



Submission to the Inquiry into the Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia

September 2019

About ANHCA

The Australian Neighbourhood Houses and Centres Association (ANHCA) is the national peak body for neighbourhood houses and centres in Australia.

With a vision for strong local communities, ANHCA represents over 1,000 neighbourhood houses/centres which are member organisations of their state and territory peak representative bodies.

Across this membership, a range of naming conventions are used such as community houses, learning centres, neighbourhood and community centres, resource centres. Throughout this document 'neighbourhood houses/centres' is the generic term that will be used.

Neighbourhood houses/centres are locally run and operated organisations that bring together people in a given community to respond to issues of importance to them. This means every neighbourhood house/centre is different and unique, united by a shared community development approach. In any neighbourhood house/centre you might see:

- a young parents' playgroup;
- a community meeting to address a local problem;
- a volunteer gardening and home maintenance crew heading out to assist vulnerable people;
- a community shed or garden full of busy people;
- a group of people talking over a cup of tea;
- a social enterprise providing employment and training to local people;
- a multicultural group learning English; or
- food parcels and emergency relief help.

ANHCA supports the following calls

- An immediate \$75 per week income to the single rate of allowances including Newstart
- An immediate 30% increase in Commonwealth Rent Assistance
- The establishment of an independent expert panel to set future rates for pensions and allowances
- The inclusion of a wage-based component in determining future indexation
- The regular review of rates by the independent expert panel

- Replacing Family Tax Benefit part B for single parents with a supplement that increases as children grow older and indexing family payments to wage movements as well as CPI

Response to selected terms of reference

a. consideration of what constitutes an acceptable standard of living in Australia, including the cost of safe and secure housing;

The University of New South Wales' 'New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians'¹ outlines recommendations for income levels covering the following domains:

- Food
- Clothing and Footwear
- Household Goods and Services
- Transport
- Health
- Personal Care
- Recreation
- Education

This must be supported by secure and affordable housing. The inclusion of recreation is important as the evidence is unequivocal that social participation 'is associated with decreased risk for all-cause mortality as well as a range of disease morbidities'² while social isolation and loneliness in Australia is pervasive and contributes to poor mental health³.

ANHCA adopts the view that the domains in the Minimum Income for Healthy Living Budget Standards form a basis for initially determining adequate income support to an acceptable standard of living where adequacy is achieved across all domains and supplements are used to adjust for additional costs.

¹ Saunders, P., & Bedford, M. (2017). New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians. (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney. <http://doi.org/10.4225/53/5994e0ca804a4>

² Holt-Lunstad J, Robles T, & Sbarra D. (2017) Advancing social connection as a public health priority in the United States. Retrieved from <https://www.apa.org/pubs/journals/releases/amp-amp0000103.pdf>

³ Australian Psychological Society. (2018). Australian Loneliness report. Retrieved from <https://psychweek.org.au/wp/wp-content/uploads/2018/11/Psychology-Week-2018-Australian-Loneliness-Report-1.pdf>

ANHCA also supports the establishment of an independent body to set rates to keep pace with acceptable community standards.

ANHCA believes it is unconscionable in a comparatively wealthy country to subject people, including children, to a life of poverty, with the inevitable resultant adverse impacts on health and wellbeing. Supporting people to live a dignified life while addressing the barriers they face to employment is the most acceptable approach and arguably the most fiscally responsible in the long term.

b. the labour market, unemployment and under-employment in Australia, including the structural causes of long-term unemployment and long-term reliance on Newstart;

The lingering notion of the underserving poor, which seems to underpin and pervade so much of the political rhetoric, is not reflective of the reality for the vast majority of longer term Newstart allowance recipients who are more appropriately understood as subjects of structural discrimination and broader system failure⁴. As the 2015 report on the Review of the Welfare System, the McClure report stated, 'Obligations placed on individuals do not always reflect the realities of the labour market and the challenges and risks of making the transition into work'⁵.

It is also worth noting that a recent report on the Finnish basic wage experiment, where a payment equal to unemployment benefit was provided to a 2,000 strong sample group without obligation, produced the same employment outcomes to those in the normal social security system. Importantly however they reported much better subjective health and wellbeing outcomes compared to those in the normal system⁶. It suggests that the damage to self-esteem and wellbeing caused by mutual obligations which force people to compete in a discriminatory labour market, is largely avoidable with no net change to employment outcomes.

