

## Submission:

### *Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia*

The Centre for Excellence in Child and Family Welfare (the Centre) welcomes the opportunity to provide a submission on the 'Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia' for consideration by the Senate Community Affairs References Committee.

The Centre is the peak body for child and family services in Victoria. For over 100 years we have advocated for the rights of children and young people to be heard, to be safe, to access education and to remain connected to family, community and culture. We represent over 150 community service organisations, students and individuals throughout Victoria working across the continuum of child and family services.

Our members work directly with children, parents, carers, and families experiencing disadvantage and hardship and see firsthand the impacts that social security policy can have on their wellbeing and long term prospects. The Centre is a member of a network, Treating Families Fairly, whose members engage in research and collective advocacy on these issues.

## The inadequacy of Newstart and related payments

### 'Struggling to survive'

The social security system in Australia is intended to operate as a 'safety net'.<sup>1</sup> Despite this, 55 per cent of all households receiving Newstart and 64 per cent of all households receiving Youth Allowance, as their main source of income, are living in poverty.<sup>2</sup>

The current rate of Newstart has not been increased in real terms in 25 years.<sup>3</sup> For the 723,000 people receiving Newstart and the 223,000 people receiving Youth Allowance<sup>4</sup> these payments, at best, offer a subsistence standard of living that does not allow them to plan for the future or work towards obtaining suitable and secure employment.

Newstart has repeatedly been shown to be inadequate to meet basic cost-of-living expenses, demonstrated through the research of academics, peak bodies and community service organisations,

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<sup>1</sup> Australian Institute of Health and Welfare (AIHW) 2017, *Australia's welfare 2017*, AIHW, Canberra.

<sup>2</sup> Davidson, P, Saunders, P, Bradbury, B & Wong, M 2018, *Poverty in Australia 2018*, ACOSS/UNSW Poverty and Inequality Partnership Report No. 2, ACOSS, Sydney, p. 12.

<sup>3</sup> Davidson et al. 2018.

<sup>4</sup> Phillips, B, Gray, M, Joseph, C & Webster, R 2019, *Newstart and other government allowances: incomes, financial stress and poverty*, Australian National University, Centre for Social Research & Methods, Canberra.

extensive media reporting and most importantly, firsthand accounts from people struggling to survive on Newstart.<sup>5</sup>

A recent survey of our child and family service member organisations conducted by the Centre highlights the ways in which single mother families who receive social security payments struggle to survive on a day-to-day basis and the daily decisions they need to make about whether to use meagre income to pay rent or buy food, buy children's clothes or pay school costs.<sup>6</sup>

In the survey, practitioners described single mother families' experiences living on social security payments as routine financial difficulty with the stress and anxiety associated with a constant struggle to make ends meet. This is consistent with research showing that 59 per cent of single parent families in which the parent is unemployed are living in poverty.<sup>7</sup>

Of the 169 practitioners who responded, 78 per cent believed payment rates to be insufficient or barely sufficient. It was noted by some that payments must be consistently and reliably provided in order to maintain any standard of living that they offer.<sup>8</sup> It was clear from the responses that Newstart is not flexible enough to recognise and respond to the differing circumstances experienced by Australian households. One respondent reported that:

*The current income support system is not sufficient to meet their basic needs let alone work towards independence, job readiness and/or further education.*

The Australian Council of Social Service (ACOSS) has been calling for Newstart to increase by a minimum of \$75 per week based on a report from the University of New South Wales which showed the minimum cost of essentials in 2015.<sup>9</sup> ACOSS has noted that this figure needs to be updated based on wage and price movements since this time and we urge the Committee to consider this when forming their recommendations.

Recently, there has been a groundswell of support for raising the Newstart allowance and other payments in response to widespread recognition that these payments are too low and are further entrenching poverty. The current rate does not meet community expectations, with an estimated 68 per cent of Australians supportive of an increase according to a recent poll.<sup>10</sup> Raising social security payments is the most effective and significant action that our government can take to reduce poverty in Australia.<sup>11</sup>

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<sup>5</sup> See, for example: Australian Council of Social Service (ACOSS) 2019, *"I regularly don't eat at all": trying to get by on Newstart*, ACOSS, Sydney.

