

Dear Senators

Re: Senate Inquiry Into Newstart Allowance
Since the release of the report "Australia's Future Tax System - the Pension Review Report" called the Horner Report in February 2009 I have written to the Prime Minister seeking the Government's position on Newstart Allowance especially its declining relativity to the single aged pension as highlighted in Table 3 'Relativities of Components of the Pension System' page 73 of the Horner Report. This showed that the relativity of Newstart Allowance to Single Aged Pension has decreased from 92.4% in September 1997 to 89.0% in September 2000 to 79.9% in September 2008.

I must say the replies were rather vague suggesting that unemployment payments were meant to assist people looking for work.

However with the release of Australia's Future Tax System Report to the Treasurer December 2009 Part One Overview known as the Henry Report even more highlighted this declining relativity now about 67%.

It also highlighted the much more prohibitive income test with allowances for newstart allowance decreasing from \$62 per fortnight with a maximum of \$0.60 reduction compared to \$150 per fortnight and a maximum of \$0.50 reduction for single aged pension.

The two major recommendations concerning newstart allowance were Recommendations 83 (page 95) and 84 (page 96).

These sought a more consistent approach to payment relativities and a consistent indexation (recognising increases were based on different indexes, consumer price index contrasted to average weekly male earnings). This has seen the relativity decreasing to about 67%.

I wrote both to Ms S Birt MHR Member for Cunningham (my local Member) and the Hon W Swan, Treasurer.

The reply from the Treasurer was that the Henry Report would be the centre of a major review to be completed in mid 2011. However, it seems that no action effectively was taken.

So I again wrote to the Rt Hon J Gillard MHR, Prime Minister asking for what was the position of her Government reasons for it especially lack of action on the Henry Report recommendations. She referred my letter to the Hon Bill Shorten MP Minister for Employment and Workplace Relations.

He then had his Chief of Staff reply - the reply did not really address the questions in my letter.

I have twice written to the Prime Minister my references RK 212/04/23 dated 9 April 2012 and RK 212/06/35 dated 16 June stating the reply from Mr Mat Tinkler Chief of Staff of the Hon Bill Shorten (dated 26 March 2012) did NOT address my question. I concluded my two letters with

"Failed - you have failed to address the specific questions - Resubmit, addressing the questions raised"
(using my old school/teacher method of marking students' essays)

Unfortunately I have received NO reply either from the Prime Minister or the Hon Bill Shorten. After reading the article "Newstart Inquiry Given the Green Light" by Peter Martin, Economic Correspondent Sydney Morning Herald "Wednesday June 27 2012" I wrote to

a) Mrs S. Bird MHR on 12 July 2012 seeking details of the Senate Inquiry into which Senators were on it.

Mrs Bird replied to me advising me of the mailing address for the Inquiry and how to make a submission.

b) Senator C Fierrovaniti Wells, who is based in Wollongong.

Despite delivering 2 letters to her Wollongong office, I have received NO reply.

This does not really surprise me as I had on 4 different occasions written to her to get the Liberal Party position.

Last week I noticed an article in "The Sydney Morning Herald" where the Chief Executive ANZ Bank was quoted as saying the Unemployment/Newstart Allowance should be decreased to encourage unemployed to apply for mining jobs in outback Australia. It also quoted the Hon Bill Shorten as making a submission to Senate Inquiry. So I assume the Inquiry is underway although I have

i) not seen any advertisement inviting public submissions

ii) not been advised of the Inquiry despite my long term interest

Thus I include a quick summary of what I would include in a submission

Summary of Submission.

