



Consumers Health  
Forum OF Australia

SUBMISSION

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

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Consumers Health Forum of Australia 2019

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

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## Executive Summary

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The Consumers Health Forum of Australia (CHF) supports lifting the single Newstart payment by a minimum of \$75 a week, along with comparable increases in rent assistance and the indexation of payments to align with wages growth as this would yield widespread health benefits for disadvantaged Australians. There is compelling evidence that people in poverty are much more likely to suffer poor health, higher risk of chronic disease and mental illness. At the same time there is also evidence linking higher incomes for the unemployed and other groups who are disadvantaged to better outcomes on health indicators.<sup>1</sup>

Many of the key drivers of health reside in our everyday living and working conditions—the circumstances in which we grow, live, work and age. These social determinants include factors such as income, education, employment and social support.<sup>2</sup> The negative effects and stresses of unemployment can culminate in unemployed workers being more likely to develop certain conditions and diseases, such as mental health issues and cardiac disease. Conversely, for some people illness or poor health may cause unemployment.<sup>3</sup> Regardless of the individual's circumstances, our social security system is designed to meet minimal needs and alleviate poverty<sup>4</sup> but at the moment it is failing against this goal. That is why CHF supports the Raise the Rate campaign and why we believe this issue requires urgent action.

This submission will outline the evidence showing the benefits of increasing income support payments for health and wellbeing, as well as sharing some of the stories of those living on Newstart and other payments. This lived experience perspective is crucial to understanding how the inadequacy of current payment levels places recipients in the untenable position of choosing between basic necessities such as food, medicines and accessing health services.

## Recommendations

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To inform this submission CHF published a survey seeking the voices of people with lived experience of living on income support payments and the impact this had on their health and wellbeing. One of the questions we asked was what changes respondents would like to see to the income support system. Below are deidentified quotes from respondents that outline the negative impact of the current system and why a change is urgently needed.

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<sup>1</sup> Deloitte Access Economics (2018) *Analysis of the impact of raising benefit rates*, Melbourne: Australian Council of Social Service, iii

<sup>2</sup> Australian Institute of Health and Welfare (2016) *Australia's health 2016*, Australia's health series no. 15, Cat. no. AUS 199, Canberra: AIHW, 128

<sup>3</sup> Deloitte Access Economics, *Analysis of the impact of raising benefit rates*, 16-17

<sup>4</sup> Saunders, P & Bedford, M (2017) *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians: Summary Report*, Sydney: Social Policy Research Centre, UNSW Sydney, 9

*"This payment needs to be raised to enable people to live and afford to pay for rent and food. It is not enough for anyone to survive and be able to afford decent food and medication when they are sick."*

\*\*

*"It needs to take into account the true cost of living. We can live frugally, but it shouldn't be necessary to forego all pleasure in life. We only create increasingly dire situations which make it ever harder for people to escape."*

\*\*

*"Raise it to a living wage so that people are not living in poverty. Especially when managing chronic illness it becomes impossible to get your life together and get work when you can't afford medication, car registration, and live in a state of constant stress and insecurity."*

These lived experiences have informed CHF's recommendations to the Committee:

**Recommendation 1:** Increase the rate of Newstart and other associated payments by at least \$75 per week,<sup>5</sup> alongside an equivalent increase in the level of rent assistance and indexation of income support payments to align with wage increases to enable recipients to achieve an adequate standard of living.

**Recommendation 2:** Commit to a process to continue to gradually increase the rate of Newstart and other income support payments over time on top of indexation, until they are level with the Age Pension (as was historically the case).

**Recommendation 3:** Establish an independent Social Services Commission to consider issues related to income support payments and provide independent advice to the Australian Government on the level of payment, eligibility criteria and other related issues.

**Recommendation 4:** Ensure that social determinants such as income level and poverty are considered in the development of all Government policies, with a particular focus on their impact on health and wellbeing outcomes.

