



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

Addressed to:

Committee Secretary
Senate Standing Committees on Community Affairs

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Contributors

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Confidentiality

This submission does not need to be kept confidential and may be made public.

Thank you for the opportunity to comment on Newstart, related payments, and related matters. We do so in our capacity as representatives of the Science Party where our aim is to improve quality of life and drive society towards the pursuit of knowledge for the benefit of all of humanity. Greg Parker's professional career includes prior experience in Centrelink and the Job Network. Andrea Leong, for her part, has merely been a recipient of Youth Allowance and Newstart.

Summary and Recommendations

The rate of Newstart and related payments is so low as to be a barrier to seeking work. Given that the number of job vacancies is consistently reported as several times the number of job seekers, placing unemployed people on incomes well below the poverty line is as pointless as it is cruel.

It should be noted that Newstart and related payments have become inadequate largely because of the inflated cost of housing, and cost-of-living pressures would be reduced across all income levels if an Australian government were bold enough to address this issue.

The Science Party's recommendations are as follows:

- Recommendation A1: Immediately increase Newstart and Youth Allowance by 27%.
- Recommendation D1: Jobseekers classified as being in Stream A should be referred to JobActive only if still unemployed after two months.
- Recommendation D2: Simplify reporting and assessing income against Newstart Allowance and Youth Allowance, and less punitive measures for these users.
- Recommendation D3: End automated sending of debt notices.
- Recommendation D4: Abolish job search requirements.
- Recommendation D5: Abolish Work for the Dole.
- Recommendation E1: Income support rates should be set and updated by an independent body, taking into account the cost of living including housing.
- Recommendation E2: Simplify income support streams, setting categories in terms of how much income support a person needs, rather than their existing income situation.
- Recommendation F1: Abolish mandatory (or coercive) cashless welfare for recipients of income support.

Terms of reference and direct responses

A. Consideration of what constitutes an acceptable standard of living in Australia, including the cost of safe and secure housing

Two frequently-used measures of poverty are the Henderson Poverty Line¹ and the Relative Poverty Line (50% of median income). If these measures are thought not to be useful for government policy discussions, then another method should be chosen and used; otherwise, they should be accepted and used where appropriate.

The current Newstart Allowance for a single person with no dependants is \$555.70 per fortnight (\$227.85 per week). This represents 65% of the Henderson Poverty Line for March 2019, of \$429.40 per week. It would be remarkable if an alternative method calculated a figure one third lower. Indeed, the 50% of median poverty line differs only a small amount from the Henderson Poverty line over the past 25 years.

The rate of Newstart must immediately be raised to meet the current cost of living (please see section E of this submission for discussion of ongoing rates of payment). Newstart has not been raised in real terms for 25 years; meanwhile, rental prices for apartments in greater Sydney have increased by 67% in real terms².

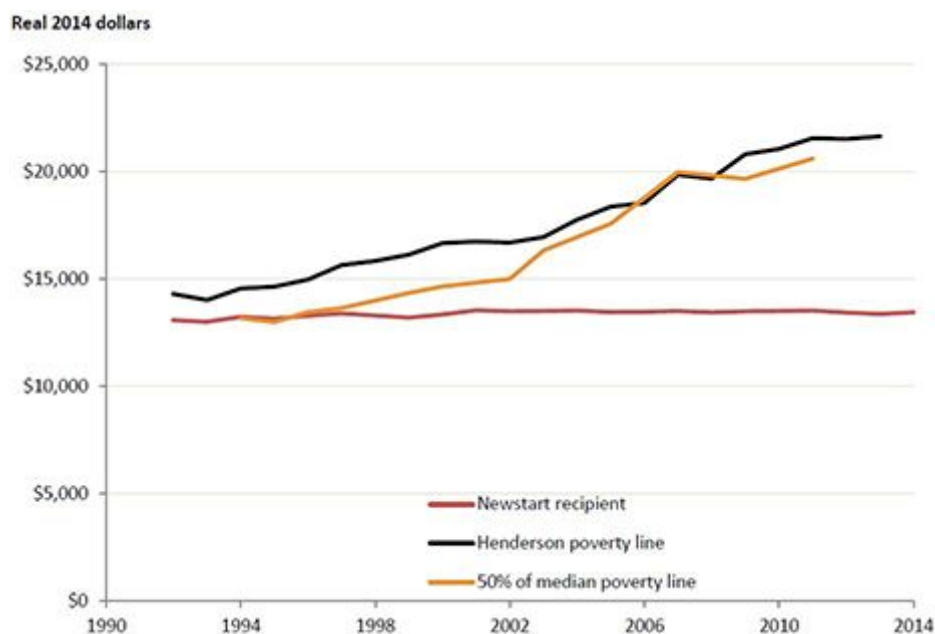


Fig 1: Newstart payments and poverty lines over time. Credit: Australian Unemployed Workers' Union³.