- 1] Newstart Allowance must be raised
- 2] There must be a strict and constant relativity between Newstart Allowance and Single Aged Pension
- 3] The income test should be the same.
- 4] Preferably the newstart allowance should be above the Henderson Poverty Line.
- 5] Indexation should be the same
- 6] As a start I believe Newstart Allowance should be at least 80% of the single aged pension with Newstart Allowance for 60 and over at 85%.
- 7] I admit this will increase Newstart Allowance and cost borne by the Commonwealth Government
- 8] I include the article "Poverty Lines: Australia March Quarter 2012" from the Melbourne Institute of Applied Economics and Social Research, University of Melbourne. This provides the statistics showing relativities of welfare payments family incomes. These quite clearly indicate that Newstart Allowance is
 - i) much less than Poverty Line
 - ii) much less than other forms of welfare.
- 9] ACOSS Report showed newstart allowance recipients are the "poorest" of those receiving government welfare payments

Melbourne Institute
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What are the Poverty Lines?

Poverty lines are income levels designated for various types of income units. If the income of an income unit is less than the poverty line applicable to it, then the unit is considered to be in poverty. An income unit is the family group normally supported by the income of the unit.

How the Poverty Lines are Calculated

The poverty lines are based on a benchmark income of \$62.70 for the December quarter 1973 established by the Henderson poverty inquiry. The benchmark income was the disposable income required to support the basic needs of a family of two adults and two dependant children. Poverty lines for other types of family are derived from the benchmark using a set of equivalence scales. The poverty lines are updated to periods subsequent to the benchmark date using an index of per capita household disposable income. A detailed description of the calculation and use of poverty lines is published in the *Australian Economic Review*, 4th Quarter 1987 and a discussion of their limitations is published in the *Australian Economic Review*, 1st Quarter 1996.

The Poverty Lines for the March Quarter 2012

The Melbourne Institute of Applied Economic and Social Research has updated the poverty line for Australia to the March quarter 2012. Inclusive of housing costs, the poverty line is \$883.48 per week for a family comprising two adults, one of whom is working, and two dependent children. This is an increase of \$17.03 over the poverty line for the previous quarter (December 2011). Poverty lines for the benchmark household and other household types are shown in Table 1.

The Poverty Lines are Estimates

As has been stated in paragraph 2, the poverty lines are based on an index of per capita household disposable income. The index is calculated from estimates of household disposable income and population provided by the Australian Bureau of Statistics (ABS). Because the index is based on estimates, the poverty lines themselves will be estimates. As more information becomes available, the ABS may update population and household disposable income estimates for previous quarters. Whenever these estimates are changed, it is necessary to re-

estimate the poverty lines. Accordingly, in addition to providing estimates of current poverty lines, we provide sufficient information for readers to calculate poverty lines for all quarters dating back to December 1973.

**Table 1: Poverty Lines: Australia,
March Quarter, 2012^{a, b}**

<i>Income Unit</i>	<i>Including Housing \$ per week</i>	<i>Other than Housing \$ per week</i>
Head in workforce		
Couple	629.21	460.20
Couple plus 1	756.35	572.05
Couple plus 2	883.48	683.90
Couple plus 3	1010.61	795.75
Couple plus 4	1137.75	906.36
Single person	470.36	316.55
Single parent plus 1	603.86	434.76
Single parent plus 2	730.90	546.61
Single parent plus 3	858.04	658.46
Single parent plus 4	985.17	770.31
Head not in workforce		
Couple	540.25	371.15
Couple plus 1	667.38	483.09
Couple plus 2	794.51	594.94
Couple plus 3	921.65	706.78
Couple plus 4	1048.78	817.40
Single person	381.40	227.58
Single parent plus 1	514.80	345.79
Single parent plus 2	641.94	457.64
Single parent plus 3	769.07	569.49
Single parent plus 4	896.20	681.34

Notes: (a) Based on seasonally adjusted household disposable income per head per week for the March quarter 2012 of \$754.61.

(b) All figures refer to income after tax.

How to calculate poverty lines for other quarters

Table 2 shows the estimated per capita household disposable income for all quarters between September 1973 and March 2012. This table may be used to calculate poverty lines for any quarter within this period. For instance, to find the poverty line for the

June quarter 1996 for any household type, multiply the current value of its poverty line by the ratio of per capita household disposable income in the June quarter 1996 to that in the current quarter; that is, the poverty line for a benchmark household in June 1996 would be $883.48 \times 350.51/754.61 = \410.37 .