Numerous reports over years have highlighted the correlation between structural labour market discrimination and longer-term unemployment⁷. People with partial

⁴ Deloitte Access Economics. (2018). *Analysis of the impact of raising benefit rates*. <https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>, p4

⁵ McClure (2015) *A new system for better employment and social outcomes*. <https://www.dss.gov.au/review-of-australias-welfare-system> p47

⁶ Ministry of Social Affairs and Health, Helsinki (2019) *The Basic Income Experiment 2017–2018 in Finland. Preliminary results* <https://apo.org.au/sites/default/files/resource-files/2019/08/apo-nid260496-1388486.pdf>

⁷ Henry (2010). *Australia's future tax system*. http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_1/Chapter_9.htm

work capacity, including people with disability and parents⁸, as well as mature aged workers⁹ ¹⁰, Indigenous Australians, some CALD¹¹¹²¹³ and other cohorts are discriminated against in the labour market and consequently are overrepresented amongst Newstart recipients. Programs to increase workforce participation for these groups have not affectively overcome this discrimination. Maintaining what is effectively a punitive income support regime on the basis of discouraging long term reliance on Newstart only serves to amplify the experience of labour market discrimination by adversely impacting the financial, physical and mental health and wellbeing of the longer term unemployed.

ANHCA supports an increase in allowances of \$75 per week as well as a minimum 30% increase in rent assistance to address the perverse outcomes for many jobseekers caused by inequality in the labour market.

c. the appropriateness of current arrangements for supporting those experiencing insecure employment, inconsistent employment and precarious hours in the workforce;

Given the changing nature of work characterised by casualised, less secure and short-term employment, waiting periods and reapplication processes in the current allowance system can serve as a disincentive to take up such employment. Providing continuity of income through allowances between 'gigs' could increase uptake of short term employment.

ANHCA supports the Education, Employment and Workplace Relations References Committee recommendation that allowance recipients to remain active in the system for 12 months after allowance payments cease¹⁴. Furthermore, ANHCA supports the

⁸ McClure (2015) *A new system for better employment and social outcomes*. <https://www.dss.gov.au/review-of-australias-welfare-system> p17

⁹ Education, Employment and Workplace Relations References Committee (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*. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_Employment_and_Workplace_Relations/Completed_inquiries/2010-13/newstartallowance/index p34

¹⁰ <https://www.employment.gov.au/newsroom/employers-offer-advice-mature-age-workers>

¹¹ <https://theconversation.com/skin-deep-should-australia-consider-name-blind-resumes-55503>

¹² Booth, A., Leigh, A. & Varganova, E. (2010) *Does Racial and Ethnic Discrimination Vary Across Minority Groups? Evidence From a Field Experiment*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1521229

¹³ <https://www.dss.gov.au/review-of-australias-welfare-system> p159

¹⁴ Education, Employment and Workplace Relations References Committee (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*

proposal to create an income bank arrangement as per the McClure recommendation¹⁵ and support the ACOSS recommended income bank level of \$4,000.

d. the current approach to setting income support payments in Australia;

The support for an increase in the level of Newstart from such divergent and respected bodies including the Henry Review, Deloitte Access Economics, KPMG, the Business Council of Australia, Council of Small Business of Australia, the ACTU and ACOSS suggests a fundamental failure in the current system for setting Newstart. As far back as the Henry Tax review, there was a recommendation to increase Newstart and to then maintain its level relative to other payments through consistent indexation¹⁶. The 2015 McClure Report¹⁷ also argued that 'to create and maintain a more coherent income support system, it is important that relativities between payments are maintained over time'. It also questioned the adequacy of Newstart and Commonwealth Rental Assistance.

The productivity Commission has also highlighted the growing inadequacy of Rent Assistance due to indexation against CPI which has not kept pace with real rental increases.¹⁸

ANHCA supports the ACOSS recommendation to increase singles allowances by \$75 per week and a minimum 30% increase to Commonwealth Rent Assistance and the establishment of an independent body to set rates in future tied to community standards.

market. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_Employment_and_Workplace_Relations/Completed_inquiries/2010-13/newstartallowance/index p76

¹⁵ McClure (2015) *A new system for better employment and social outcomes*. <https://www.dss.gov.au/review-of-australias-welfare-system> p100

¹⁶ Henry (2010). *Australia's future tax system* http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_1/Chapter_9.htm

¹⁷ McClure (2015) *A new system for better employment and social outcomes*. <https://www.dss.gov.au/review-of-australias-welfare-system> p17

¹⁸ Productivity Commission. (2019). *Vulnerable Private Renters: Evidence and Options* <https://www.pc.gov.au/research/completed/renters/private-renters.pdf> 2019, p114-117

e. the impact of the current approach to setting income support payments on older unemployed workers, families, single parents, people with disability, jobseekers, students, First Nations peoples, people from culturally and linguistically diverse backgrounds, people living in regional and remote areas, and any others affected by the process;

While the current rate impacts differently across cohorts and locations due to availability and type of employment, labour market discrimination, housing market and other differences, the ultimate outcome is that most people cannot make ends meet under the current structure as noted above.