<sup>6</sup> Tennant, D & Bowey, K (forthcoming), *The impact of social security reforms on single mothers and their children*, Centre for Excellence in Child and Family Welfare, Melbourne.

<sup>7</sup> Davidson et al. 2018.

<sup>8</sup> Tennant & Bowey (forthcoming).

<sup>9</sup> Saunders, P & Bedford, M 2017, *New minimum income for healthy living budget standards for low-paid and unemployed Australians*, Social Policy Research Centre, UNSW Sydney, Sydney.

<sup>10</sup> Essential Research 2018, Essential report – statements about Newstart, viewed 26 September 2019, <<https://www.essentialvision.com.au/statements-about-newstart>>.

<sup>11</sup> Alcorn, G 2019, "'It is not a pipe dream": five things Australia could do now to end poverty', *The Guardian*, 1 July; Kale, N 2017, 'What would it take to abolish poverty in Australia?' *SBS*, 24 November.

## Newstart breaches human rights

The current inadequacy of Newstart and related payments has human rights implications. The Universal Declaration of Human Rights, to which Australia is a signatory, establishes the right to social security under Article 22, as does Article 9 of the International Covenant on Economic, Social and Cultural Rights.<sup>12</sup> This right:

requires parties to establish a social security system and, within their maximum available resources, ensure access to a social security scheme that provides a minimum essential level of benefits to all individuals and families that will enable them to acquire at least essential health care, basic shelter and housing, water and sanitation, foodstuffs, and the most basic forms of education.<sup>13</sup>

On this measure, Australia is failing to meet its human rights obligations. Everyone has the right to a life free from poverty. An adequate standard of living, which enables access to ‘an essential level of benefits’ provides a critical foundation for improving the lives of children, young people and families experiencing disadvantage.

## The impacts of poverty on children and families

Living in poverty can increase the likelihood of stressful experiences that can affect a child’s developing brain architecture, increasing the risk of mental health problems in later life.<sup>14</sup>

The following excerpt powerfully describes the impacts of poverty and stress on the brain:

When a person lives in poverty, experiences family violence, or is exposed to other severe or prolonged stressors, research suggests the body is constantly sending fear and stress messages to the brain. This overloads the brain’s ability to solve problems, set goals, exercise self-control and complete tasks in the most efficient ways ... Families in poverty have the added burden of ever-present stress created by the cumulative weight of everyday challenges like overcrowded housing and severe financial pressure.<sup>15</sup>

Children and families can experience unexpected challenges and hardship at any time in their lives and yet the social security system does not offer the flexibility to respond, instead only adding to hardship. In order to improve employment prospects and outcomes for children and families, we must commit to poverty alleviation as the starting point.

## Recommendation

Immediately increase the rate of Newstart, Youth Allowance and related payments by a minimum of \$75 per week, without conditions.

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<sup>12</sup> United Nations 1948, The Universal Declaration of Human Rights, viewed 30 January 2019, <<http://www.un.org/en/universal-declaration-human-rights/>>; United Nations 1966, International Covenant on Economic, Social and Cultural Rights, viewed 26 September 2019, <<https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx>>.

<sup>13</sup> Explanatory Memorandum, Social Services Legislation Amendment (Drug Testing Trial) Bill 2019 (Cth), p. 28.

<sup>14</sup> National Scientific Council on the Developing Child 2012, *Establishing a level foundation for life: mental health begins in early childhood*, Center on the Developing Child at Harvard University, Cambridge, MA.

<sup>15</sup> The Southern Initiative and The Auckland Co-Design Lab 2017, *Early years challenge: supporting parents to give tamariki a great start in life*, The Southern Initiative, Auckland, p. 15.

