

Senate Inquiry Submission

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

Executive Summary

This submission outlines the cost of living issues faced by low income Queenslanders who are in receipt of Commonwealth government allowance payments or employed in insecure work.

Drawing on evidence from the QCOSS Cost of Living report (attached) this submission provides evidence to show that current government allowances, such as Newstart, are inadequate. They fail to provide recipients with even a basic standard of living and do not provide sufficient resources for people to access education and training and employment or maintain networks that might lead to meaningful employment.

As this submission demonstrates, increases in the cost of essential items such as housing, electricity, water and transport impact disproportionately on low income earners who spend a greater proportion of their income on essential items. The disproportionate rise in the cost of some essential items, such as transport, make the task of securing meaningful employment all that more difficult for people on allowances.

This submission shows that low income households with dependent children who rely on casual work, face an insecure future. If this type of household was forced to rely on allowance payments, due to unemployment, they would experience a dramatic loss of income far below what is required for a very basic standard of living.

The submission also highlights the negative impact of high housing costs on low income Queenslanders relying on allowance payments or insecure work, which compromises the these households capacity to achieve a basic standard of living.



Recommendations

QCOSS calls on the federal government to increase Newstart payments to unemployed people by \$50 per week so that payments are better able to account for the very basic cost of living outlined in the Cost of Living report and provide enough for people to actively look for work.

QCOSS calls on the government to commit to index Newstart and all other allowances against a measure of wage increase rather than the Consumer Price Index (CPI). The Cost of Living report shows that some low income households spend a much higher proportion of income on essentials and the cost of these essentials are rising much faster than CPI.

QCOSS calls on the federal government to improve safety net options for families on allowances relying on insecure work to supplement their income. Adequate support mechanisms are required for single parents who have lost their job and then have to rely solely on allowances to meet a very basic cost of living. This could be a transitional safety net for a period of time to maintain income that meets a very basic cost of living while they pursue new employment.

QCOSS calls on the federal government to improve the availability of data to the public by reporting annually on the number of people holding a Commonwealth Health Care Cards in each jurisdiction on each type of allowance payment. This would assist in targeting supports, such as concessions, to people in most need.

About QCOSS

QCOSS is a peak state-wide body for the health and community services sector in Queensland, with over 650 members across the state. QCOSS advocates for a fair, inclusive and sustainable Queensland. QCOSS provides a voice for Queenslanders affected by poverty and inequality, leads on issues of significance to the community services sector and contributes to national issues through membership in the nation-wide COSS network.

QCOSS has particular concern for unemployed people who have not been given opportunities in their early life; have not had a good education; have developed skills that are now redundant; who do not have access to economic resources, such as decent clothes for a job interview or access to transport that would make it easier to actually get a job; and have lost confidence and hope in the system.

QCOSS has been advocating for a range of actions to support low income households and ensure a basic standard of living for all Queenslanders. QCOSS has called on the Queensland government to extend concessions on public transport, water, electricity and car registration to low income households holding Commonwealth Health Care Cards through its *Cost of Living* report and *A Fairer Queensland* strategy. As part of the A Fairer Queensland campaign QCOSS has also been calling for investment in flexible employment and skilling programs for people experiencing long-term unemployment.

Cost of living, allowance payments and insecure work

QCOSS has developed a method to examine whether low income households in Queensland are able to afford a basic standard of living and compare this over time (the full report can be found as an attachment to this submission).

In our method, three example low income households are used to illustrate the wider cost of living situation for those on low incomes:

- Single unemployed male Trevor
- Single mother Maria with two dependent children John and Sarah
- Working family with two teenage children: Lee & Heather with Kyla & Tyson

Two of these example low income households, single mother Maria and single unemployed male Trevor, rely on allowance payments and/or experience insecure work.

Our analysis of their capacity to meet a basic standard of living is highly relevant to the Senate Inquiry and forms the central part of this submission.

Methodology

The focus of the cost of living method used in our report is to work out what these households need to spend to meet a basic standard of living and to compare this to their likely income.

As a minimum, we assumed that each household should have access to a range of 26 essentials that no-one in Australia should have to go without (refer to Box 1, below). We assume that a basic standard of living includes access to most of the things that people usually buy, but not discretionary items such as tobacco or pay TV.

Publicly available data was used to estimate both the income available to the household and the amount of money each household would need to spend to meet this basic standard of living. Very conservative assumptions were used to define the spending component to acknowledge that households have some control over how much they spend on many items.

By using a strict set of assumptions about the households, QCOSS is able to repeat this method over time and track whether cost of living pressures are getting better or worse for these example low income households.