Of particular concern to ANHCA, is the impact on children. Children are directly and adversely impacted by the level of poverty families on income support, including single parent families, endure. The current income support system imposes a kind of collective punishment on children, robbing them of opportunities, social connection, and stigmatising them amongst peers despite their incapacity to change their own circumstances. This is damaging to children and their futures. A 2017 Australian Institute of Family Studies study concludes:

‘Children who experience poverty at some time in their childhood are likely to have poorer cognitive and social outcomes, are more likely to be obese and are also likely to have lower levels of general health. Furthermore, there are substantial differences in developmental outcomes for children who had experienced persistent poverty, compared to children who were never poor.’¹⁹

Apart from the fundamental unfairness of this situation, the long-term cost to the economy of impaired learning and development cannot be negligible.

ANHCA supports calls to replace Family Tax Benefit Part B for single parents with a supplement that increases as children grow older and indexing family payments to wage movements as well as CPI.

¹⁹ Warren, D. (2017) *Low Income and Poverty Dynamics Implications for Child Outcomes*. Australian Institute of Family Studies. https://www.dss.gov.au/sites/default/files/documents/11_2017/srp47_low_income_web.pdf p ix

f. the adequacy of income support payments in Australia and whether they allow people to maintain an acceptable standard of living in line with community expectations and fulfil job search activities (where relevant) and secure employment and training;

There is a widespread view that Newstart is no longer at a level that allows people to live with dignity, participate in society and even to maintain their obligations under Newstart²⁰.

Arguably the current level of Newstart is not only failing to achieve its intended function of enabling people to continue to participate in the labour market^{21,22}, but it is causing harm to people. There is clear evidence that financial stress is the biggest contributor to stress in Australia, and the unemployed report the lowest levels of wellbeing²³. Financial stress leads to ill health and greater consumption of health services^{24, 25} and mental health medications²⁶, thereby transferring potentially greater costs to other parts of the support system. Furthermore, it is associated with increased risk of suicide, child abuse and family violence²⁷.

While pensioners fare somewhat better, the lack of affordable housing places many seniors and people with disability relying on the rental market in housing stress. Anglicare reports just 1% houses in the private rental market are affordable for a person on a single pension and are even fewer for most people on Newstart or Parenting Payment Single²⁸. While the majority of aged pensioners own their own home, for those that don't and for those on disability pensions, rental stress is

²⁰ Klapdor, M. *Adequacy of income support payments*. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IncomeSupportPayments

²¹ Australian Law reform Commission (2012). *Income support payments and work*. <https://www.alrc.gov.au/publication/grey-areas-age-barriers-to-work-in-commonwealth-laws-dp-78/5-social-security/income-support-payments-and-work/>

²² KPMG (2016). *Solving the Structural Deficit*. <https://assets.kpmg/content/dam/kpmg/pdf/2016/04/solving-structural-deficit-australia-april-2016.pdf> p14

²³ Australian Psychological Society (2015). *Stress and wellbeing*. https://www.headsup.org.au/docs/default-source/default-document-library/stress-and-wellbeing-in-australia-report.pdf?sfvrsn=7f08274d_4, p4

²⁴ <https://www.healthdirect.gov.au/financial-stress>

²⁵ See the following article with links to underpinning research: <https://theconversation.com/losing-wealth-health-and-life-how-financial-loss-can-have-catastrophic-effects-93639>

²⁶ <https://onlinelibrary.wiley.com/doi/abs/10.1002/hec.2983>

²⁷ <https://theconversation.com/losing-wealth-health-and-life-how-financial-loss-can-have-catastrophic-effects-93639>

²⁸ <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshots302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4>

common²⁹ with rental equivalent to 60% or more of income³⁰. Because women are more likely to have inadequate superannuation and fewer capital assets, the inequity impacts women disproportionately³¹³². According to ABS data, 57% of low-income households experience rental stress³³. A 2017 report by the National Australia Bank and the Centre for Social Impact found 42% of unemployed people experience severe to high financial stress with only 13% experiencing financial security³⁴.

