



St Vincent de Paul Society
NSW
good works



FILLING THE GAP:

The relationship between the rate of unemployment benefits and charity assistance for JobSeekers

March 2021

About the St Vincent de Paul Society

The St Vincent de Paul Society (the Society) seeks to shape a more just and compassionate society by working to address the causes of poverty and injustice.

Our extensive network of member volunteers offer companionship as well as immediate care and support in the form of financial and material assistance: food parcels or vouchers, help paying energy and other bills, no-interest loans, clothing, and household items including furniture.

In NSW, we are also a significant provider of social services. We provide accommodation and supported accommodation services to people experiencing or at risk of homelessness and deliver a range of services to people with complex mental health diagnoses and/or complex behavioural support needs, people experiencing problematic alcohol or other drug use, people with disability, and young people at risk of exclusion.

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1 Introduction

The old rate of JobSeeker, and its predecessor Newstart, was far too low.

More than a decade ago, recognising that the payment did not provide a ‘basic level of adequacy’, the Henry Tax Review recommended a \$50/week increase.¹

Since then, the rate has continued to decline against community living standards, and the gap between unemployment benefits, other pensions and allowances, and wages, has grown. As it has done so, evidence that the payment fails to properly support people who are out of work has mounted. The University of New South Wales’ 2017 research into Budget Standards, in particular, showed that the rate fell well short of the amount needed to cover the cost of essentials.²

Inadequate payments have left people struggling to afford food, health care, and energy.^{3,4,5} They have had a damaging impact on people’s mental and physical wellbeing and have contributed to the high rates of poverty and social exclusion amongst people locked out of employment.^{6,7,8,9,10,11}

The experience of our approximately 4,000 member volunteers, who provide food, groceries, clothing, household items, financial support and friendship to those doing it tough in over 400 communities across the State, adds to this body of evidence. People receiving unemployment benefits have been consistently and significantly over-represented amongst those people we assist because they have no other way of making ends meet.

The effective doubling of the unemployment rate in response to the Covid-19 pandemic meant that many of the people we have traditionally assisted were at last able to cover their basic living costs without regularly turning to charities for help. We saw a significant and sustained reduction in requests for assistance from people on JobSeeker (which replaced Newstart in March 2020).

This report presents a five-year snapshot of the assistance provided by the St Vincent de Paul Society NSW to people on JobSeeker/Newstart. It also provides a more detailed overview of assistance provided during the 2020 calendar year, outlining how this was impacted by the Federal Government’s policy changes during that year.

Our experience suggests that when the coronavirus supplement for JobSeekers is removed at the end of March, even if the base rate is increase by the proposed \$50/fortnight, many people will be unable to make ends meet. If it does not ensure unemployment benefits are set at a rate that allows people to cover the basics, the Government will fail to meet its responsibility to provide an adequate safety net to people without work, instead requiring charities to once again step in to meet people’s needs as a matter of course.

¹ Ken Henry (2009) ‘Australia’s future tax system Report to the Treasurer : Part Two Detailed analysis’, volume 2 of 2 https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_2_consolidated.pdf

² 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>

³ Temple, J. B., Booth, S., & Pollard, C. M. (2019). Social Assistance Payments and Food Insecurity in Australia: Evidence from the Household Expenditure Survey. *International journal of environmental research and public health*, 16(3), 455.

⁴ Lindberg, R, et al., (2015). Food insecurity in Australia: Implications for general practitioners. *Australian Family Physician* 44(11):859-862

⁵ ACOSS, National Union of Students and YOUNG campaigns (2019) *Starved of Opportunity: Young people’s experience of Youth Allowance and Newstart*.

⁶ The Senate (2020) *Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia*.

⁷ Kiely, K, & Butterworth, P, (2013) The contribution of financial hardship, socio-economic position and physical health to mental health problems among welfare recipients. *Australian & New Zealand Journal of Public Health* 37(6):589-590.

⁸ Kiely, K., et al., (2015). How financial hardship is associated with the onset of mental health problems over time. *Social Psychiatry and Psychiatric Epidemiology* 50(6):909-99.

⁹ ACOSS and Brotherhood of St Laurence (2018) [Energy Stressed in Australia](#).

¹⁰ Collie, A, Sheehan, L, Mcallister A (2019) *The Health of Disability Support Pension and Newstart Allowance Recipients: Analysis of National Health Survey Data*. Monash University.