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<sup>5</sup> Research from the University of NSW published in 2017 shows that the rate of the single unemployment payment falls short by \$96 per week to meet the cost of housing, food, basic healthcare and transport. The \$75 per week figure is proposed, alongside a 30% increase to Commonwealth Rent Assistance, to bring income support in line with UNSW's assessment of the minimum level of income needed to afford the essentials. Noting the time that has passed since that research was released, the \$75 per week figure will need to be indexed to align with wage growth as well as CPI to ensure it reflects changes in community living standards since that time.

## Introduction

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The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers and those with an interest in health care consumer affairs. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems. CHF appreciates the opportunity to provide a submission to the Senate inquiry: *Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia*.

Health is determined by a complex interaction between individual characteristics, lifestyle and the physical, social and economic environment. Addressing the social determinants of health is generally understood to contribute more to improving health outcomes at a population level than investing in health care. Evidence also shows that economic hardship is highly correlated with poor health and can threaten individual and family wellbeing, especially for the unemployed. Becoming very poor affects your health a lot more than the average relationship between health and income.<sup>6</sup>

We often speak with pride about Medicare as a universal health insurance scheme that means cost should not be a barrier to accessing health care in Australia. Yet this is not the reality for many people, especially those on income support payments. Those who are most socio-economically disadvantaged are twice as likely as those who are least disadvantaged to have a long-term health condition.<sup>7</sup> National Health Survey data shows that Newstart allowance recipients experience a significantly increased burden of ill health compared with employed people of working age.<sup>8</sup> This level of health inequality does not arise by chance. Social and economic differences in health status reflect, and are caused by, social and economic inequalities in society<sup>9</sup> and the changes required to address this lie outside of the health system.

There is a particularly strong causal link between unemployment and mental health issues, as well as for heart disease where the stress from unemployment causes increased risk.<sup>10</sup> Evidence also shows that family poverty is strongly associated with poorer outcomes for children's wellbeing and healthy development, and that childhood socio-economic disadvantage is prospectively linked to adult physical morbidity and mortality.<sup>11</sup>

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<sup>6</sup> The King's Fund. (2019). Broader determinants of health: Future trends. Retrieved from <https://www.kingsfund.org.uk/projects/time-think-differently/trends-broader-determinants-health>

<sup>7</sup> Brown, L & Nepal, B (2010) *Health lies in wealth – Health inequalities in Australians of working age*, Report no. 1/2010: CHA-NATSEM report on health inequalities, Canberra: National Centre for Social and Economic Modelling, x.

<sup>8</sup> Collie, A, Sheehan, L & McAllister, A (2019) *The Health of Disability Support Pension and Newstart Allowance Recipients: Analysis of National Health Survey Data*, Melbourne: Insurance Work and Health Group, School of Public Health and Preventive Medicine, Monash University, 9.

<sup>9</sup> Brown & Nepal, *Health lies in wealth – Health inequalities in Australians of working age*, 2

<sup>10</sup> Deloitte Access Economics, *Analysis of the impact of raising benefit rates*, 16-17.

<sup>11</sup> Ministry of Social Development (2018) *Rapid Evidence Review: The impact of poverty on life course outcomes for children, and the likely effect of increasing the adequacy of welfare benefits*, Wellington: Author, 19.

A 2015 study using longitudinal Australian data found that financial hardship is associated with the onset of mental health problems over time. Respondents who reported deprivation and cashflow problems had greater risk of mental health problems than those who did not.<sup>12</sup> Data from the Australian National University showed that around one fifth of the increased risk of mental health problems for Newstart recipients could be directly attributed to their experience of financial hardship. Inadequate payment levels preclude access to the essentials of life, leading to increased poverty and social exclusion.<sup>13</sup> Through this mechanism, inadequate income support payments can trap people in a cycle of poverty and poor health from which it is extremely difficult to escape.