Box 1: The Essentials: 26 things no-one in Australia should have to go without

- 1. A decent and secure home
- 2. Secure locks on doors and windows
- 3. Roof and gutters that do not leak
- 4. Furniture in reasonable condition
- 5. Washing machine
- 6. Heating in at least one room of the house
- 7. Warm clothes and bedding for cold periods
- 8. Insurance contents only
- 9. A substantial meal at least once a day
- 10. TV
- 11. Computer skills
- 12. Telephone
- 13. Insurance car comprehensive

- 14. Up to \$500 in emergency savings
- 15. Regular social contact
- 16. One week's holiday away each year
- 17. Presents for family and friends
- 18. Medical treatment when required
- 19. Prescription medicines
- 20. Dental treatment when needed
- 21. Dental check up for children
- 22. Separate bed for each child
- 23. Separate room for each child over 10
- 24. Books and new clothes for school
- 25. School activities/outings for children
- 26. Hobby or leisure activity for children

Summary of findings

The first QCOSS Cost of Living report, based on data from March 2011, showed that both the single parent household and the unemployed single person were unable to afford even a basic standard of living (refer to Table 1, below).

- The single unemployed household was unable to meet the costs required to meet a basic standard of living with a shortfall of \$19 per week.
- The single parent household was unable to meet the costs required to meet a basic standard of living with a shortfall of \$36 per week.

The second Cost of Living report, based on data from March 2012, shows the same basic pattern from twelve months ago. While the situation for both households improved slightly, both were still unable to afford a basic standard of living (refer to Table 2, below).

- The single unemployed household was unable to meet the costs required to meet a basic standard of living with a shortfall of \$15 per week.
- The single parent household was unable to meet the costs required to meet a basic standard of living with a shortfall of \$32 per week.

An improvement in the overall position of our example households over the past year has come from income growing relative to costs.

Table 1: Change in weekly income for the QCOSS Cost of Living report single unemployed example household between March 2011 and March 2012

	March 2011	March 2012	% Change
Disposable Income	\$276	\$285	up 3.3%
Spending	\$295	\$300	up 1.7%
Difference	-\$19	-\$15	up \$4

Table 2: Change in weekly income for the QCOSS Cost of Living report single parent example household between March 2011 and March 2012

	March 2011	March 2012	% Change
Disposable Income	\$771	\$799	up 3.6%
Spending	\$807	\$831	up 3.0%
Difference	-\$36	-\$32	up \$4

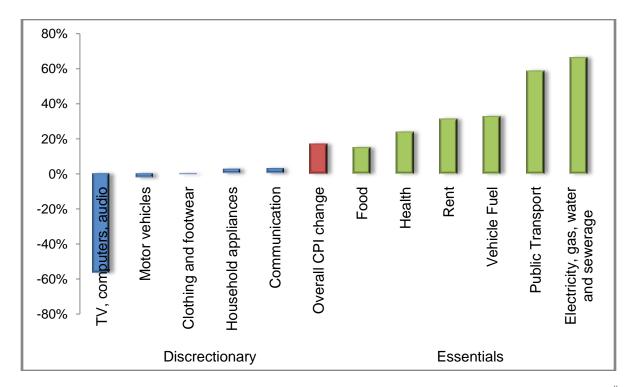
Costs are rising faster for essentials

According to the Cost of Living report, the explanation for the disparity between income and costs for low income households is twofold:

- Low income households spend a greater share of income on essentials like rent, electricity and food
- The cost of essential items have risen much faster than the CPI

Graph 1 (below) demonstrates the disproportionate rise in the cost of essential items based on data collected for the 2012 Cost of Living report.

Because allowance payments, such as Newstart, increase in line with CPI this negatively impacts on the capacity of recipients to meet the disproportionate rises in the cost of essential goods and services.



Graph 1: Changing cost for essential versus discretionary items in Brisbane for last five years

Recent changes to government support

The Federal Budget for 2012-13 contained some measures that will make a difference for our single parent household and will provide some relief for the single unemployed person.

The income measures were:

- In the near term, from June 2012 onwards, the School Kids bonus will benefit Maria and her children by roughly \$16 per weekⁱⁱⁱ
- Later in the financial year, from March 2013 onwards, a supplement of \$4 per week will be paid to Newstart and Parenting Payment Single recipients. This will benefit both Trevor and Maria^{iv}
- Changes to the tax-free-threshold introduced in the 2012-13 Budget, which come into effect on 1 July 2012 will impact on low income earners.

Where relevant changes in income and costs since March 2012 have been accounted for in this submission and noted accordingly.