¹¹ [Data portal - OECD](#)

Why is the rate so low?

Until recently, unemployment benefits had not increased in real terms since 1994, when the Keating Government increased Newstart by \$2.95 above the rate of inflation.

Over the last 25 years the payment has been indexed against CPI rather than wages. As a result, it has fallen further behind similar payments such as the pension, and other points of comparison such as the minimum wage. It has therefore become increasingly hard for unemployed households to cover the cost of basics. Low income households typically spend a much larger portion of their weekly budget on essentials such as food, housing, energy, health and childcare, and the cost of many of these items has risen significantly faster than CPI.

As the inadequacy of unemployment payments has become more obvious, a growing number of voices have recognised the need for a significant increase to the base rate:

- In 2009 the Henry Tax Review recommended increasing Newstart by \$50 a week.¹²
- ACOSS subsequently began campaigning for the Federal Government to implement this recommendation, supported by a broad and growing coalition of third sector organisations.
- In 2012, the Business Council of Australia stated: “The rate of Newstart no longer meets a reasonable standard of adequacy and may now be so low as to represent a barrier to employment.”
- Patrick McClure’s 2015 Review of Australia’s Welfare System recommended setting unemployment benefits at rates that covered basic costs of living and costs of participation.¹³
- In 2019, Deloitte Access Economics found that a \$75/week increase would achieve a range of prosperity and fairness effects.
- In response to the 2019 Senate Inquiry into Newstart, accounting giant KPMG recommended an increase of close to \$100/week, saying this would bring Newstart back to the same 30% of average weekly retail and hospitality worker wages that it represented in 1994.¹⁴
- In August 2020, the Governor of the Reserve Bank of Australia stated: “There is, I think, a fairly broad consensus across society that some increase in the level of the old Newstart is appropriate. I would join that consensus.”¹⁵

2 Assisting people on JobSeeker/Newstart across NSW

Our own experience providing care and support through our extensive network of member volunteers across NSW further demonstrates the stark inadequacy of the old rate of Newstart. Recipients of this payment have been consistently over-represented amongst the people who reach out to us for help. In the five years to 2019 we saw steady growth in both the number of people on Newstart seeking assistance and the proportion of the total number of people we assist who are on Newstart (see Table 1).

¹² Ken Henry (2009) ‘Australia’s future tax system Report to the Treasurer : Part Two Detailed analysis’, volume 2 of 2 https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_2_consolidated.pdf

¹³ Australia Government (2015) *A New System for Better Employment and Social Outcomes*.

¹⁴ KPMG (2019) Submission to Senate Standing Committee on Community Affairs.

¹⁵ Hansard (2020). Reserve Bank of Australia annual report 2019. [Standing Committee on Economics 2020 08 14 7974 Official.pdf;fileType=application/pdf](https://www.rba.gov.au/standing-committee-on-economics/2020/08/14/7974-official.pdf;fileType=application/pdf) (aph.gov.au)

Table 1: The number of people on Newstart assisted by St Vincent de Paul Society NSW volunteer members each year over the five years to June 2019.

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
No of people on Newstart assisted	16,275	19,966	20,846	20,921	20,991
Total Number of people assisted	51,480	61,013	61,598	61,672	61,888
Proportion of people assisted who are on Newstart	31.6%	32.7%	33.8%	33.9%	33.9%

In 2018-19, just over one third of the total number of people assisted by our member volunteers across NSW were on Newstart – equating to 20,991 people. To put that in perspective, in January 2019 there were 190,070 people on the Newstart Allowance across NSW. These figures suggest we routinely assist a significant proportion of the total number of people receiving Newstart in NSW – and we are only one of many charities providing financial and material relief.

People on Newstart sought our assistance for a range of reasons, the most common being food assistance (45%). A further 18% of requests for assistance related to bills, while 8% related to the need for help with accommodation.

3 The impact of the coronavirus supplement

The Federal Government’s bold and clear-sighted decision to introduce the coronavirus supplement in April 2020 effectively doubled the rate of JobSeeker. We subsequently saw a dramatic decrease in the number of calls for assistance. While this reduction occurred across all income support recipients, it was strongest and most sustained amongst JobSeeker recipients (Figure 1).