Table 2: Seasonally adjusted household disposable income (HDI) (\$ per week per head)

	September	December	March	June
1973/74	53.55	54.11	56.28	60.74
1974/75	62.10	66.07	70.09	71.42
1975/76	73.53	75.80	77.57	79.75
1976/77	85.73	87.44	88.87	90.64
1977/78	90.85	94.19	98.01	98.90
1978/79	103.50	105.19	108.96	110.51
1979/80	111.93	114.54	118.38	123.17
1980/81	125.47	129.72	131.97	137.01
1981/82	140.05	145.69	147.94	154.49
1982/83	155.69	159.99	163.48	160.47
1983/84	173.50	173.40	177.32	181.42
1984/85	181.61	185.85	191.10	192.57
1985/86	195.96	202.86	205.70	207.03
1986/87	210.20	215.19	214.64	220.74
1987/88	227.43	225.58	233.27	237.32
1988/89	237.91	246.04	254.60	261.81
1989/90	263.45	274.81	281.01	283.62
1990/91	283.15	289.64	284.60	287.67
1991/92	291.95	289.88	295.70	293.77
1992/93	300.76	300.49	300.98	303.64
1993/94	301.98	306.79	313.48	319.83
1994/95	318.73	324.15	328.56	329.42
1995/96	338.67	342.90	347.11	350.51
1996/97	350.44	354.55	356.99	363.19
1997/98	365.69	367.28	365.92	368.14
1998/99	376.52	369.14	374.78	385.78
1999/00	388.52	394.97	402.76	396.70
2000/01	430.04	419.90	423.85	437.05
2001/02	440.97	451.87	454.00	435.40
2002/03	452.14	455.78	463.57	470.62
2003/04	470.29	476.55	485.12	501.74
2004/05	498.99	505.72	508.84	520.94
2005/06	526.61	529.73	533.51	544.15
2006/07	558.51	571.95	588.64	601.97
2007/08	607.99	617.66	623.41	617.25
2008/09	625.41	681.24	671.23	686.73
2009/10	673.07	673.87	680.17	682.97
2010/11	695.63	701.62	723.69	722.98
2011/12	735.07	740.06	754.61	

Sources: ABS, National Accounts (Cat. No. 5206.0), March 2012; ABS, Australian Demographic Statistics (Cat. No. 3101.0), September Quarter 2011.

Relative poverty and the cost of living

Updating poverty lines according to changes in per capita household disposable income means that the poverty lines are *relative* measures of poverty. As real incomes in the community rise, so too will the poverty

lines. The value of the poverty lines will therefore be reasonably stable relative to general standards of living, but may change relative to the cost of living.

An alternative method for updating poverty lines is to use a cost-of-living index, such as the ABS Consumer Price Index (CPI). Poverty lines generated in this way are *absolute* measures of poverty. The real purchasing power of the income at the poverty line is maintained, but it may change in comparison to general standards of living.

Table 3: Comparison of poverty line updated using HDI per head and poverty line updated using the CPI

