

# SUBMISSION

**TO |** Senate Standing Committee on Community Affairs

**TOPIC |** Inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.

**DATE |** 13<sup>th</sup> September 2019

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## 1. About Uniting Communities

Uniting Communities is an inclusive not-for-profit organisation working alongside more than 30,000 South Australians each year as they strive for bright futures and great lives. We value diversity and are committed to providing respectful, accessible services to all.

Uniting Communities seeks to reduce inequality and improve wellbeing for all who are striving to overcome disadvantage – individuals, their families and communities – so that they can realise their potential and live the best lives they can. We do this in a way that is non-judgemental, generous and supportive; that embrace diversity; and that values and promotes fairness, justice and the benefits of strong communities.

Our service delivery, advocacy and community-building activities are central to achieving this.

We offer more than 90 services to support the needs of both individuals and our community, across a range of areas. These include mental health and counselling; residential aged care and support for independent living; housing crisis and emergency support; disability services; services for Aboriginal and Torres Strait Island people; financial and legal; drug and alcohol counselling; family relationships; and respite and carer support.

## 2. Introduction and focus of this submission

This submission focuses on most of the Inquiry's terms of reference, many of which are inter-related.

Key areas of focus include dispelling a number of myths that are being perpetuated about the purpose and utilization of the Newstart Allowance. These include the following myths:

- That most people on Newstart are only on it for a short time, in between jobs;
- That most people on Newstart are young;
- That there is an adequate labour market and jobs for people on Newstart to move into.

To address these myths and in response to the Government's justification that the rate of Newstart is adequate (based on the above erroneous assumptions), this submission provides data and evidence as well as case study commentary from Uniting Communities' case workers and their clients who are receiving the Newstart Allowance. In particular, key health and wellbeing impacts are given consideration.

The evidence clearly points to the inadequacy of the rate of the Newstart payment. In addition to outlining the key benefits of raising the rate and calling for an increase in the rate, Uniting Communities recommends an alternative mechanism for determining social security payments, including the rate of the Newstart Allowance.

## 3. Dispelling common myths - what does the data tell us?

### 3.1 Indicators of poverty and the stagnant rate of Newstart

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 recent 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 of 50% of median income – 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 4277.85 per week is therefore well below the poverty line.

In addition, the ACOSS report found that:

- One in eight adults and more than one in six children are living in poverty.
- Many of those affected are living in deep poverty – on average, this is \$135 per week below the poverty line.
- The group of people experiencing poverty the most are those relying on Government allowance payments such as Youth Allowance and Newstart.
- Location is a determinant of increased levels of poverty. Poverty is higher (at 13.8%) among people living outside capital cities than among those who live in them (12.8%). This is compounded for people living in far regional or remote areas.
- A comparison of the poverty rates in the eight States and Territories shows that people living in South Australia (with a poverty rate of 14.7%) and Western Australia (13.7%) face the highest risk of poverty.

A recent ACOSS survey<sup>3</sup> of 489 people on the Newstart and Youth Allowance, found that:

- 84 percent skip meals to save money
- 44 percent skip more than five meals a week
- 66 percent do not use heating in winter
- 64 percent do not use cooling in summer
- 63 percent do not eat meat
- 54 percent do not buy fresh produce
- 68 percent only buy second-hand clothes
- More than half have less than \$100 left per week after housing costs.

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. Until 2005, the sole-parent poverty rate was approximately 19%, but this increased to 23.9% in 2007, primarily due to the introduction in July 2006 of Welfare-to-Work reforms. 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 impacted sole parents and their children and have led to heightened levels of poverty experienced by women.<sup>4</sup>

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

<sup>4</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>

Research conducted by Deloitte Access Economics (2018) for the Australian Council of Social Service (ACOSS), indicates that although average weekly earnings have increased in real terms, the Newstart Allowance has remained almost constant since the year 2000. The table below<sup>5</sup>, drawn from ABS and DSS data, shows that the relative size of Newstart when compared to wages has continued to fall.

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%
June 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 per week. By September 2013, Newstart was \$250.50 per week. In June of 2019 it was \$277.85 per week. When considered in real terms (using September 2008 as the base year) the real value of the Newstart Allowance has been constant since 2008. The level of Newstart benefits relative to earnings fell from 19.6 per cent to just 17.0 per cent over the same period.