¹ *Poverty Lines*, Melbourne Institute (<https://melbourneinstitute.unimelb.edu.au/publications/poverty-lines>)

² *Rent Tracker*, Tenants' Union of New South Wales (2016) p5 (<https://files.tenants.org.au/policy/RentTracker-lune16.pdf>)

³ 'NEWSTART VS POVERTY LINE', Australian Unemployed Workers' Union (2016) (<https://unemployedworkersunion.com/newstart-vs-poverty-line>)

The Science party supports raising Newstart by \$75 per week (a 27% increase), as suggested by Deloitte Access Economics in a report commissioned by ACOSS. This call has since been publicly supported by Reserve Bank Governor Phillip Lowe, the Business Council of Australia (BCA) and the Small Business Council of Australia (SBCA), among others.

We also support a proportionate increase to Youth Allowance, which also has not been increased in real terms since the 1990s. Youth Allowance recipients who are looking for work should get the same relief from cost-of-living pressures as those on Newstart. For those receiving Youth Allowance as students, covering more of their costs of living allows them to focus on their studies instead of picking up enough shifts to pay the bills.

Recommendation A1: Immediately increase Newstart and Youth Allowance by 27%.

B. The labor market, unemployment and under-employment in Australia, including the structural causes of long-term unemployment and long-term reliance on Newstart.

The labor market can be a disadvantage to job seekers where the number of unemployed people significantly exceeds the number of available jobs — as is currently the case. Looking solely at unemployment figures also hides the high rate of under-employment. The priority should be to make structural changes that create more sustainable full-time work.

Possible long-term approaches to improving employment prospects may include public investment to foster new and emerging industries, a guaranteed income floor for all citizens, or more radical proposals such as support for setting up regional Kibbutz-style communities. Kibbutzim are traditionally agriculture-based, but can be built around any enterprise. In 2010, it was reported that Israel's 270 kibbutzim produced 9% of Israel's industrial output, worth US\$8 billion, and 40% of its agricultural output, worth over US\$1.7 billion⁴.

C. The changing nature of work and insecure work in Australia.

The Science Party welcomes automation as far as it increases productivity and as long as every displaced worker is justly compensated. We know the latter is not happening.

Discussion of job insecurity with the rise of casualisation and the gig economy is overdue in the current political debate. Forms of exploitation include classifying workers as contractors (bypassing the legal requirement to provide some entitlements), short or split shifts, or blatant wage theft.

New forms of work lack established labour unions, but new unions are emerging (e.g. the Ride Share Drivers Association of Australia). There should be no onerous barriers standing in the way of creating such organisations.

⁴ 'Kibbutz reinvents itself after 100 years of history', Taipei Times (2010)
(<http://www.taipaitimes.com/News/editorials/archives/2010/11/16/2003488628/2>)

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

(a) JobActive Services

Services need to be tailored for the amount and type of assistance needed. An appropriate system might include no referral to a JobActive provider for a newly-unemployed person deemed to have the requisite drive and skills to return to the workforce quickly, on their own or with minimal support provided online. This group is currently referred and classified as Stream A (Job Ready). Referring such people for unneeded assistance is a waste of their time and taxpayers' money, since most in this group do, indeed, find their own jobs. Despite job search providers providing no services to many individuals in this group, once it is recorded that one of these individuals has found employment, the provider is paid as if it had placed the person in the job.

Recommendation D1: Jobseekers classified as being in Stream A should be referred to JobActive only if still unemployed after two months.

Further initiatives for improving outcomes for job seekers should be available in the Australian parliament's recent inquiry into the Appropriateness and Effectiveness of the Objectives, Design, Implementation and Evaluation of Jobactive.

We note that JobActive providers currently run courses for job seekers, many of marginal benefit to the client (but which provide a revenue stream to the service provider). A useful course might explore ways an employee can add value to the employer and use that added value to leverage fair wage rises.

(b) Income Reporting Requirements

Current income reporting arrangements can be punitive insofar as it makes it easy to be innocently caught up in the 'Robodebt' system. For those with inconsistent employment and who need to report their incomes, income reporting should be simplified; this might include an income assessment regime that doesn't require recipients to report their precise income, but rather report only if they move from one income range to another. Given the atrocious inaccuracy of automated debt notices⁵ and the distress they cause to someone struggling financially, all debts should be reviewed by a human. As mentioned in the previous section, we welcome automation that boosts productivity and preserves human dignity — Robodebt is the antithesis of good automation.

Recommendation D2: Simplify reporting and assessing income against Newstart Allowance and Youth Allowance, and less punitive measures for these users.

Recommendation D3: End automated sending of debt notices.