A new Productivity Commission report states that:

'In 2015-16, nearly a quarter of the low-income households spending over 75 per cent of their income on rent had an unemployed household reference person, compared with a figure of 3 per cent for all private rental households'.

and that

'Households where the reference person was aged 65 or older, was unemployed, or had a government pension or allowance as their main source of income were most likely to experience rental stress. For example, half (51 per cent) of all private renter households with a reference person aged 65 or older were in rental stress in 2017-18. A slightly higher proportion (60 per cent) of private renter households with government pensions and allowances as their main source of income (which includes many of the other vulnerable groups identified) were in rental stress'³⁵.

²⁹ Economics References Committee (2015). Out of reach? The Australian housing affordability challenge. https://www.aph.gov.au/parliamentary_business/committees/senate/economics/affordable_housing_2013/Report

³⁰ SGS Economics and Planning (2018). *Rental Affordability Index* https://www.sgsep.com.au/application/files/8015/4336/9561/RAI_Nov_2018_-_high_quality.pdf

³¹ Economics References Committee (2015). Out of reach? The Australian housing affordability challenge. https://www.aph.gov.au/parliamentary_business/committees/senate/economics/affordable_housing_2013/Report p280

³² Economics References Committee (2016) 'A husband is not a retirement plan' *Achieving economic security for women in Retirement*. https://www.aph.gov.au/parliamentary_business/committees/senate/economics/economic_security_for_women_in_retirement/Report/c09 p119

³³ ABS (2019) *Housing affordability*. <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4130.0~2017-18~Main%20Features~Housing%20Affordability~5>

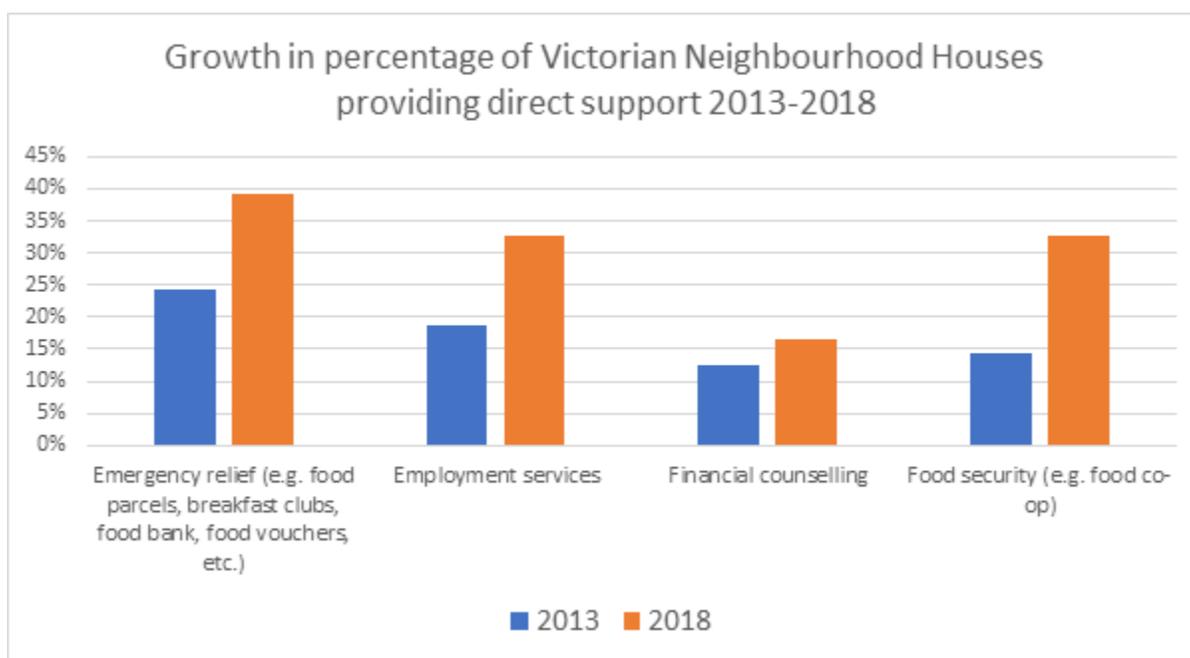
³⁴ Marjolin, A., Muir, K., Ramia, I., and Powell, A. (2017) Why is financial stress increasing? Financial Resilience in Australia 2016 – Part 1, Centre for Social Impact (CSI) at UNSW Sydney, for National Australia Bank. https://www.csi.edu.au/media/Financial_Resilience_Part_One.pdf, p18

³⁵ Productivity Commission. (2019). *Vulnerable Private Renters: Evidence and Options* <https://www.pc.gov.au/research/completed/renters/private-renters.pdf> 2019, p66-7

Detailed work on Budget Standards for Low-Paid and Unemployed Australians by the University of New South Wales³⁶ reveals the gross inadequacy of income support based on rigorous analysis and methodology.