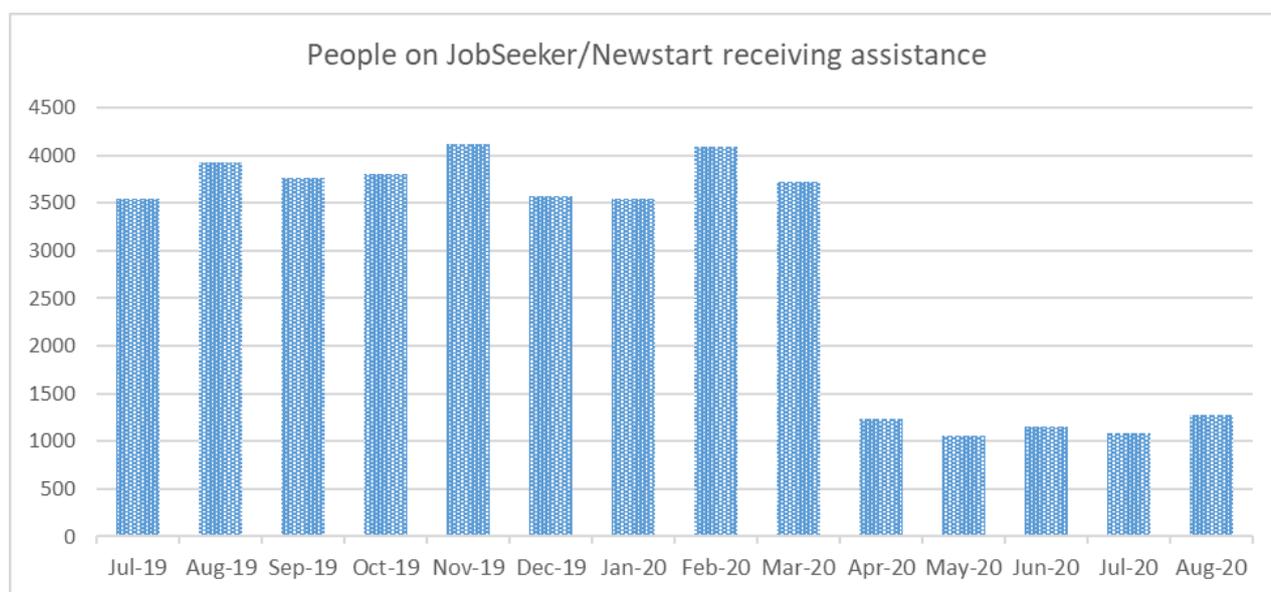


Figure 1: The number of people on JobSeeker (Newstart) receiving assistance each month from July 2019.

In the last quarter of the 2019/20 financial year, the number of people on the JobSeeker Payment requiring assistance fell by 75% compared to the same quarter in 2018/19. Over the same period, the total number of people in NSW receiving the JobSeeker Payment more than doubled.¹⁶

In September 2020, the coronavirus supplement was cut by \$300/fortnight, reducing it to \$250/fortnight. We subsequently saw a steady increase in the number of people reaching out for assistance (Figure 2). This occurred even as the total number of people receiving JobSeeker in NSW began to decline.