Newstart benefits are indexed (twice per year) to CPI inflation, but given that average weekly full-time ordinary time earnings increased more rapidly over the same period, the relative size of Newstart benefits compared to wages has continued to fall. This is compounded by the ever-increasing cost of living, relative to both wages and the Newstart allowance.

In order to be eligible for Newstart, those who are unemployed are required to apply for a minimum of 20 jobs each month.<sup>6</sup> If a Newstart recipient fails to attend a job interview or if they reject a job that is deemed to be a 'reasonable' job offer, they are penalized for breaching their 'mutual obligation'. Breaches can result in the loss of all or a significant part of their Newstart payment for a specified time. This punitive approach does not create an incentive to find a job but is demoralizing and drives people further into poverty.

### 3.2 Duration of being on Newstart

Much of the current Government commentary asserts that most people on Newstart are only on it for a short time, in between jobs. Data from the Department of Social Services belies this erroneous assumption. 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 (76%) are long-term.<sup>7</sup> 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 Newstart Allowees, there are only 382,075 (54%) who are actual job seekers. A relatively high number of Allowees (82,429 or 12%) are classified as

<sup>5</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 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>

<sup>6</sup> <http://guides.dss.gov.au/guide-social-security-law>

<sup>7</sup> 'Long-term allowees' are people who have received Newstart income support for 12 months or more.

'Incapacitated', with the majority of these recipients being long-term Newstart Allowees at 61,655 (9%) of the total number of Newstart Allowees.

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

The data below shows that the majority of Newstart recipients (539,686 of 712,184 i.e. 76%) are on Newstart for at least 12 months and that there are many recipients in this category who are not capable of working or seeking work. The notion that Newstart is for short-term stop-gap needs, while people are in-between jobs or looking for work, is not borne out by the DSS data.

<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

**Table 2: Newstart Allowees - Derivation of the Job Seeker Population<sup>8</sup>**

<sup>8</sup> Source: Department of Social Services, 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>



### 3.3 Age of people on Newstart

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
Number	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 of Social Services*

According to Mr Ian Henschke, National Seniors Chief Advocate, 'The real face of Australia's unemployed is a mature-age worker. These workers are likely to spend much longer on Newstart because they struggle to find full-time work again. In fact, some never do. They are losing their jobs in their 50s. The inadequacy of Newstart is undermining the retirement income system. It's pushing older workers into poverty as they head to retirement.'<sup>9</sup>

The Department of Social Services 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 50 who are on Newstart, receive this allowance 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
Under 25	45	46	46
25-29	101	105	104
30-34	118	129	125
35-39	134	143	139
40-44	150	158	154
45-49	168	167	168
50-54	185	178	182
55-59	191	185	188
60-64	187	188	187
65+	188	190	189
Total	151	144	147

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

*Data source: Department of Social Services*

Note: Long-term allowees are defined as having received income support for 12 months or more.

<sup>9</sup> <https://thenewdaily.com.au/news/2019/07/17/surprising-age-newstart/>

### 3.4 The availability of jobs, the labour market and under-employment

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>10</sup> This ratio of jobseekers per job is starkly increased in regional and remote areas.

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. Official data shows that long-term unemployment, more especially for younger and older workers, is significant and has become increasingly worse over time.

In terms of under-employment, the data shows that approximately one in five (more than 130,000) Newstart recipients do have a job, but they do not receive either enough hours or income to enable them to move off Newstart.<sup>11</sup>

A high percentage of people on Newstart who are employed, are employed in casualised jobs. As indicated in data from the recent Household, Income and Labour Dynamics in Australia (HILDA) survey, it is concerning that 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, that would mean that approximately 350,000 people are being paid below the legal minimum.<sup>12</sup> Newstart recipients who are often employed in the casualised employment sector are therefore fairly likely to fall into this category of workers who are not receiving appropriate wages.

## 4. Challenges and effects of the current rate of Newstart

Comments from Uniting Communities' clients and associated support service staff about their experiences of Newstart are set out below; these illustrate the experiences of many Newstart recipients across Australia as well as much of the evidence about 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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<sup>10</sup> <https://unemployedworkersunion.com/job-seekers-v-job-vacancy-data/>

<sup>11</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 average full-time ordinary time weekly earnings, seasonally adjusted data, p. 3.