In his 2010 report 'Fair Society Healthy Lives', Sir Michael Marmot defines a Minimum Income for Health Living (MIHL) as the level of income needed for adequate nutrition, physical activity, housing, social interactions, transport, medical care and hygiene.<sup>14</sup> The MIHL has been described as what someone needs to take their place in society without shame. In 2017 the University of New South Wales undertook modelling to determine a level of MIHL for low paid and unemployed Australians. It showed that income support provisions fall well short of the required level, with the single rate of Newstart falling \$96 a week below what is required to reach the MIHL standard.<sup>15</sup>

This provides an independent, evidence-based benchmark for assessing the adequacy of income support payments, noting that the gap between the level of Newstart and the MIHL has continued to widen since that time. CHF anticipates that such an increase would have significant health benefits for income support recipients as well as for the broader community and population as a whole.

## Costs and Benefits

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The inadequacy of income support payments is a contributor to poor health and wellbeing outcomes for individuals and also leads to unfair and avoidable health inequalities across the community. The AIHW has identified action on the social determinants of health, such as income, as an appropriate way to tackle this issue.<sup>16</sup> This action will come at a cost, but it will also bring benefits for both payment recipients and the economy.

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<sup>12</sup> Kiely, KM & Butterworth, P (2013) The contribution of financial hardship, socioeconomic position and physical health to mental health problems among welfare recipients, *Australian and New Zealand Journal of Public Health*, 37(6), 589.

<sup>13</sup> Kiely & Butterworth, The contribution of financial hardship, socioeconomic position and physical health to mental health problems among welfare recipients, 590.

<sup>14</sup> Marmot, M. (2010). *Fair society, healthy lives : the Marmot Review : strategic review of health inequalities in England post-2010*. Retrieved from the Institute of Health Equity: [www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review](http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review)

<sup>15</sup> Saunders & Bedford, *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians: Summary Report*, 10.

<sup>16</sup> Australian Institute of Health and Welfare (2018) *Australia's health 2018*, Australia's health series no. 16. AUS 221, Canberra: AIHW, 181.

In their 2018 report, Deloitte Access Economics modelled a lift in the Newstart allowance of \$75 a week with a direct cost to the Federal budget of about \$3.3 billion a year.<sup>17</sup> On face value this appears to be a significant outlay, but it must be understood in the context of the flow-on effects that would result. Deloitte's analysis notes that the reduced financial pressure on recipients is likely to result in changes to key social outcomes such as health.

Other studies have gone further and calculated the positive benefits likely to arise from actions which close the health gaps between the most and least disadvantaged members of our society. Brown et al. (2012) found that if the health inequality gap was closed there would be half a million fewer Australians with chronic illness, 5.3 million fewer PBS prescriptions filled and \$2.3 billion saved in annual hospital costs.<sup>18</sup> These figures only represent the reduction in pressure and costs in the health system, but there would undoubtedly be similar flow on effects in other areas.

Raising the rate of income support payments will help thousands of Australians to be able to support their own health, avoiding many instances of hospitalisation and illness. Newstart recipients are at 1.5 to 2 times increased risk of visiting a hospital than wage earners. They have higher rates of health service usage and a significantly increased burden of ill health.<sup>19</sup> Providing a small increase in income would help people to be able to prevent or self-manage some health conditions by being able to purchase over the counter medicines, high nutrient foods and exercise classes and equipment as just a few examples. Additionally, poor health and disability are substantial barriers to finding and maintaining employment. Providing people with enough income to support their health is one way of taking pressure off our health system and avoid the costs that result.

The inadequacy of income support payments in Australia is fundamentally an issue of fairness and inequality. The primary reason why an increase of at least \$75 a week is desperately needed immediately is because it is simply not possible to maintain an adequate level of health and wellbeing living on the current rate of Newstart. However, it would be remiss to not recognise the costs that poverty and disadvantage place on our community support systems, with health being a prime example.

## Lived experience voices

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To inform this submission, CHF published a survey seeking the voices of people with lived experience of living on income support payments and the impact this had on their health and wellbeing. The survey was open for two weeks and we received 37 responses. Deidentified quotes of the stories people shared with us are included throughout this section.

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<sup>17</sup> Deloitte Access Economics, *Analysis of the impact of raising benefit rates*, ii.

