



# Submission

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

### **Introduction**

YACSA is the peak body in South Australia representing the interests of young people, youth workers, organisations and networks throughout the non-government youth sector. Policy positions are independent and not aligned with any political party or movement. YACSA supports the fundamental right of all young people to participate in and contribute to all aspects of community life, particularly the decision-making processes that impact them.

YACSA welcomes the opportunity to provide a response to the Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia Inquiry.

An individual's level of income impacts upon their access to appropriate housing, food, health services, education and mobility and is an important social determinant of health. However, current rates of income support, particularly Youth Allowance and Newstart Allowance are set at such low levels that recipients are forced into poverty and expected to subsist on as little as \$32.51 a day. The compounding effects of a lack of income, lack of access to housing, health services, nutrition and social disadvantage has a range of negative effects on the health and wellbeing of individuals, risking impacts throughout their life cycle.

YACSA urges the Federal Government to immediately raise the rate of Youth Allowance and Newstart Allowance. Rates should be based on fairness, wage growth (like the Aged Pension), cost of living and individual circumstances rather than age.

### **Key points**

This submission makes the following key points:

- Income is a significant social determinant of health that affects young people's ability to access quality health care, appropriate housing, employment, education, healthy food and transport.
- Rates of Youth Allowance and Newstart Allowance are patently inadequate to provide even the basics of independent living with both payments set well below the minimum wage and the Henderson Poverty Line.
- Young people in receipt of Youth Allowance and Newstart Allowance regularly report going without meals, not being able to afford access to appropriate housing, and forgoing health care, pharmaceuticals, dental care and optometrist services.
- With the average time that individuals spend receiving Newstart Allowance now up to three years, income support can no longer be considered a transitional payment. Recipients are forced into poverty and disadvantage over prolonged periods impacting their health and wellbeing throughout their lives.

- The rate of Youth Allowance and Newstart Allowance must immediately be raised to reflect the current cost of living and to enable recipients to live, work, study or look for employment free from the impacts of poverty.

## **The Social Determinants of Health**

Where we are situated on the social gradient has been established as a significant determinant on our experience of health across the lifespan, with those who are situated on the lower rungs at increased risk of chronic disease and death<sup>1 2</sup>.

Personal income impacts upon our lives in a variety of ways and determines our standard of housing, our living conditions, our ability to pay for utilities, the quality of the food we eat, our access to health care and education and our mobility<sup>3</sup>.

The level at which job search-related income support is paid to recipients forces them into financial exclusion and to subsist in poverty and disadvantage for prolonged periods. This experience of chronic disadvantage can be devastating for individuals both in the short and longer terms, with resultant health and wellbeing impacts weighing heavily on communities and state and federal health budgets.

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

The Australian Government is obligated to ensure all citizens enjoy a basic standard of living. According to Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) (of which Australia is a signatory), all citizens have the right to a basic standard of living that includes adequate food, clothing and housing, and to the continuous improvement of living conditions<sup>4</sup>.

The safety net provided by income support payments should reasonably enable recipients to be financially included and connected to the world around them while they study or look for work. Recipients should be able to access appropriate housing, be able to afford nutritious food, pay for utilities, buy clothing, access quality health care, dental, optometry services, and be able to maintain their own transport or access to public transport.

Unfortunately, with government providing relatively static rates of income support in an economic environment where the cost of living is increasing dramatically, people in receipt of income support face significant barriers to their financial inclusion in their communities. In data recently released by the Australian Bureau of Statistics, the "Living Cost Indexes" (LCI) showed that the cost of living for Newstart recipients rose by 1.9% over the preceding financial year, compared to the average (CPI) of 1.6%. The reason for this is that the monthly costs for someone on Youth Allowance or Newstart Allowance is centred on necessities such as housing, food, petrol and health care, and these costs are rising at higher rates<sup>5</sup>.

Young people in receipt of income support also face significant barriers finding and maintaining suitable housing. The 2019 Anglicare Rental Affordability Snapshot demonstrates startlingly, that out of the 69,000 properties reviewed for the report, only one was suitable for someone in receipt of Youth

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<sup>1</sup> M Marmot and R Wilkinson, (Eds), Social Determinants of Health, Oxford University Press, Oxford, 1999.

<sup>2</sup> R Wilkinson and M Marmot, Social Determinants of Health: The Solid Facts. 2nd edition, World Health Organisation, Denmark, 2003.

<sup>3</sup> R Cannon, The Social Determinants of Health, SACOSS Information Paper, December 2008.

<sup>4</sup> UN General Assembly, International Covenant on Economic, Social and Cultural Rights, 16 December 1966, United Nations, Treaty Series, vol. 993, p. 3.