Increasing Commonwealth Rent Assistance while investing in policies that increase the availability of low-cost social housing will ensure Rent Assistance reduces over time.

The adverse impacts of the inadequacy of income support is evident in neighbourhood houses/centres. While not ordinarily a core function of neighbourhood houses/centres, they report increasing demand for emergency relief and levels of financial distress. The table below shows the increase in the proportion of neighbourhood houses/centres in Victoria providing direct support to people experiencing financial stress in response to increased demand³⁷.



In Tasmania, 17% of 780,000 contacts at neighbourhood houses/centres in 2016-17 were seeking assistance including food relief and access to no interest loans³⁸.

³⁶ Saunders, P., & Bedford, M. (2017). *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*. (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney. <http://doi.org/10.4225/53/5994e0ca804a4>

³⁷ Neighbourhood House Victoria (2019) Unpublished data derived from the Neighbourhood House Surveys 2013 and 2018

³⁸ Neighbourhood Houses Tasmania (2018) *Making a difference for our communities*. <https://www.nht.org.au/sites/default/files/resources/making-difference-our-communities/nht-making-difference-our-communities-report-web.pdf> p10

g. the economic cost of long-term unemployment, underemployment, poverty, inequality and inadequate income support payments;

The recent Deloitte Access Economics report, 'Analysis of the impact of raising benefit rates', examines this question in some detail and concludes that many costs are unknown³⁹. However, given the economic benefits outlined in the report, the opportunity cost is also significant.

h. the economic benefits – including job creation, locally and nationally – of increasing and improving income support payments and supports, and decreasing poverty and inequality;

The recent Deloitte Access Economics report, 'Analysis of the impact of raising benefit rates', examines this question in some detail⁴⁰.

ANHCA supports the findings of this report that a \$75 per week increase in the single Newstart rate is required to deliver greater fairness and an immediate economic stimulus with ancillary benefits to the economy.

i. the relationship between income support payment levels, minimum wages and wage stagnation in Australia and other comparable economies;

The reliance on CPI for setting non-pension income support levels has led to the great discrepancy between minimum wages, pension payments and other income support payments documented in several papers and reports^{41 42 43 44}

³⁹ Deloitte Access Economics. (2018). *Analysis of the impact of raising benefit rates*. <https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>

⁴⁰ Deloitte Access Economics. (2018). *Analysis of the impact of raising benefit rates*. <https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf>

⁴¹https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/JobseekerPayments

⁴²https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IncomeSupportPayments

⁴³ Deloitte Access Economics. (2018). *Analysis of the impact of raising benefit rates*. <https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf> p2

⁴⁴ Henry (2010). *Australia's future tax system*. http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_1/Chapter_9.htm

The McClure review of the Welfare System recommended moving away from a reliance on CPI as the sole mechanism for determining changes in non-pension income support⁴⁵.

Only by including a mechanism to incorporate changes in wages into setting income support payments in such a way that the relativity between payment types is maintained over time can payments be maintained in line with community standards.

j. the interactions with other payments and services, including the loss of any increased payments through higher rents and costs;

Increasing housing costs have been a major driver of increasing financial distress experienced by people on Income Support as discussed above. The Commonwealth Rental Allowance has the capacity to accommodate regional variations in rental as it is calculated based on actual rent paid. However, it is currently inadequate and fails to adequately assist those in high cost rental markets such as most capital cities⁴⁶.

ANHCA supports an increase to Commonwealth Rental Assistance to address the housing stress experienced by income support recipients.

k. the relative merits of alternative investments in health, education, housing and other programs to improve outcomes;

Investment in well designed and targeted programs to improve outcomes are essential to shifting the structural inequality reflected in the income support recipient profile. However, this should not replace an immediate increase to income support payments to restore fairness to the system. Furthermore, if such programs are successful, they will have the effect of ultimately reducing reliance on income support generating cost savings. This should serve as an incentive to Government to adequately resource programs where the evidence supports their implementation.

⁴⁵ McClure (2015) *A new system for better employment and social outcomes*. <https://www.dss.gov.au/review-of-australias-welfare-system> p95

⁴⁶ Anglicare Australia (2019). *Rental Affordability Snapshot*. <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshota302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4>

I. the role of independent and expert decision-making in setting payments;

ANHCA supports the establishment of an independent expert body to set rates in line with community standards. Such an approach is consistent with other rate setting mechanisms such as those used to set minimum wages and parliamentarian's salaries.

This view was supported in McClure report while ACOSS and others have also recommended such an approach. The creation of an independent body to set income support levels away from the contest of politics could ensure that appropriate community standards are consistently met.