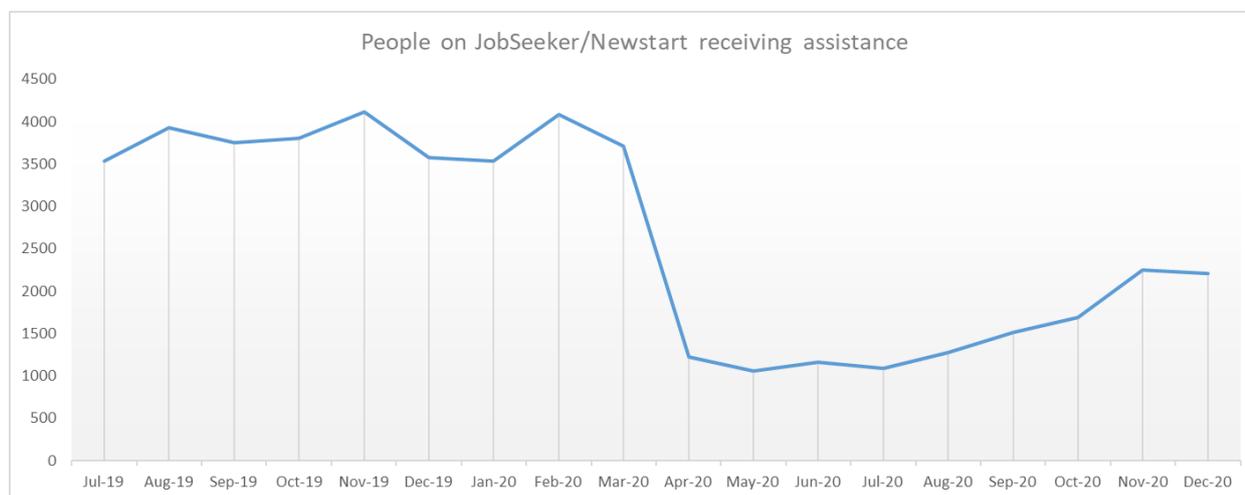


Figure 2: The number of people on JobSeeker (Newstart) assisted each month in NSW

We expect to see a much greater spike in calls for help from March 2021 when the coronavirus supplement – currently \$150/fortnight – is cut and replaced by a \$50/fortnight increase to the base payment.

4 Balancing the weekly budget – an impossible task?

We have prepared some indicative household budgets illustrating the task jobless households will face in seeking to make ends meet once the coronavirus supplement is cut. It is clear that even on very conservative estimates, many households will face an impossible task.

Incomes for these households have been calculated using [Centrelink's Payment and Service Finder](#), with the telephone allowance added. They assume each household is reliant on JobSeeker Payments, does not earn any additional income, and does not receive any penalties.

Household expenditure has been calculated using a range of sources. Our estimates are conservative – they do not include purchases such as household goods and furniture, clothing, household services such as haircuts. Nor do they include any non-essential food items such as takeaway coffees or indeed any discretionary spending.

It is clear that even if households are able to dramatically reduce their spending and encounter no unexpected expenses, many will find themselves unable to pay for essentials without reaching out for help.

With the number of people looking for work far exceeding the number of available jobs, we are deeply concerned about the impact this will have on people who are not able to find or maintain jobs both immediately, and over the longer term.

¹⁶ Ibid. June 2020 data taken from DSS (2020) JobSeeker recipient and Youth Allowance monthly profile May 2020. Available at <https://data.gov.au/data/dataset/jobseeker-payment-and-youth-allowance-recipients-monthly-profile>.

Fiona, a single 33-year-old woman lives in Sydney's Inner West:

Income:	Budget
<p>\$382.05/week</p> <p>Notes: Income comprises \$565.70 + \$50 JobSeeker Payment/fortnight + \$139.60 rent allowance/fortnight + \$8.80 energy supplement/fortnight.</p>	<p>\$320 – rent \$28 – utilities \$83 – groceries \$28 – health costs \$38 – transport \$31 – communication Total: \$528</p> <p>Notes: Rent – one-bedroom flat in Inner West LGA in lowest quartile. Median rent is \$380 (DCJ Rent Report). Electricity – residential DMO price for Ausgrid for a household consuming 3,900 kWh/annum (Vinnies' Tariff-tracking project). Groceries – Suncorp's Cost of Food report Health, transport and communication costs – Average expenditure for households in lowest income quintile based on ABS HES Survey, 2015-16. Health excludes expenditure on health insurance, transport excludes expenditure on motor vehicle purchase.</p>

Daniel, a 29-year-old father lives with his 9-year-old daughter in a unit in Coffs Harbour:

Income:	Budget
<p>\$571.18/week</p> <p>Notes: Income comprises \$612 + \$50 JobSeeker Payment/fortnight + \$164.08 rent allowance/fortnight + \$9.50 energy supplement/fortnight + \$4.65 telephone allowance/fortnight + \$189.56 max FTB Part A/fortnight + \$112.56 max FTB Part B/fortnight.</p>	<p>\$315 – rent \$38 – utilities \$106 – groceries \$28 – health costs \$94 – transport \$31 – communication \$28 – education Total: \$640</p> <p>Notes: Rent – two-bedroom flat in Coffs Harbour LGA in lowest quartile. Median rent is \$350 (DCJ Rent Report). Electricity – residential DMO price for Essential for a household consuming 3,900 kWh/annum (Vinnies' Tariff-tracking project). Groceries – Suncorp's Cost of Food report Health, transport and communication costs – Average expenditure for households in lowest income quintile based on ABS HES Survey, 2015-16. Health excludes expenditure on health insurance. Education – Drawn from data collected by the Futurity Investment Group. Excludes tutoring costs and the cost of electronic devices.</p>

