

Briefing: Raising the Rate of Newstart

The stark inadequacy of Newstart is pushing many recipients into poverty, contributing to housing insecurity, financial stress, and diminished health and wellbeing.

The rates of Newstart Allowance and student payments fall well below the poverty line and are not enough to cover the cost of essentials. These payments have not kept pace with rising living expenses and, unless they are increased and properly indexed, will slide even further behind.

Increasing the base rates of Newstart, Youth Allowance and related payments is vital to reduce poverty and inequality, and to enable people who receive income support to live with dignity.

What we're asking Government to do:

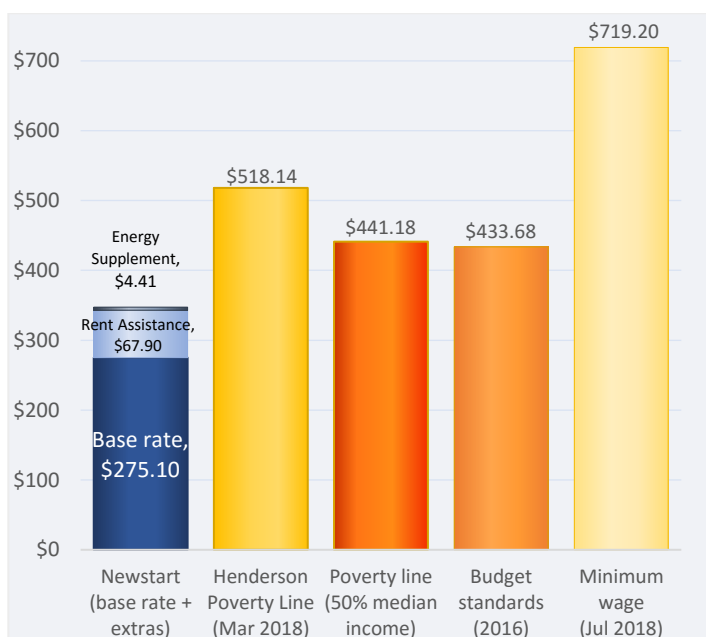
1. **Raise the rate of Newstart Allowance, Youth Allowance & related payments by at least \$75 per week.**
2. **Index payments properly (to wages and price increases) to ensure they maintain their real value over time and keep up with community standards and the costs of living.**
3. **Establish an independent commission or tribunal to regularly review the adequacy of income support payments and recommend income benchmarks.**

Newstart Allowance is inadequate

A single unemployed person on Newstart receives as little as \$275.10 a week, or just **\$39.30 a day**.

This is not enough to meet day-to-day living costs, such as rent, food, transport, healthcare and utilities. The inadequacy of Newstart is pushing many recipients into poverty and contributing to financial stress, housing insecurity, and diminished health and wellbeing.

The rates of Newstart and Youth Allowance fall well-below standard benchmarks for income adequacy and poverty – even when additional supplement payments (such as rent assistance or the energy supplement) are factored in.



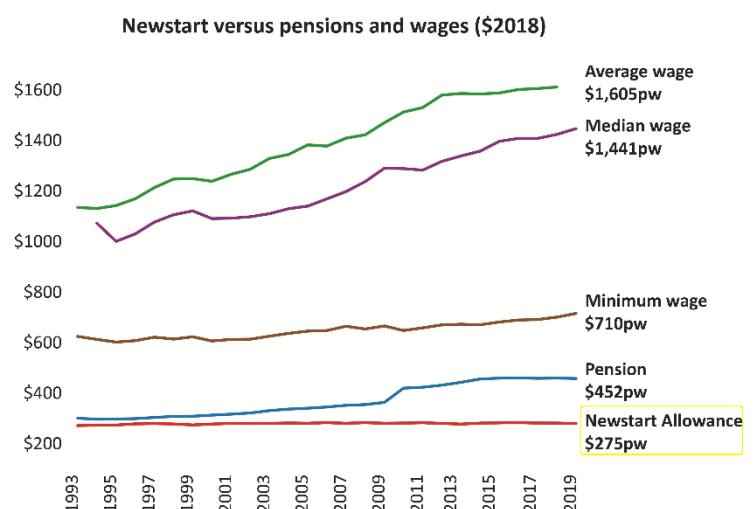
Researchers from the University of NSW have calculated the 'budget standard' for an unemployed person (this is the *minimum* income a person needs to afford essentials such as housing, food, electricity, healthcare and transport).¹ They found a single unemployed person needs **\$434** per week to cover the cost of the basics. Newstart is just **\$275**.