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

<sup>12</sup> <https://www.thesaturdaypaper.com.au/news/politics/2019/08/03/low-paid-workers-and-wage-theft/15647544008552>



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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 male, 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:

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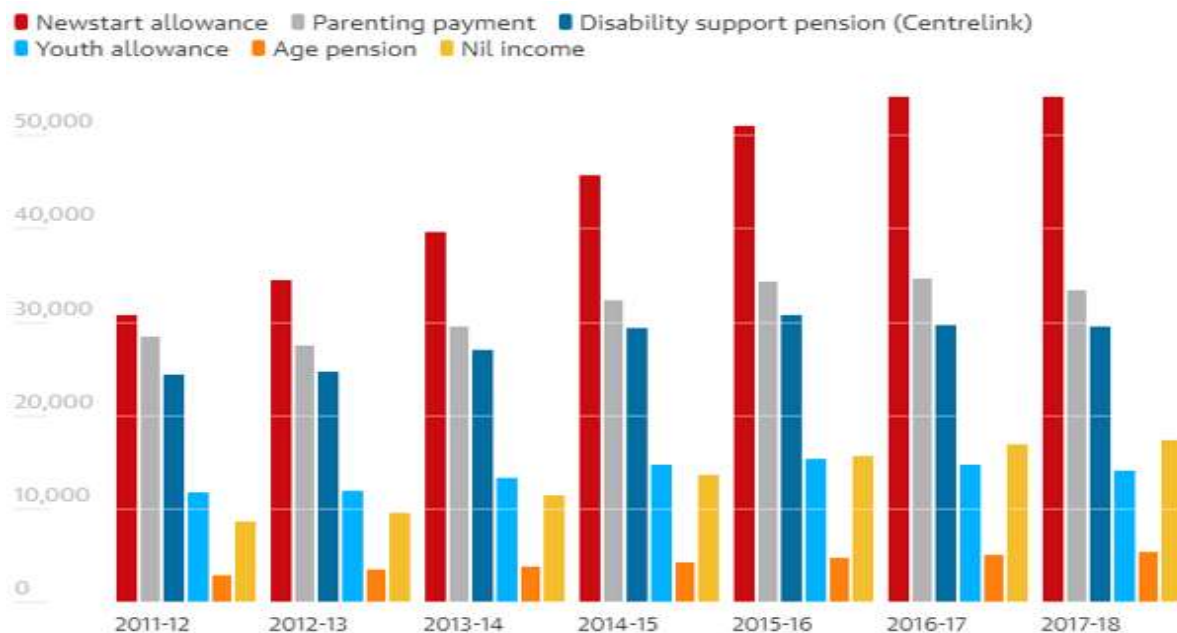
*Newstart (Centrelink) regularly changes things, or wants more from him e.g. he moved house recently, and the paperwork got lost (by Centrelink), so he had to re-apply for rent assistance, which has a wait period. This had a domino-effect, as he had to choose between paying his rent or buying food for 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.*

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Data provided by the Australian Institute of Health and Welfare<sup>13</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.

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<sup>13</sup> <https://www.aihw.gov.au/reports/homelessness-services/shsc-data-cubes/contents/specialist-homelessness-services-collection-shsc-data-cubes>



Source: Australian Institute of Health and Welfare

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

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

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

*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?*

The comments above, highlight the severe health impacts of the low rate of Newstart. A recent study<sup>14</sup> by Monash University's School of Public Health and Preventive Medicine (September 2019) that focuses on the health of Disability Support Pension and Newstart Allowance recipients, highlights a number of health concerns experienced by Newstart Allowance recipients.

<sup>14</sup> Monash University, September 2019. The Health of Disability Support Pension and Newstart Allowance Recipients – Analysis of National Health Survey Data.

The report echoes the experience highlighted in the Uniting Communities' commentary above, noting its finding that that people on government benefits such as Newstart were less likely to seek attention for their health needs if there were out-of-pocket costs involved, such as visiting the dentist or paying for medications.

The study 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, the more than 700,000 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>15</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 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>16</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.

People's health can be improved by developing a more creative and supportive response that enables the delivery of more tailored health services. For example, consideration could be given to identifying people's individual health needs at their point of entry into the social security system and then delivering appropriate health services that address those specific needs. Improving access to health services, including those that incur significant 'out of pocket' costs such as physical therapy and dental treatment and which are less accessible for Newstart recipients, may support general improvements in health.