<sup>18</sup> Brown L, Thurecht L & Nepal B (2012) *The cost of inaction on the social determinants of health*, Report no. 2/2012: CHA-NATSEM second report on health inequalities, Canberra: National Centre for Social and Economic Modelling, vii.

<sup>19</sup> Collie, Sheehan & McAllister, *The Health of Disability Support Pension and Newstart Allowance Recipients: Analysis of National Health Survey Data*, 41.



From the survey responses it was clear that living on income support payments was a significant struggle for many people, with 96% of respondents saying that Newstart and other income support payments did not allow people to maintain an acceptable standard of living. There were serious implications for people's health, with 87% of respondents experiencing illness or needing to access health services whilst living on an income support payment. Concerningly, 73% of respondents indicated they had avoided accessing health services because of cost whilst living on Newstart or another income support payment.

It was also apparent from our survey that while income support payments may be intended to act as a stopgap measure to help unemployed Australians get by while they find paid work, the reality is that many recipients are spending longer periods on these payments. The majority (55%) of respondents to our survey had been receiving an income support payment for more than 1 year, and 19% had been receiving their payment for at least 6 months. When looking at the overall figures the situation is even more stark. Approximately 715,000 Australians receive Newstart and 545,000 of those people are considered long term recipients having received the allowance for 12 months or more.<sup>20</sup>

While a person is living on an income support payment in Australia their living standard is going backwards, and the longer they remain on that payment the worse the situation gets. In the following sections we provide some examples of the choices people are forced to make and the impact this has on their health and wellbeing.

## Mental health

For some respondents, the experience of being on income support was what led to instances of poor mental health:

*"It was hell. I just wanted to go study and better myself, but the drop to student payments would have left me homeless. It nearly brought me to tears going shopping and having to decide which 90c cans of food to put back. I was always stressed and contemplated suicide often."*

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*"It's depressing having to choose between using tampons and hygiene products or eating. It's depressing having to use what little money I have to pay for bus fare to get to an appointment so what little assistance I do get isn't cut off, and I am left with nothing, and risk losing my living arrangements. And it's depressing and a real blow to your self-esteem when you have to put back groceries because you've gone over the small amount of money you have to feed yourself"*

\*\*

*"I have anxiety every time I have to walk in there, get a letter from them or a call from them - and I don't have anxiety outside of this, the environment and way I've been treated in the centerlink system for the past year has given me anxiety."*

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<sup>20</sup> Collie, Sheehan & McAllister, *The Health of Disability Support Pension and Newstart Allowance Recipients: Analysis of National Health Survey Data*, 11.

For others who were already experiencing mental illness, being on income support meant an exacerbation of their illness and for some choosing not to access treatment or support:

*"I'm a victim of sexual assault resulting in a diagnosed anxiety disorder and depression. I couldn't afford the gap payment for counselling services."*

\*\*

*"I had to stop seeing my psychologist as I regularly couldn't afford the gap. This significantly impacted my mental health because I struggle with PTSD, anxiety, and depression, and am sometimes suicidal."*

\*\*

*"I am unable to afford the medication I need if I have to choose between that and paying bills. I have had to stop seeing my psychologist because I could not regularly afford it, which has been very detrimental to my mental health."*

## Social isolation

For many income support recipients, their lack of disposable income means they are unable to maintain social connections and end up feeling isolated, which has flow on effects for their wellbeing:

*"I have very limited opportunity to participate in community; especially on the weeks where I have no money to take public transport."*

\*\*

*"I want to be a valid member of society. I want to work. I want to help other people. But I get my bread and vegetables from a community food bank once a week. I can't remember the last time I had dinner, drinks or even a cup of coffee at a cafe with friends."*

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*"A lot of my friendships deteriorated and I found it difficult to make new friends because I couldn't even afford to go to coffee with someone."*

## Medications

While Newstart recipients are able to access prescription medications at a concessional rate, the lived experience of many recipients is that they cannot afford to get their scripts filled. This suggests that even small out of pocket costs can be a barrier to accessing care due to their extremely low level of income. Many recipients are also unable to afford over the counter medications which are not covered by the Pharmaceutical Benefits Scheme but are important for managing episodes of illness.