⁵ 'The Centrelink Robo-Debt Error Rate Is Higher Than 20%', Eigenmagic, Justin Warren (2017) (<https://www.eigenmagic.com/2017/01/17/the-centrelink-robo-debt-error-rate-is-higher-than-20>)

(c) Mutual Obligation Requirements

Job search requirements for Newstart and Youth Allowance recipients should be removed. Mandating a minimum number of (inappropriately-named) 'job searches' per month burdens local small businesses, particularly in areas where work is most insufficient. Policing jobseekers with regards to whether they are being too "picky" with which jobs they apply for is meaningless when job seekers outnumber job vacancies. If some jobs cannot be filled for lack of applicants, then by definition the offered pay is too low for the conditions of that job. If Job Active clients are performing ineffective job searches, they should be offered training on how to perform effective searches.

Work for the Dole should be abolished. If the federal government can subsidise employers to host Work for the Dole participants, it can instead subsidise employers to legitimately employ job seekers with barriers to employment. Indeed, this is the basis of the Commonwealth-administered Wage Subsidy scheme.

Recommendation D4: Abolish job search requirements.

Recommendation D5: Abolish Work for the Dole.

E. The current approach to setting income support payments in Australia.

The job of setting income support rates should be taken out of the hands of the government of the day, and given to an independent body (just as the Fair Work poorest

Additionally, Centrelink lists 15 different types of income support⁶, but it is difficult to Australians as a political football. Commission reviews and sets minimum wages). This would avoid much of the debate about these amounts between elected representatives, which uses the wellbeing of the believe that there are 15 different categories of person for whom 15 different income levels are appropriate. There is scope to drastically simplify our welfare system by collapsing some of these payments and their associated assessments, perhaps by establishing income floors on the basis of whether a person has dependants, or is living with a disability, rather than classifying people by their existing income situation. This sort of categorisation makes it easier to demonise some sectors of society.

Recommendation E1: Income support rates should be set and updated by an independent body, taking into account the cost of living including housing.

Recommendation E2: Simplify income support streams, setting categories in terms of how much income support a person needs, rather than their existing income situation.

⁶ 'Income support payment description', Department of Human Services (<https://www.humanservices.gov.au/individuals/topics/income-support-payment-description/34696>)

F. 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.

Those who cannot work due to disability or parenting responsibilities should not be pushed onto Newstart. To do so not only does those individuals a disservice, it also distorts jobseeker figures, takes resources from those who can and want to be in the workforce, and provides another revenue stream for JobActive providers in return for poor outcomes. Our recommendation E2, above, could address the issue of inappropriately moving people onto different payments.

Those with barriers to employment, but for whom employment is a possibility, should have every relevant assistance available to them.

Additionally, cashless welfare should be offered on an opt-in system (not mandatory). The BasicsCard and its successor, the Indue cashless welfare card, have stigmatised users while failing to deliver improved personal and social outcomes. While the schemes are finally getting the scrutiny they deserve, there should have been public outcry when these schemes were first introduced, affecting mostly remote and First Nations Australians.

Governments of all stripes have long told the public that the government trusts the individual to make decisions for themselves, and cashless welfare is counter to that promise. Mandatory cashless welfare *might* be appropriate for those whose financial affairs are administered by the Public Trustee and Guardianship Board or by a Power of Attorney.

Recommendation F1: Abolish mandatory (or coercive) cashless welfare for recipients of income support.

G. The impact of geography, age and other characteristics on the number of people receiving payments, long term unemployment and poverty.

Australia currently faces many challenges including climate, vast distances between population centers, an aging population, structural economic problems and economic black spots, and a widening gap between the wealthiest and the poorest. These problems need long-term solutions, not band-aid solutions.

Although it is somewhat outside the scope of this inquiry, the Science Party supports developing new cities which would serve as educational and industrial hubs, connected by high speed rail; immigration reform; and developing sustainable industries, especially in the areas of energy and technology.

H. 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.

As noted in section A of this submission, we support the widespread calls for an immediate increase of \$75 to Newstart, followed by annual, independent indexing.

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

Economic inequality is correlated with poorer economic outcomes^{7,8} and studies (including ones by ACOSS/UNSW⁹ and St Vincent de Paul¹⁰) could inform the government on poverty in the Australian context. Additionally, one could spend some time in economically depressed rural and urban areas as a means of beginning to understand the human toll of poverty and under-employment. In a country as wealthy as Australia, the levels of inequality and disadvantage should appall all of us. As a nation, we need to take ownership of the causes and the solutions. We have pointed to some potential solutions in other areas of this submission.

J. The economic benefits — including job creation, locally and nationally — of increasing and improving income support payments and supports, and decreasing poverty and inequality.

The BCA and SBCA support raising the rate of Newstart because the weight of evidence suggests positive economic outcomes from such increases. It should not need to be repeated that people on the lowest incomes are the most likely to spend their income in their local community.

K. The relationship between income support payment levels, minimum wages and wage stagnation in Australia and other comparable economies.