As a result of household compensation provided from the introduction of the carbon pricing on 1 July 2012 the single parent and single unemployed person will also be around \$2 per week better off. These changes have not been factored into this submission due to the uncertainty about their net impact.

Living on the Newstart job seeker allowance

For long term unemployed people like Trevor the cost of living situation is bleak. The additional assistance measures from the State and Federal Governments are not enough and are not well targeted. They could quickly be eroded by the disproportionate increase in essential goods and services, such as electricity and transport, which have larger impacts on low income households.

Even with the future \$4 per week supplement someone like Trevor will not be able to afford his very, very basic standard of living. He will only be able to survive by going without some essential items. The \$4 supplement will not even allow an extra round trip per week on public transport to look for work.

The QCOSS position is that Newstart is not enough for survival let alone providing enough resources to actively seek work. This is especially true for the 20 per cent or so of unemployed people who have been out of work for more than a year. VIII

The situation for people on Newstart is harder in Queensland than other states because Queensland is the only state or territory that does not provide public transport concessions to unemployed people. Access to transport is essential for people to participate in work and the community, yet the cost of public transport prohibits people like Trevor from doing so adequately.

Living on insecure work

There is some good news for our QCOSS Cost of Living report Single Parent example household as a result of the changes from the 2012-13 Budget. After adjusting for the budget changes, Maria and her two children will have just enough income to meet the basic standard of living, which is outlined in the Cost of Living report (refer to Table 3, below).

However, the problem for Maria is her reliance on casual employment and the uncertainty that this type of employment causes. If Maria were to lose her job through sickness, economic downturn or other unforeseen circumstance her situation would become significantly difficult.

As shown in Table 3 below, if Maria lost her job and had to rely solely on the Parenting Payment for any period of time whilst looking for work, she would suffer a severe reduction in income (a reduction of \$227). Consequently she would fall \$212 short of the income required to uphold a basic standard of living. The situation would be far worse if she had to rely on Newstart once her eldest child turned eight.

If Maria did lose her casual job she would have to make difficult choices about what to do without. With no capacity for savings, Maria would have to make rapid adjustments to her spending. Unfortunately, items that take up a lot of her spending, such as housing, are extremely difficult to adjust quickly.

Table 3: Difference in weekly income for Single Parent Household between casual employment^{ix}, full Parenting Payment and Newstart (including School Kids Bonus)

	With casual work		Without any work	
	Casual work + Parenting Payment (March 2012 ^x)	Casual work + Parenting Payment (updated ^{xi})	Parenting Payment only (updated ^{xii})	Newstart only (updated ^{xiii})
Disposable Income	\$779	\$851	\$624	\$571
Spending	\$831	\$836	\$836	\$836
Difference	-\$32	+\$15	-\$212	-\$265

Renting on a low income

The QCOSS Cost of Living report also highlights the ongoing problem facing low income earners attempting to secure affordable housing. Decent and secure housing is something that no-one in Australia should have to go without. Most importantly, decent, secure and appropriate housing should also be affordable.

For those on relatively low incomes, a commonly accepted benchmark for housing affordability is spending 30 per cent or less of gross household income on housing^{xiv}. Low income households spending more than this are in housing stress and are at risk of not having enough for all the other essentials of life.

Households with low incomes and with few economic resources are more likely to be private renters or rent through social housing.^{xv} The problem low income households face in the private rental market is that it is next to impossible to find rentals in Australia that are appropriate and also affordable at less than 30 per cent of household income. An annual survey by Anglicare^{xvi} found there were no affordable rentals available for most low income households in most locations across Australia.

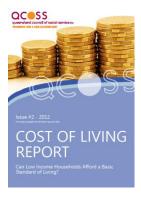
This struggle with housing is illustrated by our example households who are all private renters. They will struggle to rent housing that is decent, secure and appropriate. *Vii Both single parent Maria and unemployed Trevor have been in housing stress for the last 12 months. Maria is currently spending 34 per cent of total income on housing while Trevor is spending an uncomfortable 39 per cent for a share room in a house.

While there are affordable properties available from time to time, there just aren't enough properties for rent at the lower end of the market.

Housing affordability is getting particularly worse in regional areas exposed to the mining boom. In areas like Mackay, Gladstone and Mount Isa there has been a massive increase in costs. Rents are now actually higher than in Brisbane. The median rent for a three bedroom house in Brisbane in March 2012 was \$400 per week. It was \$470 in Mackay, up 21 per cent over the last year. In Gladstone the median was \$490. This is up 36 per cent in the last year.

Because of the demand for accommodation in these mining boom areas low price rentals are impossible to find. It is very likely that those households not in full time work who rely on government income support will struggle to afford our basic standard of living. Factoring in costs that are typically higher in the regions like petrol and groceries^{xix} makes the situation even worse.

