstart has been constant since 2008. The level of Newstart, relative to earnings, fell from 19.6% to just 17.0 % over the same period.

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average full-time ordinary time weekly earnings, seasonally adjusted data.

<https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/3046/attachments/original/1566631364/Newstart-Allowance-and-Unemployment-Junankar-July2019.pdf?1566631364>

## **Myth Two: Most people are on Newstart for a short time**

Much of the current Government commentary asserts that most people on Newstart are only on it for a short time, in between jobs. The DSS data below, indicates that as at June 2019, there were 712,184 people on Newstart, of which 172,498 were short-term (24%) and the vast majority (539,686 or 76%) were long-term (at least 12 months). This data belies Government commentary that Newstart is a short-term measure to support people in between jobs (See also, Table 4 below.)

Of the total 712,184 people on Newstart, there are only 382,075 (54%) who are actual job seekers. A relatively high number (82,429 or 12%) are classified as 'Incapacitated', with the majority of these being long-term at 61,655 (9%) of the total number of people on Newstart.

There are 73,424 on Newstart classified as 'Other/temporary exemptions' – this equates to 10% of the total on Newstart. The majority (60,517 or 8%) who fall in this category are long-term.

<b>Newstart Allowance</b>	<b>June 2019 Persons</b>	<b>June 2019 Males</b>	<b>June 2019 Females</b>
<b>Short Term Newstart Allowees</b>	<b>172,498</b>	<b>106,587</b>	<b>65,911</b>
Did not receive a payment (a)	8,390	4,284	4,106
Received a payment	164,108	102,303	61,805
Voluntary/part-time work (b)	4,323	1,103	3,220
Other activities without job search (c)	8,990	5,045	3,945
Incapacitated (d)	20,774	12,116	8,658
Other/temporary exemptions (e)	12,907	7,081	5,826
<b>Short-term NSA job seekers (f)</b>	<b>117,114</b>	<b>76,958</b>	<b>40,156</b>
Short-term NSA training/education (g)	39,973	24,186	15,787
<b>Long Term Newstart Allowees</b>	<b>539,686</b>	<b>249,294</b>	<b>290,392</b>
Did not receive a payment (a)	18,847	6,959	11,888
Received a payment	520,839	242,335	278,504
Voluntary/part-time work (b)	61,291	14,503	46,788
Other activities without job search (c)	72,415	35,173	37,242
Incapacitated (d)	61,655	29,675	31,980
Other/temporary exemptions (e)	60,517	27,844	32,673
<b>Long-term NSA job seekers (f)</b>	<b>264,961</b>	<b>135,140</b>	<b>129,821</b>
Long-term NSA training/education (g)	243,886	121,298	122,588
<b>All Newstart Allowees</b>	<b>712,184</b>	<b>355,881</b>	<b>356,303</b>

Did not receive a payment (a)	27,237	11,243	15,994
Received a payment	684,947	344,638	340,309
Voluntary/part-time work (b)	65,614	15,606	50,008
Other activities without job search (c)	81,405	40,218	41,187
Incapacitated (d)	82,429	41,791	40,638
Other/temporary exemptions (e)	73,424	34,925	38,499
<b>All NSA job seekers (f)</b>	<b>382,075</b>	<b>212,098</b>	<b>169,977</b>
All NSA training/education (g)	283,859	145,484	138,375

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**Table 2: Newstart Allowees - Derivation of the Job Seeker Population<sup>5</sup>**

<sup>5</sup> DSS, June 2019. Labour Market and Related Payments - a monthly profile: June 2019 as accessed at <https://www.dss.gov.au/about-the-department-labour-market-and-related-payments-monthly-profile-publication/labour-market-and-related-payments-june-2019>

## Myth Three: Most people on Newstart are young

Repeated statements from Government representatives insist on the notion that most people on Newstart are young. However, as the aged pension age has risen, so has the number of unemployed older Australians. The data confirms there are now 173,196 people aged over 55 on Newstart.

Age	21-24	25-34	35-44	45-54	55-64	65 and over	Total
<b>Number</b>	62,526	149,819	157,952	168,683	173,196	10,747	722,923

**Table 3: Recipients of Newstart by age group (Data source: Department Social Services)**

The DSS data, in Table 4 below, shows that the number of weeks spent on Newstart increases sharply from the age of 40 and it climbs steadily higher, the older you get. On average, people aged above 50, receive Newstart for approximately 188 weeks or nearly four years. Older Australians experience particular difficulty in re-entering the workforce due to structural barriers and age discrimination.