## Other influences on the adequacy of Newstart

Any review of the adequacy of Newstart must consider the various ways in which people come to receive the payment and the conditions that need to be met to maintain access. In addition to the low income, the adequacy of Newstart is further limited by:

- Changes to eligibility requirements, including those made to the Disability Support Pension, which have resulted in a greater number of people who face significant barriers to work and who often incur additional costs arising from disability or a health condition, being placed on Newstart.<sup>16</sup>
- The shift from Parenting Payment to Newstart when the youngest child turns eight years old. Since this change commenced, rates of poverty among lone-parent households have increased.<sup>17</sup>
- Increases to the age of eligibility for the Age Pension.<sup>18</sup>
- The introduction of the Department of Human Services' automated debt recovery program, otherwise known as 'robo-debt' which has generated 500 281 debt notices between July 2016 and March 2019, many of which are claimed to be 'false or highly inflated', and which have caused significant stress to those who have received them.<sup>19</sup>
- The Targeted Compliance Framework and the high prevalence of automated payment suspensions, many of which occur through no fault of the individual.<sup>20</sup>
- The length of time that people may need Newstart while seeking employment, particularly if the person has parenting or caring responsibilities, a disability, is over 50 years of age, or has limited education.

Welfare conditionality and punitive measures introduced into our social security system over the last decade have eroded the system's capacity to act as a safety net and support people through tough times.

While the government states that Newstart is not intended to be a long-term payment, the Australian Institute of Health and Welfare shows that one in four unemployed people are long-term unemployed, and nine per cent of employed people are underemployed.<sup>21</sup> No matter how hard a person tries to secure employment, getting a job is largely outside of their control at a time when there are simply not enough jobs to meet demand. As of July 2019, 538,521 people, or 76 per cent of the total people on Newstart, have received the payment for more than a year.<sup>22</sup> This means that people are living in significant hardship for an extended period for reasons that have more to do with job scarcity than personal attributes. Finding an appropriate job is a particular challenge for single

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<sup>16</sup> Davidson et al. 2018.

<sup>17</sup> Davidson et al. 2018.

<sup>18</sup> Phillips, Gray, Joseph & Webster 2019.

<sup>19</sup> Carney, T 2019, 'Robo-debt class action could deliver justice for tens of thousands of Australians instead of mere hundreds', *The Conversation*, 17 September.

<sup>20</sup> Hurley, M 2019, 'Supercharging discrimination: the Targeted Compliance Framework and the impact of automated decision-making', *The Power to Persuade*, 21 August.

<sup>21</sup> Australian Institute of Health and Welfare (AIHW) 2019, *Australia's welfare 2019: in brief*, AIHW, Canberra.

<sup>22</sup> Department of Social Services (DSS) 2019, *Labour market and related payments: a monthly profile – July 2019*, DSS, Canberra.

parents, who face a range of additional barriers to employment. At its current rate, Newstart does little to support people's capacity to engage in job search or secure employment.

### The impacts of compliance requirements and payment suspensions

The Centre is deeply concerned about the impact of compliance requirements on families, including children. Rates of poverty among lone-parent households have increased as compliance requirements have been extended and eligibility rules tightened.<sup>23</sup> The most pronounced increase occurred when Parenting Payment switched to the much lower Newstart benefit for parents with children who had reached eight years of age.<sup>24</sup> Suspending a parent's social security payments is inconsistent with the best interests of children, a test defined in Victorian legislation.<sup>25</sup> Research indicates that the additional compliance obligations have impacted the health and wellbeing of lone-parent families and the development of children in those families.<sup>26</sup>

Member organisations working closely with families who have been affected by payment suspension have told us of the stark choices single mothers in particular have needed to make with no income to buy food or meet their children's needs. There is apprehension that this situation could trigger action to remove a child from their home. This constantly present threat to the wellbeing, security and capacity of a family is a common thread in the responses from members.

Findings from the Centre's survey of child and family services practitioners show that the level of housing stress experienced by single mothers as a result of suspension is a particular concern.<sup>27</sup> One respondent reported that:

*They have had to prioritise buying food for the family, cannot pay their rent and other payments, which results in them falling further behind financially. There have been instances of mothers and their children being threatened with homelessness, if they do not pay their rent.*

Harsh compliance measures threaten children's rights under Article 26 of the United Nations Convention on the Rights of the Child. There is no way to cancel a parent's social security payment that would not adversely affect a child's right to safety and adequate provisions. If payments are suspended, families are left without financial resources to support themselves until the issue can be resolved.