<sup>5</sup> D. Taylor. Newstart recipients' standard of living going backwards. ABC News Online, 8 August 2019. Viewed online, <https://www.abc.net.au/news/2019-08-08/newstart-recipients-are-becoming-worse-off-abs-confirms/11394022>

Allowance and only two were suitable for someone receiving Newstart allowance<sup>6</sup>. Even working people on low rates of pay were locked out of the private rental market with only 2% of rentals affordable to someone receiving the minimum wage<sup>7</sup>. With both Youth Allowance and Newstart Allowance rates set significantly below both the minimum wage and the poverty line and rental prices soaring across the country, finding suitable housing will be out of reach for many young people.

The annual CPI increase to Youth Allowance and Newstart Allowance does not keep up with the rising costs of rent, food, utilities and transport.

### **The labour market, unemployment and under-employment in Australia, including the structural causes of long-term unemployment and long-term reliance on Newstart**

Successive governments have maintained the trope that the unemployed, and particularly young people who are out of work, are unemployed because they are lazy, entitled, lack motivation and need incentives to go out and get a job. In fact, the term “dole bludger” is a part of the Australian vernacular and is perennially used by politicians and the media to describe those people in receipt of income support payments such as Youth Allowance and Newstart Allowance.

This rhetoric seems to be underpinned by the belief that we are enjoying a period of full employment when in fact, statistics paint a picture of an increasingly dismal employment market where thousands of people across the country are struggling to find appropriate and ongoing employment. According to ABS figures from July 2019<sup>8</sup>, the overall unemployment rate nationally is now 5.2% (11.5% are aged 15-24), meaning 712,900 people are unemployed nationally and all competing for only 241,500 available jobs<sup>9</sup>. There is a further 1,125,900 (80,000 in South Australia) who are underemployed and looking for more hours<sup>10</sup>.

In South Australia, the jobless rate is similarly dire with 58,000 people (including 25,000 young people aged 15 – 24) all competing for only 11,400 available jobs<sup>11 12</sup>. This means that for many young people, finding and maintaining a job that pays for the necessities of life is increasingly out of reach.

With youth unemployment, increasing casualisation of the shrinking workforce and an inadequate income support system that fails to provide even the basics of independent living, young people will undoubtedly experience greater levels of income inequality and associated health impacts over coming years.

### **The changing nature of work and insecure work in Australia**

Increased automation, globalisation and unstable and casualised employment have transformed the employment market in Australia. The number of entry-level jobs has declined significantly since 2006 and youth unemployment has remained high since the GFC<sup>13</sup>. Competition is fierce and the jobs that are available are increasingly casual and insecure. Previously, young people could be assured of full-time or regular part-time employment with industry standard conditions but there's been a decline in

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<sup>6</sup> Anglicare Australia. Rental Affordability Snapshot: National Report April 2019. Viewed online 6 August 2019. <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshots302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4>, 2019.

<sup>7</sup> Anglicare Australia. Rental Affordability Snapshot: National Report April 2019. Viewed online 6 August 2019. <https://www.anglicare.asn.au/docs/default-source/default-document-library/final---rental-affordability-snapshots302da309d6962baacc1ff0000899bca.pdf?sfvrsn=4>, 2019.

<sup>8</sup> Australian Bureau of Statistics (ABS), Labour Force, Australia, July 2019 ABS cat. no. 6202.0. Canberra: ABS, 2019.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Australian Bureau of Statistics (ABS), Job Vacancies Australia, May 2019. ABS cat. no. 6354.0. Canberra: ABS, 2019.

<sup>13</sup> K. Torii, K. M. O'Connell. Preparing Young People for the Future of Work. Mitchell Institute Policy Paper No. 01/2017. Mitchell Institute, Melbourne.

full and part-time work since the 1980's with no shortage of prospective employees vying for every available job<sup>14</sup>.

Recently released HILDA data shows that since 2001, casual and part-time employment has increased for workers below the age of 25. Non-standard employment (permanent part-time and casual) for young people 15-24 has risen from 68% to 76% and there has been an increase in casual employment for young people from 48.2% in 2001 to 54.1% in 2017<sup>15</sup>.

In addition, while university study was once a reliable pathway to full-time employment, this is no longer the case. In 2018, the full-time employment rate for bachelor graduates (four months after graduation) was 72.9%, compared to 85% in 2007<sup>16 17</sup>.

Underemployment is another issue impacting on the ability of young people to earn a living wage to be able to live independently. The 2018 HILDA survey results found that 31% of workers aged 15-19 and 20% of workers aged 20-24 were underemployed<sup>18</sup>.