Lisa, a 43-year-old mother, lives with her 11-year-old son and 13-year-old daughter in a house in Wagga Wagga:

Income:	Budget
<p>\$665.96/week</p> <p>Notes: Income comprises \$612 + \$50 JobSeeker Payment/fortnight + \$164.08 rent allowance/fortnight + \$9.50 energy supplement/fortnight + \$4.65 telephone allowance/fortnight + \$379.12 max FTB Part A/fortnight + \$112.56 max FTB Part B/fortnight.</p>	<p>\$331 – rent \$38 – utilities \$106 – groceries \$28 – health costs \$94 – transport \$31 – communication \$56 – education Total: \$684</p> <p>Notes: Rent – three-bedroom house in Wagga Wagga LGA in lowest quartile. Median rent is \$365 (DCJ Rent Report). Electricity – residential DMO price for Essential for a household consuming 3,900 kWh/annum (Vinnies' Tariff-tracking project). Groceries – Suncorp's Cost of Food report Health, transport and communication costs – Average expenditure for households in lowest income quintile based on ABS HES Survey, 2015-16. Health excludes expenditure on health insurance. Education – Drawn from data collected by the Futurity Investment Group. Excludes tutoring costs and the cost of electronic devices.</p>

5 Assistance delivered by regional area

In NSW, the St Vincent de Paul Society operates across ten geographical areas, known as Central Councils. These align with Catholic Diocesan boundaries. In each of these ten areas there was a dramatic reduction in requests for assistance from people on JobSeeker following the introduction of the coronavirus supplement, with a gradual increase in requests in the last quarter of the year (Figure 3).

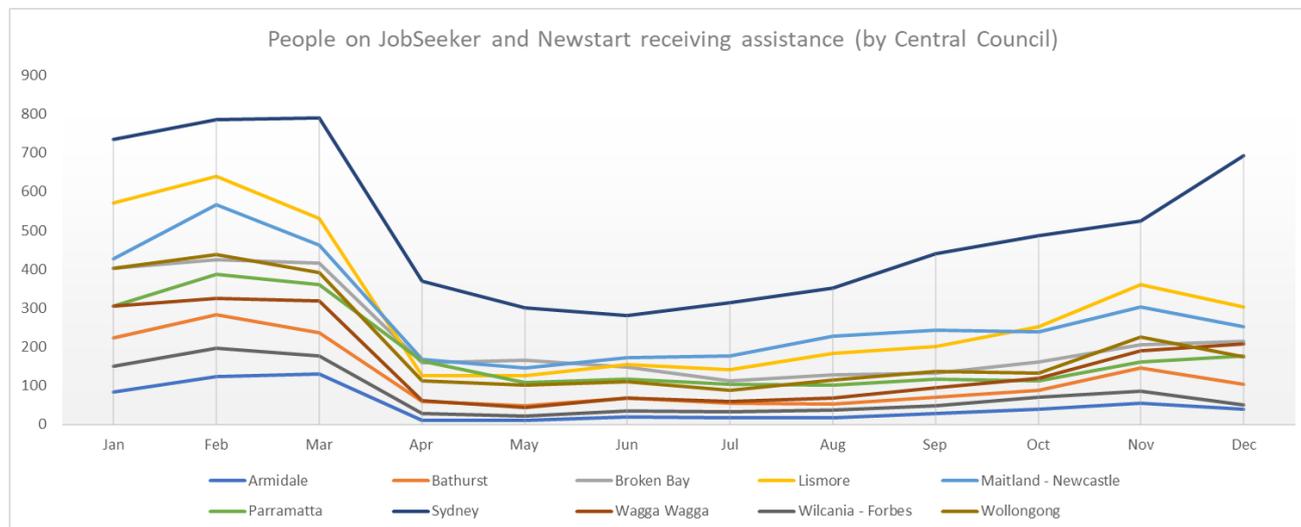


Figure 3: Number of people on JobSeeker (Newstart) assisted in each of the ten Central Councils across NSW.

Table 2 provides further information about the assistance provided to people on JobSeeker (Newstart) in each of the ten Central Councils across NSW.