There is growing evidence that welfare conditionality results in poorer outcomes for children and families and is excessively costly to administer.<sup>28</sup> The Welfare Conditionality Project, a collaboration among six universities, recently completed a study in the United Kingdom about the impacts of welfare conditionality and found that:

<sup>23</sup> Brady, M & Cook, K 2015, 'The impact of welfare to work on parents and their children', *Evidence Base*, no. 3.

<sup>24</sup> Brady & Cook 2015; Davidson et al. 2018.

<sup>25</sup> s10 *Children, Youth and Families Act 2005* (Vic).

<sup>26</sup> Brady & Cook 2015; Jovanovski, N & Cook, K 2019, 'How Australian welfare reforms shape low-income single mothers' food provisioning practices and their children's nutritional health', *Critical Public Health*.

<sup>27</sup> Tennant & Bowey (forthcoming).

<sup>28</sup> Brady & Cook 2015; Grahame, T & Marston, G 2012, 'Welfare-to-work policies and the experience of employed single mothers on income support in Australia: where are the benefits?', *Australian Social Work*, vol. 65, no. 1, pp. 73-86; McLaren, J, Maury, S & Squire, S 2018, "*Outside systems control my life*": the experience of single mothers on Welfare to Work, Good Shepherd Australia New Zealand, Melbourne; Mendes, P 2013, 'Compulsory income management: a critical examination of the emergence of conditional welfare in Australia', *Australian Social Work*, vol. 66, no. 4, pp. 495-510.

Welfare conditionality within the social security system is largely ineffective in facilitating people's entry into or progression within the paid labour market over time. Stasis, a lack of significant and sustained change in employment status, is the most common outcome for the substantial majority across the repeat interviews.<sup>29</sup>

In most cases, the study found, welfare conditionality created greater inefficiencies with few benefits. While welfare conditionality was successful in moving people off benefit payments in some cases, this was *not* because they had found work but because navigating the complexities and requirements simply became too much.<sup>30</sup> People who are disengaging from even the most minimal of payment schemes because of the onerous requirements are likely placing themselves in even more vulnerable circumstances.

### Recommendation

Protect the right of all Australians to social security and an adequate standard of living by immediately removing those provisions that enable payment suspensions or impose compulsory income management.

### The limited merits of alternative investments

The merits of alternative investments in service systems are diminished where poverty and survival are a families' primary concern. This is reflected in our survey results, which found significant cost-shifting between the Commonwealth and the Victorian Government as a result of the inadequate and compliance-heavy social security system.<sup>31</sup> State-funded child and family services in Victoria are being diverted from their core purpose – supporting the parenting capacity of families to ensure the wellbeing, safety and development of their children – by the need to offer emergency relief to meet families' most basic needs. Because this shifting of costs is largely hidden, the true cost and impact of the inadequacy of Newstart on families, service providers and communities is difficult to determine.

The government's first priority must be to increase social security payments as this will result in improved outcomes through our service systems by virtue of the fact that families will have greater capacity to engage, and state-funded services will be able to work with families towards sustainable improvements to life circumstances.

### Alternative mechanisms

The way government makes decisions about the level of social security payments lacks transparency.<sup>32</sup> It is in the interests of the community to be better informed about our social security system and how decisions about an adequate standard of living are made. The safety net is an important feature of Australian identity and pride, and the decision making involved in shaping it should be made available for scrutiny and comment by the Australian public.

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<sup>29</sup> Welfare Conditionality Project 2018, *Welfare Conditionality Project 2013-2018: final findings report*, Welfare Conditionality Project, York, p. 4.

<sup>30</sup> Welfare Conditionality Project 2018.

<sup>31</sup> Tennant & Bowey (forthcoming).

<sup>32</sup> Catholic Social Services Australia 2008, *An Australian Entitlements Commission: a proposal for an independent commission to inform decisions about the adequacy of pensions and other income support payments*, Catholic Social Services Australia, Canberra.

As outlined above, our current social safety net is no longer fit for purpose. According to the *Poverty in Australia 2018* report, of the estimated 3.05 million people in Australia living below the poverty line, 53 per cent receive social security payments as their main source of income.<sup>33</sup> Social security sufficient to provide an adequate standard of living is a human right that is not being met for many Australian families and this must change.