There are simply not enough jobs for the number of people seeking work. This has created an environment not seen before where young people, if they are lucky enough to get a job, potentially face increasing financial exclusion ranging from being ineligible for housing and car loans, to paying for food, shelter, health care and day to day expenses<sup>19</sup>. For those who are reliant on income support, which is set well below the minimum wage and Henderson Poverty Line, their experience of poverty, inequality and disadvantage is exacerbated.

### **The current approach to setting income support payments in Australia.**

A culture of victim blaming, and punishment persists despite the historically weak employment market and the increasing numbers of people looking for work. Successive governments have promoted the notion that the long-term unemployed are choosing to languish on "the dole" and the low rate is maintained to motivate people into the workforce<sup>20</sup>. Unfortunately, this rhetoric deliberately ignores both the increasingly bleak employment market and the fact that the payment is no longer "transitional", with the time spent on Newstart Allowance averaging 156 weeks or three years<sup>21</sup>.

Income support rates should be based on fairness, wage growth (like the Aged Pension), cost of living and individual circumstances, rather than age.

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<sup>14</sup> A Smith, 'Workforce casualisation: the discussion we have been avoiding', *BRW*, 22 October 2013,

[http://www.brw.com.au/p/leadership/workforce\\_casualisation\\_the\\_discussion\\_e6DEzUdUr5NFkzQCaEjhOJ](http://www.brw.com.au/p/leadership/workforce_casualisation_the_discussion_e6DEzUdUr5NFkzQCaEjhOJ) viewed 8 August 2019,

<sup>15</sup> R. Wilkins, L. Inga. *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, 2018.

<sup>16</sup> K. Torii, K.. M. O'Connell. *Preparing Young People for the Future of Work*. Mitchell Institute Policy Paper No. 01/2017. Mitchell Institute, Melbourne.

<sup>17</sup> Quality Indicators for Learning and Teaching (QILT). *2016 Graduate Outcomes Survey National Report*. Viewed online 12 August 2019, [https://www.qilt.edu.au/docs/default-source/gos-reports/2018-gos/2018-gos-national-report-2018.pdf?sfvrsn=a729e33c\\_4](https://www.qilt.edu.au/docs/default-source/gos-reports/2018-gos/2018-gos-national-report-2018.pdf?sfvrsn=a729e33c_4), 2018.

<sup>18</sup> R. Wilkins, L. Inga. *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne, 2018.

<sup>19</sup> Youth Affairs Council of South Australia, Select Committee on Poverty in South Australia, viewed online, 18 August 2019, <https://www.yacsa.com.au/documents/item/617>, 2018.

<sup>20</sup> P. Martin. Stress. The real reason our extraordinary low rate of Newstart is dangerous, *The Sydney Morning Herald*, 11 September 2016. Viewed online 12 August 2019. <https://www.smh.com.au/opinion/stress-the-real-reason-our-extraordinary-low-rate-of-newstart-is-dangerous-20160921-grkw43.html>. 2016.

<sup>21</sup> M. Coughlan. Liberal Senator breaks ranks on Newstart. In *Daily*, July 22, 2019. Viewed online, 13 August 2019 <https://indaily.com.au/news/2019/07/22/liberal-senator-breaks-ranks-on-newstart/>, 2019.

## **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**

Rates of Youth Allowance and Newstart Allowance are significantly inadequate to pay for the basics of independent living and recipients often sacrifice necessities and comforts to live fortnight to fortnight. A recent ACOSS survey of 489 recipients of Youth Allowance and Newstart Allowance found a staggering 84% of respondents skipped meals each week to save money<sup>22</sup>. Young people that YACSA has engaged with have consistently reported the limitations and sacrifices that have to be made living on income support that can include going without prescription medication, avoiding medical care, going without food, or not being able to pay their rent or afford public transport<sup>23</sup>.

Currently, Youth Allowance is paid at \$455.20 a fortnight<sup>24</sup> (away from home rate) or \$227.60 per week. Compare this to the minimum wage of \$740.80 per week and young people are subsisting on income that is \$513.20 lower than the minimum wage<sup>25</sup>. Furthermore, Youth Allowance is \$302.15 a week below the Henderson poverty line (\$529.75 a week)<sup>26</sup>. Similarly, Newstart Allowance is currently paid at \$555.70 a fortnight (single, no children rate) or \$277.85 per week<sup>27</sup>. This equates to a difference in income of \$100.50 per fortnight or \$50.25 per week between Newstart Allowance and Youth Allowance. The weekly payment is \$462.95 below the minimum wage (\$740.80 a week) and \$251.90 a week below the Henderson poverty line (\$529.75 a week).

Youth Allowance and Newstart Allowance recipients are expected to buy food, pay rent, buy clothes, pay utilities, maintain a car, access public transport, access health care and look for work or undertake training on just \$32.51 or \$39.69 (respectively) a day. This experience of abject poverty felt particularly by young people in receipt of income support, has the potential to impact their growth, development, capacity and resilience both now and into the future.