Age group	Female	Male	Total
<b>Under 25</b>	45	46	46
<b>25 – 29</b>	101	105	104
<b>30 – 34</b>	118	129	125
<b>35 – 39</b>	134	143	139
<b>40 – 44</b>	150	158	154
<b>45 – 49</b>	168	167	168
<b>50 - 54</b>	185	178	182
<b>55 – 59</b>	191	185	188
<b>60 – 64</b>	187	188	187
<b>65+</b>	188	190	189
<b>Total (av. weeks)</b>	151	144	147

**Table 4: Recipients of Newstart – by age and average duration on payment (weeks) (Data: DSS)**

## **Myth Four: There are jobs for people on Newstart to move into**

A common myth is that there is an adequate labour market and that jobs are available for people on Newstart to move into.

According to the Australian Unemployed Workers Union, based on data from the Department of Employment, as at December 2018, the ratio of job seekers to job vacancies was one job to 15.57 job seekers.<sup>6</sup> This ratio of jobseekers per job is starkly increased in regional and remote areas.

Data from the ABS indicates that, as at 19 September 2019, national unemployment has increased to 5.3 per cent. South Australia's unemployment rate continues to be the worst in Australia, with the August figure climbing to 7.3 per cent. Under-employment has increased to 8.6 per cent. More than a million working people need more hours of work and more than 700,000 people are unemployed.<sup>7</sup>

While the Coalition Government has stated that employment levels have improved, with the creation of over one million net new jobs since coming to office in 2013, and the unemployment rate seems to be at a relatively low level, Australia continues to experience persistent problems of long-term unemployment as well as increasing forms of labour under-utilisation and under-employment.

In terms of under-employment, the data shows that approximately one in five (more than 130,000) Newstart recipients have a job, but they do not receive either enough hours or income to enable them to move off Newstart.<sup>8</sup>

A high percentage of people on Newstart who are employed, are employed in casualised jobs. As indicated in data from the recent HILDA survey, almost a third of casual workers in Australia are earning less than the minimum wage. With about 2.5 million people on casual work arrangements, this means that approximately 350,000 people are being paid below the legal minimum.<sup>9</sup> Newstart recipients who are often employed in the casualised employment

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<sup>6</sup> <https://unemployedworkersunion.com/job-seekers-v-job-vacancy-data/>

<sup>7</sup> <https://www.actu.org.au/actu-media/media-releases/2019/unemployment-increases-to-53-driven-by-sluggish-domestic-demand>

<sup>8</sup> Junankar, R. 2019. Australia Institute, Centre for Future Work. *Unemployment and the Newstart Allowance*. Calculations from DSS (2019a) and ABS Catalogues 6302.0 (Table 2) and 6401.0 (Table 1). Earnings refer to av. full-time ordinary time weekly earnings, seasonally adjusted data, p. 3.

[https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/3046/attachments/original/1566631364/Newstart-Allowance\\_and\\_Unemployment\\_Junankar\\_July2019.pdf?1566631364](https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/3046/attachments/original/1566631364/Newstart-Allowance_and_Unemployment_Junankar_July2019.pdf?1566631364)

<sup>9</sup> <https://www.thesaturdaypaper.com.au/news/politics/2019/08/03/low-paid-workers-and-wage-theft/15647544008552>

sector are therefore fairly likely to fall into this category of workers who are not receiving appropriate wages.



## Challenges and effects of the current rate of Newstart

### **Housing and homelessness**

Uniting Communities' Homelessness Gateway service reports that in the 2017/18 financial year, 37% of all presenting clients were receiving Newstart payments. This increased to 40% in the 2018/19 financial year and reflects an average increase of 3%, year on year.