Wage stagnation is a worldwide issue, with wage growth in 2017 at its lowest since the beginning of the Global Financial Crisis in 2008¹¹. Identified causes for this stagnation include de-unionisation, the adoption of trickle-down economics/Reaganomics, automation, offshoring, some cost of living expenses rising at greater rates than inflation, inflation itself, and the low bargaining capacity of those in particular industries.

⁷ *In It Together: Why Less Inequality Benefits All*, OECD (2015)

(<https://www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>)

⁸ *Inequality of Opportunity, Inequality of Income and Economic Growth*, International Monetary Fund (2019)

(<https://www.imf.org/en/Publications/WP/Issues/2019/02/15/Inequality-of-Opportunity-Inequality-of-Income-and-Economic-Growth-46566>)

⁹ *Inequality In Australia*, Australian Council of Social Services and UNSW Sydney (2018)

(<https://www.acoss.org.au/wp-content/uploads/2018/07/Inequality-in-Australia-2018.pdf>)

¹⁰ *Two Australias*, St Vincent de Paul (2013)

(https://www.vinnies.org.au/icms_docs/257154_169073_Two_Australias_Report_on_Poverty.pdf)

¹¹ *Global Wage Report 2018/19*, International Labor Organisation, p3

(https://www.ilo.org/global/publications/books/WCMS_650553/lang--en/index.htm)

Australia is not immune from these effects or unique in this regard. Australian workers in 2017 took home the lowest share of income since 2008, and that share has been trending downwards since the 1970s. This trend correlates with a decline in unionisation among workers. Australia also has relatively restrictive laws about what industrial actions are lawful.¹²

While wage growth might be a desirable expected effect of raising income support payments, the rate of Newstart and related payments must be considered on its own merits.

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

A solution might be substantial investment in social housing. However, it is not certain that raising the rate of income support payments would lead to higher rents. As mentioned in section A, rents have grown in real terms while Newstart and Youth Allowance payments have stagnated for 25 years.

M. The cost and fiscal sustainability of any changes.

A fairer, less punitive social welfare system (taking into account all types of social welfare including income support, housing, health, prisoner and addiction rehabilitation) with an emphasis on decriminalising drug use and on preventive health would deliver savings in curative health spending, the judicial and prison systems, less crime and higher productivity. In the end, the *main* role of government is not to defend us from real (or indeed, imaginary) dangers; it is — or should be — to help society reach its full potential.

N. The relative merits of alternative investments in health, education, housing and other programs to improve outcomes.

Australia is wealthy enough to do all of these at the same time. Investing in its people is the smartest investment a country can make. Some Australians currently live below the poverty line, and we see this as both unacceptable and easily fixed — by simply supplementing their incomes.

O. Other countries' approaches to setting income support payments, minimum wages and awards.

At its core, Australia's welfare system is superior to most. But at that core was once the notion that welfare legislation was beneficial by nature and should be administered bearing its beneficial nature in mind. That is no longer the case. Those receiving Newstart (especially, but also other forms of income support) are demonised, made to jump through

¹² 'The Labour and Capital Shares of Income in Australia', Reserve Bank of Australia (2019) (<https://www.rba.gov.au/publications/bulletin/2019/mar/the-labour-and-capital-shares-of-income-in-australia.html>)

nonsensical hoops, and chased for non-existent debts. What we can learn from some European models is simply how to regain our common decency by looking after the most vulnerable without stripping them of dignity.

As for the nuts and bolts of various systems, there is often value in learning from other countries' approaches to policy, but the value is in observing which policy settings lead to which outcomes. Before we can use this sort of evidence, Australians need to decide what they want their outcomes to be. Personal and national values regarding the importance of looking after vulnerable people, as well as how much emphasis to put on economic development, will factor into this decision. In the case of raising the rate of Newstart, we believe the common decency factor must take precedence.

P. Other bodies that set payments, minimum wages and awards in Australia.

It may be that an inquiry could be held into such bodies, the powers that they have (and don't have), and how they administer those powers and arrive at decisions. This may give us a snapshot of the strengths and weaknesses that we have in these areas and suggest ways to improve outcomes for all stakeholders.

Q. The role of independent and expert decision-making in setting payments.

There doesn't seem to be any role for advice from independent researchers, peak bodies, or experienced politicians in this conversation today. Please see our response to section E.

Our government dismissed widespread calls to raise the rate of Newstart and the opposition could only commit to a review. We hope this inquiry provides the evidence of community and expert support needed to raise the rate.

R. Any other related matters.

The Science Party supports the formation of an independent federal anti-corruption watchdog to minimise corruption in the federal public service. The value of this body would extend to reducing rorts within the welfare system, such as inappropriate outsourcing of services to private providers when it can be demonstrated that doing so costs more money than if the government delivered the service.