## **The economic cost of long-term unemployment, underemployment, poverty, inequality and inadequate income support payments**

A range of debilitating health and mental health conditions first present during adolescence so it is critical that young people have access to health care, diagnostics and medicines to treat or prevent current and future illnesses. However, with access to health care and medicines often losing out to other competing necessities, young people in receipt of income support may be missing out on these vital prevention and early intervention services<sup>28</sup>.

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<sup>22</sup> ACOSS. "I regularly don't eat at all": Trying to get by on Newstart. Viewed online 12 August 2019, <https://www.acoss.org.au/wp-content/uploads/2019/07/190729-Survey-of-people-on-Newstart-and-Youth-Allowance.pdf>, 2019.

<sup>23</sup> Youth Affairs Council of South Australia, Submission to the Extent of Income Inequality in Australia Inquiry, viewed online, 14 August 2019, <https://www.yacsa.com.au/documents/item/529>, 2014.

<sup>24</sup> Department of Human Services, "How much you can get", Australian Government, viewed online 6 August 2019, 2019, <https://www.humanservices.gov.au/individuals/services/centrelink/youth-allowance-job-seekers/how-much-you-can-get>

<sup>25</sup> Fairwork Ombudsman, Minimum Wages, The Australian Government, viewed online 6 August 2019, <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/minimum-workplace-entitlements/minimum-wages>, 2019.

<sup>26</sup> Melbourne Institute of Applied Economic and Social Research. Poverty Lines: Australia, ISSN 1448-0530 March Quarter 2019, [https://melbourneinstitute.unimelb.edu.au/data/assets/pdf\\_file/0009/3121686/Poverty-lines-Australia-March-Quarter-2019.pdf](https://melbourneinstitute.unimelb.edu.au/data/assets/pdf_file/0009/3121686/Poverty-lines-Australia-March-Quarter-2019.pdf)

<sup>27</sup> Department of Human Services, "Newstart Allowance: How much you can get", Australian Government, viewed 8 August 2019, 2019, <https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get>

<sup>28</sup> D Hetzel, A Page, J Glover, S Tennant, S, 'Inequality in South Australia: Key determinations of wellbeing'. Volume 1: The Evidence. Adelaide: Department of Health (SA), 2004.

The compounding effect of inequalities in health and health care, the growing burden of chronic disease and the impacts of our ageing population will see our already strained public hospital system sink further into crisis<sup>29 30 31</sup>.

With an inextricable link between poverty and negative health impacts, a focus by government on prevention and early intervention would reduce reliance on health services and thereby reduce health budgets. In modelling undertaken by the National Centre for Social and Economic Modelling (NATSEM) in 2012, if governments reduced the social gradient and improved health outcomes it would provide annual savings of \$2.3 billion in hospital expenditure and \$458 million in Medicare and Pharmaceutical Benefit Scheme savings<sup>32 33</sup>.

As such, ensuring that individuals in receipt of Youth Allowance and Newstart Allowance have the resources necessary to live, find housing, eat nutritious food, access health care and be financially included in their communities, the individual and societal burden of poverty could be reduced.

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<sup>29</sup> S. Dalziel. Australian Medical Association warns hospital 'funding crisis' jeopardises patient safety, ABC News Online, 29 January 2019. Viewed online, 123 August 2019, <https://www.abc.net.au/news/2019-01-29/australian-public-hospitals-facing-funding-crisis-ama-warns/10758774>, 2019.

<sup>30</sup> S. Bond-Smith, A. Duncan, A. Mavisakalyan, Y. Tarverdi. More hospitals will not cure Australia's ailing health-care system. There's a more efficient way. The Conversation, April 9, 2019. Viewed online 13 August 2019, <https://theconversation.com/more-hospitals-will-not-cure-australias-ailing-health-care-system-theres-a-more-efficient-way-111084>, 2019.

<sup>31</sup> Armstrong BK, Gillespie JA, Leeder SR, et al. Challenges in health and health care for Australia. Med J Aust 2007; 187:485.

<sup>32</sup> St Vincent De Paul Society. Two Australias: A report on poverty in the land of plenty. Viewed online, [https://www.vinnies.org.au/icms\\_docs/257154\\_169073\\_Two\\_Australias\\_Report\\_on\\_Poverty.pdf](https://www.vinnies.org.au/icms_docs/257154_169073_Two_Australias_Report_on_Poverty.pdf), 2013.

<sup>33</sup> L. Brown, L. Thurecht, B. Nepal. The cost of inaction on the social determinants of health. NATSEM. 2012.



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