The following case of a mother and her experience of the challenges of finding affordable housing and the double-bind she experiences in her efforts to get her children back, highlights a challenge faced by many people on Newstart:

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*A 24-year old female who cannot always report to Centrelink, has been couch-surfing for most of the last three years with her three children. She has Department of Child Protection (DCP) demands, as well as Job Network Provider (even though she is pregnant) and Newstart who expect certain things from her. She (and many other people dealing with DCP) require housing in order to begin re-unification, however she cannot afford a private rental. This leads to a catch-22, where if they do not have the house, they do not receive enough money for securing a home in the private rental market so they need their children in their care, however they cannot get their children back in their care without having adequate housing.*

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This case of a homeless woman, highlights the challenge of needing rental assistance but being unable to access assistance without a fixed address:

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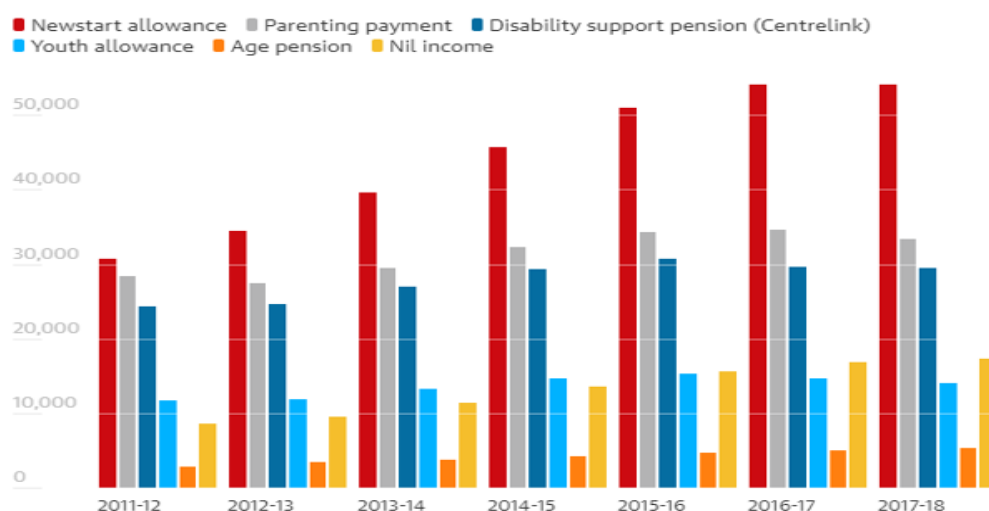
*A 58yr old homeless female, and due to no fixed address, Newstart put things in place with the job network provider so that she would have to report regularly. She did not earn enough to get her own private rental, but was not given adequate support from Newstart to forgo attending reporting so that she could find a place or a job. She stated that she had many demands on her whilst she was homeless, and because she was at no fixed address was not eligible for rent assistance should she decide to stay in a caravan park or motel to shower.*

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This case of a 31-year old man, who has shared responsibility for his two sons, highlights the challenge of trying to secure housing for his family and covering the cost of his family's basic needs, while navigating the rental assistance system:

*Newstart (Centrelink) regularly changes things, or wants more from him e.g. he moved house recently, and the paperwork got lost (by Centrelink), so he had to re-apply for rent assistance, which has a wait period. This had a domino-effect, as he had to choose between paying his rent or buying food for his kids. He called our service hoping to get some Emergency Assistance to get him through the week, because he felt that paying rent on the new place (establishing a good relationship) was more important.*

Data provided by the Australian Institute of Health and Welfare<sup>10</sup> echoes the experience of Uniting Communities' staff and clients and shows that Newstart recipients are the majority of recipients seeking help from homelessness agencies and that there has been an increasing number of Newstart recipients seeking help, year on year.



Source: Australian Institute of Health and Welfare

**Table 5: Social security recipients seeking help from homelessness agencies**

### **Impacts on health and wellbeing**

<sup>10</sup> <https://www.aihw.gov.au/reports/homelessness-services/shsc-data-cubes/contents/specialist-homelessness-services-collection-shsc-data-cubes>

The following comments from Uniting Communities' support staff highlight the health and nutritional challenges faced by people on Newstart who are forced to juggle their priorities, at the expense of their health and wellbeing:

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*Many Newstart clients live below their means. I have one client (a 26-year old female) who has not bought her own food for more than two years, and relies solely on emergency assistance, packages from NGO's, churches or organisations online because she cannot afford to pay her bills on Newstart. The majority of my clients are on Newstart. A recent client in our program would not go to the GP for a medical issue because the cost would have eaten into his food shopping money. We have no bulk-billing clinics in the Riverland so there is always an upfront cost. I have also observed that clients will run out of prescription medication and will need to wait a week or more until their next payment to afford to get scripts filled. Realistically how can anyone afford to live on these payments and meet all of their basic needs?*

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The comments above, highlight the severe health impacts of the low rate of Newstart. A recent study<sup>11</sup> by Monash University's School of Public Health and Preventive Medicine (September 2019) indicates that Newstart recipients are six times more likely than wage earners to face poor health outcomes and suffer an 'increased prevalence of disease in multiple categories'. In addition, Newstart recipients are more likely than wage earners to be hospitalised and face an 'increased burden of health'.

The lead researcher of this study, Professor Alex Collie, has stated that an increase in the rate of Newstart could turn these health outcomes around and help get people back into work. Professor Collie said, '... an increase in the rate of Newstart would help people to become more healthy. It would help them to afford the things that a lot of us take for granted like food and housing, which are important things if you're trying to be healthy'.<sup>12</sup>

Eligibility and access to income support schemes that are appropriate to a person's needs also play a key role in people's health and wellbeing. It is reported that the number of people who are sick and/or living with a disability who have been placed on Newstart rather than the

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<sup>11</sup> Monash University, September 2019. The Health of Disability Support Pension and Newstart Allowance Recipients – Analysis of National Health Survey Data.

<sup>12</sup> The Guardian, *Newstart recipients six times more likely to suffer poor health, researchers find*. 9 September 2019. <https://www.theguardian.com/australia-news/2019/sep/09/newstart-recipients-six-times-more-likely-to-suffer-poor-health-researchers-find>

Disability Support Pension (DSP), has reached at least 200,000. In the past few years, the eligibility criteria for the DSP have been changed and access to the DSP has become more difficult due to these more stringent criteria – resulting in people being placed on Newstart when, objectively, they would be better served by being on the DSP.

According to the Melbourne Social Equity Institution which specialises in disability and human rights law, in 2002, 63% of applicants were successful in accessing the DSP but that number decreased to 43% by 2017. In 2018, 103,005 people applied for the DSP but only one-in-three – or 30,729 applications – were successful.<sup>13</sup> Those who aren't successful are usually placed on Newstart. As at June 2019, the DSS data shows that there are 82,429 people receiving Newstart who are classified as 'incapacitated', thereby indicating a degree of disability. Table 2, above, indicates that there are at least 61,655 people on Newstart who are classified as 'incapacitated' on a long-term basis.

Poor health and living with a disability are substantial barriers to people being able to secure and maintain employment. Supportive programs and access to affordable healthcare that promote the health of Newstart recipients will support improvements in their ability to find and keep jobs, where available jobs exist. Health outcomes can be improved by addressing the social determinants of health. Poverty, including housing and financial stress, are linked with poor health and a reduced ability to participate in employment. Actions that reduce the rate of poverty and serious financial stress amongst Newstart recipients are therefore likely to have a positive impact on their health.

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<sup>13</sup> <https://www.theguardian.com/australia-news/2019/apr/23/living-on-the-disability-pension-its-like-the-slow-dimming-of-the-light>

## *Conclusions and Recommendations*

There is more than ample evidence to show that: most people are not on Newstart for a short time; that most people on Newstart are not young; and that there are insufficient jobs available in the labour market for people on Newstart to move into. It is clear that people on the Newstart Allowance are not able to make ends meet and that they are having to endure extreme hardship for long periods of time.

Uniting Communities therefore calls for the following:

- Raise the rate of Newstart by at least \$75 per week as an interim increase in order to establish a more equitable social security baseline.
- Establish an independent social security commission to consider and determine all social security benefits and associated rates of payment, including Newstart, so as to enable an acceptable standard of living.
- That Government drives an increased focus on optimising opportunities for job creation so as to expand the existing thin labour market.
- That access to health services is improved, more especially for those who incur significant 'out of pocket' costs in locations where bulk-billing is not available or for health services such as dental treatment which are costly and less accessible for Newstart recipients.
- Given the high incidence of casualised workers not receiving the minimum wage, a review and investigation of wage theft and proper remuneration is to be undertaken by an independent body.