The situation is getting worse

The base rate of Newstart has **not increased in real terms since 1994** – a quarter of a century.

In fact, the value of Newstart has *gone backwards in real terms* because of the way it is calculated. Payments are adjusted each year according to the Consumer Price Index (CPI). But the cost of essentials such as housing, utilities, healthcare, transport, education and food have increased much more rapidly than CPI. Low-income households spend the vast bulk of their income on these essentials.

Because CPI is lower than the growth in average wages, the gap between what an unemployed person receives and what the average worker earns has grown, as has the gap between Newstart and pensions.



Australia's unemployment payments are the **lowest in the OECD**.² We also have the **second highest rate of poverty among the unemployed across all OECD nations**.²

Unless payments are indexed in a way that better reflects actual increases in wages and essential living costs, people on Newstart will continue to fall further behind.

The consequences are wide ranging

The inadequacy of Newstart and Youth Allowance is having devastating effects on individuals, families & communities: deepening inequalities, robbing people of their dignity, and undermining the health and wellbeing of families.

Studies show the daily struggle to survive on meagre benefits has a range of **damaging social, emotional and health consequences**.³ Whether it is the emotional harm of being disconnected from friends and family, and excluded from community life because you cannot afford to drive or catch public transport.³ Or having to skip meals, or being unable to afford nutritious food, dental care or medicines.^{4,5} Or the fatigue and ill-health that comes from constant stress about one's finances.^{6,7} Or being unable to heat or cool your home during hot or cold weather.⁸

Insufficient payments also **contribute to housing insecurity and homelessness**. According to Anglicare's 2019 Rental Affordability Snapshot⁹, not one property was affordable for a single person on Newstart or Youth Allowance in any major city or regional centre. Across Australia, only two private rental properties were found to be affordable for a single person on Newstart with no children.

It is not only individual recipients who are hurt by the abysmal rate of Newstart. It hurts their families too. **Children** with parents on Newstart are much more likely to be living in poverty.¹⁰ For charities and community organisations, the inadequacy of Newstart **adds to the demand on frontline services**. And for the wider community, low unemployment benefits contribute to **economic inequality and social division**, undermining social cohesion and eroding trust.

Without government action to increase Newstart Allowance, everyone loses: governments, the community, front-line services and, most of all, people receiving Newstart and their families.

Low payments make hunting for jobs harder

There is a lack of evidence to support the notion that poverty-level payments are necessary to 'incentivise' people to take up paid work. Research has shown that inadequate income support payments don't increase labour force participation and, by pushing people into poverty, can act as a barrier to securing employment.^{11,12}

Current payment rates do not cover basic living costs, let alone the additional costs of looking for work (e.g. internet expenses; clothing/transport costs to attend job interviews). The ongoing stress and struggle to make ends meet can detract from job search activities and undermine health and wellbeing, further diminishing employment prospects.

The benefits of raising the rate

Everyone benefits when we have a strong social security safety net.

Raising the rate of Newstart and related payments will:

- **lift hundreds of thousands of people on the lowest incomes out of poverty;**
- **improve people's prospects of finding decent paid work;**
- **increase social and economic participation;**
- **strengthen local communities;**
- **reduce the pressure on charities and other front-line services that deal with the flow-on effects of poverty and financial hardship; and,**
- **boost the overall economy by increasing consumer spending.**

Raising Newstart will have a **positive effect on the economy**, contributing to job creation, helping to raise wages and boosting regional economies. These positive economic effects will arise largely because every spare dollar received by someone on a low income goes back into the economy through increased consumer spending.

According to independent modelling by Deloitte Access Economics, raising Newstart by \$75 would generate 12,000 new jobs in 2020-21, increase wages by 0.2%, and increase government revenue by \$1.25 billion.¹³

By alleviating the poverty of those who are unemployed, additional benefits would be likely due to a reduction in the costs involved with entrenched disadvantage, such as reduced pressure on health and social support systems.

Critically, increasing Newstart and rebuilding our social safety net will **strengthen communities and improve the decency and fairness of our society**.

A strong social safety net is key to a just and inclusive society. It is about individuals and families having security in the face of vulnerabilities and contingencies – by providing an adequate income that enables them to live with dignity.

As one of the wealthiest nations in the world, none of us should accept that Australia cannot afford an adequate social security safety net.

Raising the rate of Newstart and related payments is the single biggest thing government could do to repair our social safety net and reduce entrenched poverty and disadvantage.

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