### International approaches

The House of Commons Work and Pensions Committee in the United Kingdom released the report of the *Welfare safety net inquiry* in July 2019.<sup>34</sup> The report describes the United Kingdom's Social Metrics Commission, an independent, non-partisan commission that has developed a measure for income adequacy determined in relation to inescapable household costs.<sup>35</sup> This provides a more accurate measure of poverty than income. For example, a pensioner who owns their own home but receives a low income may not in fact be experiencing poverty. The measure recognises that:

Some people are more at risk of poverty than others. That is because they have 'inescapable costs'. Disabled people often need to spend more than non-disabled people just to make society accessible and to have a similar standard of living. Parents – especially lone parents – who want to work frequently cannot avoid the costs of childcare. Those same groups may also find that their ability to increase their income through work is limited. This is where the safety net is needed most.<sup>36</sup>

The importance of this for Australians with disability is recognised in a recent report from NATSEM, which found that:

the gap in standard of living was as high as ... \$489 for couple households with an adult with disability but with a partial capacity to work and therefore on NSA [Newstart Allowance] ... to have the same standard of living as similar households where no adult member has disability would require a 63.7% increase in the NSA fortnightly payment for single adults with disability and almost a doubling (97.5%) for partnered adults.<sup>37</sup>

A measure that more carefully recognises and distinguishes among diverse circumstances in the community is a policy response better suited to supporting people to address challenges, contribute to society and achieve social mobility and economic security.

### A principles-based approach to social security reform

Australia's social security system is in urgent need of reform to reorient it from the current punitive and compliance-based approach toward one characterised by fairness, equity and compassion. The Centre supports the call from the Brotherhood of St Laurence for social security reform underpinned by principles of:

- Adequacy

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<sup>33</sup> Davidson et al. 2018.

<sup>34</sup> Work and Pensions Committee 2019, *Welfare safety net: twenty-eighth report of session 2017-19*, House of Commons, London.

<sup>35</sup> Work and Pensions Committee 2019.

<sup>36</sup> Work and Pensions Committee 2019, p. 4.

<sup>37</sup> Li, J, Brown, L, La, HA, Miranti, R & Vidyattama, Y 2019, *Inequalities in standards of living: evidence for improved income support for people with disability*, NATSEM, Canberra, p. xi, xiv.

- Dignity and autonomy
- Equity
- Accountability, and
- Solidarity.<sup>38</sup>

### **Australia needs a Social Security Commission**

Australia needs a Social Security Commission to implement the principles above and develop an evidence-informed approach to reviewing social security payment rates and assessing an adequate standard of living. As an advisory body, it would conduct regular reviews and provide independent and transparent advice and recommendations to government which they would be required to respond to in a timely manner. Responsibility for decisions relating to payment rates would remain with government.

Australia has few formal mechanisms for meeting human rights standards. A Social Security Commission would support Australia's capacity to uphold our obligations under the various human rights conventions to which we are signatories. Transparent and publicly available access to reviews conducted by a Commission will facilitate evidence-informed public debate about how we can best deliver a fair society for all.

### **Recommendation**

Following an immediate increase to current payment rates, establish a Social Security Commission to:

- Provide independent expert advice to government regarding the level of social security payment rates in Australia necessary to meet the needs of the diverse Australian community,
- Advise on the suitability of conditions that apply to these payments, and
- Develop adequacy benchmarks, suitable adjustment measures, and poverty, hardship and destitution measures.

### **Conclusion**

As a community, we must ensure that the people in our country who are living in or at the edge of poverty are not forgotten; that as our society's living standards improve, those in need are not left behind. We must reorient our social security system to one that upholds human rights and fulfils its purpose as a safety net. Australia needs to provide a system that supports, without judgement or punishment, children and their families to live each day with dignity and hope. To this end, the Centre calls on the government to immediately raise the rate of Newstart allowance and related payments, abolish its punitive compliance requirements, and establish a Social Security Commission to provide independent, fair and transparent advice to government.

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<sup>38</sup> Bowman, D, Thornton, D & Mallett, S 2019, *Reclaiming social security for a just future: a principled approach to reform*, Brotherhood of St Laurence, Melbourne.