Attachment A - QCOSS Cost of Living report 2012



ⁱ Saunders, P. And Wong, M. 2009. *Still doing it tough: an update on deprivation and social exclusion among welfare service clients*. Social Policy Research Centre, University of New South Wales. ⁱⁱ Queensland Council of Social Service 2012. *Cost of Living Report 2012*. West End: QCOSS.

The lump sum payment in June 2012 is \$409 per primary school child and \$818 per secondary school child. For Maria the current total is \$818 per year, or \$15.73 per week (based on 52 weeks). This is rounded to \$16 per week. For our working family it is \$1,636 per year, or \$31.46 per week rounded to \$31.

^{iv} Maria's youngest child is six, and she will be able to remain on Parenting Payment Single until they turn 8.

According to Australian government estimates changes to the tax-free-threshold will result in a reduction in tax of roughly \$11.50 per week for people earning below \$20,000 per year, \$9.50 per week for people earning less than 25,000 per year and \$5.80 per week for people earning under \$65,000 per year.

vi Net gain based on the predetermined household scenarios produced by the Federal Government. The scenarios were: single person with \$0 in private income; single parent with \$20,000 in private income and with 2 dependent children, one aged 5-7 and one aged 5-12; dual income couple with \$55-60,000 in private income, split 70:30, and with 2 dependent children, one aged 5-12 and one aged 13-17. http://www.cleanenergyfuture.gov.au/clean-energyfuture/our-plan/cameo-tables/

vii The equivalised average weekly spending for the ABS low economic households in 2009/10 from Life on Struggle Street was \$500. The weekly spending for Trevor's very, very basic standard of living in March 2012 is only \$300. viii ABS, 2012. Australian Labour Market Statistics, April 2012. Labour market summary

ix 25 hours per week, 39 weeks a year on minimum wage (\$15.51 per hour) and casual loading of 25 percent.

^x Figures from Cost of Living report 2012 reflect income and cost situation as of March 2012.

xi Income figures are updated as of 1 August 2012 and amended using information calculated from the Centrelink Rate Estimator. Income includes School Kids Bonus of \$15.73 per week total for two children. Cost figures have been increased by CPI for Brisbane for June 2012 which was 0.6 percent for the quarter. Based on the assumption that low income households spend a larger proportion of their income on essential items this may be an underestimate.

xiii Ibid

The benchmark is only applied to those households ranked in the bottom 40% of incomes. This is because someone on relatively high income could spend more than 30% on housing yet have more than enough cash left over each week for other expenses

xv ABS, 2012. Life on 'Struggle Street. Australian Social Trends, March Quarter 2012. The ABS looked at low economic resource households – those who are in the bottom 40% of both incomes and new wealth. There were 20.4% of all households in this category. Of the total low economic resource household, 13% were in social housing and 50% were private renters. For the other 80% of households it was 0.5% and 15% respectively.

xvii Anglicare, May 2012. Australia Rental Affordability Snapshot. The survey looked at 65,000 available rentals across Australia on Saturday 14 April 2012. The available rentals were assessed against the income and housing requirements for various households that rely on either the minimum wage or government income support payments. xvii While we assume that their rental properties are decent and secure, there is no guarantee of this. A survey of 114 Victorian rental properties open for inspection in 2010 found that 14 per cent had 2 of these characteristics: no heating; lack of weather proofing; extensive mould; or were unsafe (no electricity safety switch or deadlocks). See the "Decent not Dodgy" campaign by VCOSS at http://www.vcoss.org.au/what-we-do/housing/dnd.htm xviii Residential Tenancies Authority, 2012. Median weekly rents for the March Quarter 2012.

	Two Bedroom Apartment		Three Bedroom House	
	Median rent Increase since		e Median rent	Increase since
	March 2012	March 2011	March 2012	March 2011
Brisbane\$390	4%	\$400	3%	
Bundaberg	\$210	5%	\$270	2%
Cairns	\$250	0%	\$320	3%
Rockhampton	\$240	9%	\$320	7%
Townsville	\$300	3%	\$350	3%
Gold Coast	\$350	0%	\$400	0%
Mackay	\$350	17%	\$470	21%
Gladstone	\$370	32%	\$490	36%
Mount Isa	\$350	9%	\$500	8%
YIY a.c.			—	

xix Office of Economic and Statistical Research, Queensland Treasury, 2011. Index of Retail Prices in Queensland Regional Centres, May 2010. Prices for a comprehensive range of goods and services were 'priced' in 43 regional areas in May 2012. In 26 of the 43 centres, non-housing costs were higher than Brisbane.