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

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<sup>15</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>

<sup>16</sup> <https://www.theguardian.com/australia-news/2019/apr/23/living-on-the-disability-pension-its-like-the-slow-dimming-of-the-light>

stress amongst Newstart recipients are therefore likely to have a positive impact on their health.

Uniting Communities opposes the Coalition Government's reintroduction of the *Social Services Legislation Amendment (Drug testing Trial) Bill 2019* to allow drug testing of people on the Newstart and Youth Allowance and believes that it is misdirected and will only serve to further marginalise and demonise those on income support. The money allocated for conducting the tests would be better spent on funding appropriate and accessible treatment services. Our organisation calls for substance use to be treated as a health issue and believes that punishing people will not help them address their health issues, but is more likely to exacerbate these.

## 5. Alternative mechanism for determining social security payments

While it is acknowledged that social security policy is a complex area, the current process for determining the rate of social security payments, and Newstart in particular, is inappropriate and inadequate and does not appear to be informed by the necessary evidence or linked to specific socio-economic markers or rates of indexation, and is not conducted on a regular basis or in a transparent manner.

It is proposed that a Social Security Commission be established, which would provide Parliament with independent and informed advice on the minimum level for all social security payments made under the *Social Security Act 1991* – including Newstart – so as to enable a decent standard of living.

Through its function of conducting transparent social security payment reviews, such a Commission would determine the following: an acceptable standard of living for recipients of a payment; whether the current level of the payment provides adequate support; and a recommended increase to the payment level or rate of indexation.

The establishment of a Commission would provide an opportunity for a more thorough overhaul and recalibration of Australia's social security system. Uniting Communities believes that there would be value in expanding the role and function of the Commission to include a more in-depth consideration of the structure, modalities and mechanisms, as well as the associated payment rates, of the entire social security system.

A consideration of the rate of social security payments is critically important, but in light of the punitive and conditional nature of most of Australia's social welfare systems and services and the harm it is causing to welfare recipients – more especially those programs which include penalties for breaches which result in people earning even less than the inadequate stipulated payment rate – it is proposed that the scope of a Social Security Commission be expanded to include a comprehensive review of the entire social security system and its programs.

## 6. Conclusions and Recommendations

In conclusion, this submission confirms that the wealth of sound data and evidence belies the arguments and assumptions put forward by those who oppose raising the rate of the Newstart Allowance. The data does not verify or validate the commonly stated assumptions about Newstart. 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.

In light of the current economic downturn, raising the rate of Newstart would result in an immediate stimulus to the Australian economy - noting that people on Newstart are not in a position to save due to the existing demands on their finances, and would inject any additional income directly into the local economy. There is therefore a strong economic argument for raising the rate, if only in the interests of the broader economy and staving off an economic downturn. This argument is supported from a range of quarters, including the Governor of the Reserve Bank and key economists such as Chris Richardson from de Loitte Economics. Additionally, a range of politicians from across the spectrum are calling for an increase in the rate, including a previous Liberal Prime Minister and a National Party member. There is also strong support for an increase from a significant number of local government councils, as well as key civil society organisations and peak bodies such as the Australian Council of Service, the Anti-Poverty Network, the Australian Unemployed Workers' Union and the Accountable Income Management Network.

It is evident that greater equality in society and improved economic performance complement each other and that inequality acts against economic advancement.<sup>17</sup> Australia's current inequality is working against our economic performance. An increase in the social security payments for those who bear the brunt of inequality would contribute to a generalised improvement in Australia's economic wellbeing.

Uniting Communities therefore makes the following recommendations for consideration by the Senate Standing Committee:

- 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 needs to be undertaken by an independent body.

In conclusion, Uniting Communities recommends that the social security system and its associated payments, such as the Newstart Allowance, should not be viewed as a short-term cost but, rather, as a long-term investment in citizens and in a more fair, participatory and compassionate society in which everyone is valued and taken care of. In the absence of such an approach, our society will become even more unequal and fractured and the social challenges that are currently not being addressed will become compounded and, ultimately, cost our society more, both financially and in terms of social cohesion and the wellbeing of all citizens.

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<sup>17</sup> Drawing on the work of economists such as Joseph Stiglitz:

<https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/Inequality%20and%20Economic%20Growth.pdf>