*"Couldn't afford my depression medication. A state largely brought on by my not being able to afford basic household things."*

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*"A skin infection got totally out of control. I did not have the cash to buy the creams."*

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*"luckily it isn't my only source of income but I'm still on a tight budget and sometimes can't afford to fill my antipsychotic prescription which costs around \$150/month."*

\*\*

*"I haven't seen a dentist in years. I also avoid filling scripts for antibiotics and am slowly trying to decrease my antidepressant medication to bring the cost down."*

## Dental care

When Australians need to see a GP, Medicare picks up all or most of the bill. When they need to see a dentist, Australians are on their own.<sup>21</sup> People living in the lowest socioeconomic areas in 2014–15 were more than twice as likely to delay seeing—or not see—a dental professional due to cost compared with those living in the highest socioeconomic areas (28% compared with 12%).<sup>22</sup>

For people relying on income support payments meeting the cost of private dental care is often simply not an option and they can then spend years on public dental wait lists. For jurisdictions where public dental care also charges a co-payment any dental care can be unaffordable and so people live with significant pain or lack of function, which can also be a barrier to gaining employment.

*"I can't afford private dental, & the public system is overloaded. I'm hoping my bad tooth won't split apart in the meantime."*

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*"I also have to have both of my wisdom teeth taken out. I got through the public waiting list fine, but when it came to my turn, I simply couldn't afford the \$300+ dollars for the surgery and then travel and accommodation costs on top of that."*

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*"I need to see a dentist, but that wouldn't be covered under medicare, so I haven't gone. My teeth bleed sometimes."*

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*"I've learned to live with dental pain. Saltwater rinses, ice packs, clove oil, 5 panadol at a time."*

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<sup>21</sup> Duckett S, Cowgill M and Swerissen H (2019) Filling the gap: A universal dental scheme for Australia, Melbourne: Grattan Institute, 3.

<sup>22</sup> Australian Institute of Health and Welfare, *Australia's health 2016*, 130.

## Daily expenses

Responses to the survey showed that recipients were not only avoiding necessary medical treatment and support, but that many could not afford the cost of daily essentials including food, which had flow on effects for their health and their ability to work:

*"I often skip meals to reduce cost which exacerbates my chronic illness"*

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*"[I] have to spend the time in bed watching for my next payment from centerlink so I can budget in a doctors visit as I don't just have \$40 laying around"*

\*\*

*"I could hardly ever afford to eat myself on Newstart. Although I am a young woman and ordinarily very healthy I was forced onto Newstart because I got a sudden and serious illness, my recovery was slower because during times I wasn't in hospital I really struggled to buy any food for myself."*

## Conclusion

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Income support payments haven't risen in line with national living standards for a quarter of a century as they are indexed to prices rather than wages.<sup>23</sup> It is clear from the lived experience examples cited that the inadequacy of Newstart and other income support payments leads to significant stress and anxiety for recipients and for many it causes or exacerbates poor health.

When income support payments are maintained at such a low level it creates a situation where people become trapped in a cycle of disadvantage with flow on effects both for their health and future employment prospects. There is evidence that life expectancy is inversely related to the generosity of welfare regimes, that poverty is a barrier to recovery from illness including mental illness and that financial distress is associated with lower likelihood of returning to employment in people with significant health conditions.<sup>24</sup>

The cycle of disadvantage is best explained by one of our survey respondents who noted that *"there seemed to be no way out. I was sick and couldn't afford to get better."* In a country that prides itself on universal access to healthcare, no one should be in a situation where they cannot afford to recover from illness or be in good health. That is why CHF supports ACOSS's call for the rate of Newstart and other income support payments to be raised immediately.

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<sup>23</sup> Deloitte Access Economics, *Analysis of the impact of raising benefit rates*, 1.

<sup>24</sup> Collie, Sheehan & McAllister, *The Health of Disability Support Pension and Newstart Allowance Recipients: Analysis of National Health Survey Data*, 42.

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