<h3>Sydney Archdiocese</h3> <ul style="list-style-type: none"> In Sydney Archdiocese, 34% of the people we assisted in 2018/19 were on Newstart, compared with 28% in 2014/15. Food was the most common form of assistance needed, accounting for 42% of requests. Following the introduction of the coronavirus supplement there was a 48% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year. 	<h3>Lismore</h3> <ul style="list-style-type: none"> In Lismore Central Council, 37% of the people we assisted in 2018/19 were on Newstart, compared with 35% in 2014/15. Food was the most common form of assistance needed, accounting for 32% of requests. Following the introduction of the coronavirus supplement there was a 78% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year.
<h3>Parramatta</h3> <ul style="list-style-type: none"> In Parramatta Central Council, 31% of the people we assisted in 2018/19 were on Newstart. Food was the most common form of assistance needed, accounting for 53% of requests. Following the introduction of the coronavirus supplement there was a 60% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year. 	<h3>Wollongong</h3> <ul style="list-style-type: none"> In Wollongong Central Council, 33% of the people we assisted in 2018/19 were on Newstart. Food was the most common form of assistance needed, accounting for 54% of requests. Following the introduction of the coronavirus supplement there was a 74% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year.

<h3>Broken Bay</h3> <ul style="list-style-type: none"> • In Broken Bay Central Council, 35% of the people we assisted in 2018/19 were on Newstart, compared with 32% in 2014/15. • Food was the most common form of assistance needed, accounting for 51% of requests. • Following the introduction of the coronavirus supplement there was a 58% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year. 	<h3>Maitland/Newcastle</h3> <ul style="list-style-type: none"> • In Wollongong Central Council, 32% of the people we assisted in 2018/19 were on Newstart, compared with 30% in 2014/15. • Food was the most common form of assistance needed, accounting for 56% of requests. • Following the introduction of the coronavirus supplement there was a 63% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year.
<h3>Armidale</h3> <ul style="list-style-type: none"> • In Armidale Central Council, 36% of the people we assisted in 2018/19 were on Newstart, compared with 33% in 2014/15. • Food was the most common form of assistance needed, accounting for 55% of requests. • Following the introduction of the coronavirus supplement there was an 88% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year. 	<h3>Bathurst</h3> <ul style="list-style-type: none"> • In Armidale Central Council, 35% of the people we assisted in 2018/19 were on Newstart, compared with 33% in 2014/15. • Food was the most common form of assistance needed, accounting for 63% of requests. • Following the introduction of the coronavirus supplement there was a 79% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year.
<h3>Wagga Wagga</h3> <ul style="list-style-type: none"> • In Wagga Wagga Central Council, 38% of the people we assisted in 2018/19 were on Newstart. • Food was the most common form of assistance needed, accounting for 64% of requests. • Following the introduction of the coronavirus supplement there was an 80% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year. 	<h3>Wilcannia Forbes</h3> <ul style="list-style-type: none"> • In Wilcannia Forbes Central Council, 31% of the people we assisted in 2018/19 were on Newstart. • Food was the most common form of assistance needed, accounting for 27% of requests. • Following the introduction of the coronavirus supplement there was a 67% decrease in the number of JobSeeker recipients seeking help compared with the same quarter last year.

6 Recommendations and Conclusion

So that people who experience un- or under-employment as a result of illness, injury, or job losses, can continue to afford the essentials in life, and live with dignity, we recommend that the Australian Government:

- establish a Social Security System Expert Group to advise and report to Parliament on whether the Australian Government is meeting its responsibilities and to ensure that eligible recipients are not living in poverty.
- bring all pensions and payments above a minimum income floor, in line with the current pension rate, until the Social Security Commission is established (this would see mean that a single person on JobSeeker should receive an additional \$25 per day or \$350 per fortnight).
- index payments properly, to wages and price increases, to ensure they maintain their real value over time and keep up with community standards and the costs of living.

The St Vincent de Paul Society will continue to offer assistance and support where needed, yet providing an adequate safety net to people who are unemployed is the responsibility of Government. This responsibility should not be shifted to charities.

We look toward a future in which no-one lives in poverty in Australia. Permanently increasing unemployment rates so that people can afford rent, food, bills, healthcare, transport and other essentials would be a significant step towards this future.