Year	Poverty line (\$/week) for benchmark family updated by		Difference (%)
	HDI per head	CPI	
1973/74	65.8	65.8	0.0
1974/75	78.9	76.6	3.1
1975/76	89.8	86.5	3.7
1976/77	103.2	98.5	4.8
1977/78	111.8	107.9	3.6
1978/79	125.3	116.7	7.4
1979/80	137.0	128.7	6.5
1980/81	153.4	140.6	9.1
1981/82	172.2	155.4	10.8
1982/83	187.2	173.4	8.0
1983/84	206.5	185.0	11.6
1984/85	219.8	193.0	13.9
1985/86	237.5	209.2	13.5
1986/87	251.9	228.9	10.1
1987/88	270.3	245.7	10.0
1988/89	292.8	263.6	11.1
1989/90	322.8	284.7	13.4
1990/91	335.1	299.8	11.8
1991/92	342.8	305.5	12.2
1992/93	353.0	308.6	14.4
1993/94	363.6	314.3	15.7
1994/95	380.8	324.2	17.4
1995/96	403.7	337.9	19.5
1996/97	417.1	342.5	21.8
1997/98	429.4	342.5	25.4
1998/99	440.9	346.7	27.1
1999/00	463.3	355.0	30.5
2000/01	500.8	376.3	33.1
2001/02	521.7	387.2	34.7
2002/03	539.2	399.1	35.1
2003/04	566.0	408.5	38.5
2004/05	595.5	418.5	42.3
2005/06	624.6	431.9	44.6
2006/07	679.3	444.4	52.9
2007/08	721.9	459.5	57.1
2008/09	779.9	473.7	64.6
2009/10	793.2	484.8	63.6
2010/11	832.4	499.9	66.5

Sources: Melbourne Institute, *Poverty Lines: Australia*; ABS, Consumer Price Index (Cat. No. 6401.0), March Quarter 2012.

Table 3 compares annual movements in the poverty line for the benchmark income unit between 1973/74 and 2010/11 updated in these two ways. The table shows that, by 2010/11, an income unit whose income was adjusted to match movements in consumer prices would have 66.5 per cent *less* income than one whose

income was adjusted to match movements in average household disposable income. Put another way, the real purchasing power of the income at the poverty line rose by 66.5 per cent between 1973/74 and 2010/11.

Comparison of the poverty lines with income support payments

In Table 4 we compare the poverty lines with maximum welfare payments in the March quarter for

various family types. The reported payment levels are for 'standard' situations (excluding, for example, supplementary benefits for remote areas) and take no account of non-cash benefits to which many recipients are entitled. Non-cash benefits include concessions for health and welfare services, housing, transport, education and other goods and services.

Table 4: Comparison of Henderson Poverty Lines with the income of adults who receive maximum welfare payments and have no other income, March Quarter 2012
(Per capita household disposable income = \$754.61 per week)

	Basic Payment of Person 1 ^g	Basic Payment of Person 2 (Partner) ^g	Family Tax Benefit Part A	Family Tax Benefit Part B	Rent Assistance	Total Income ^h	Poverty Line ⁱ
<i>Married couple</i>							
Allowee ^a	219.70	219.70	0.00	0.00	56.30	495.70	629.21
Pensioner ^b	282.25	282.25	0.00	0.00	56.30	620.80	540.25
Couple with 1 child ^c	219.70	219.70	82.32	23.61	70.07	615.40	756.35
2 children	219.70	219.70	164.64	23.61	70.07	697.72	883.48
3 children	219.70	219.70	252.63	44.82	79.24	816.09	1010.61
4 children	219.70	219.70	365.33	44.82	79.24	928.79	1137.75
<i>Single adult</i>							
Allowee ^d	243.40	-	0.00	0.00	59.70	303.10	470.36
Pensioner ^e	374.40	-	0.00	0.00	59.70	434.10	381.40
Single with 1 child ^f	320.75	-	82.32	48.79	70.07	521.93	514.80
2 children	320.75	-	164.64	48.79	70.07	604.25	641.94
3 children	320.75	-	252.63	70.00	79.24	722.62	769.07
4 children	320.75	-	365.33	70.00	79.24	835.32	896.20

Source: Information booklets on benefits and allowances are published quarterly by Centrelink. The booklets provide details of eligibility criteria and rates of payment for all income support and non-income support payments made by Centrelink on behalf of the Australian Government Departments of Families, Housing, Community Services and Indigenous Affairs and Education, Employment and Workplace Relations.

Notes:

^a A married couple without children receiving Allowances is assumed to be receiving Newstart Allowance.

^b A married couple without children receiving Pensions is assumed to be receiving the Age Pension or Disability Support Pension.

^c A married couple with children receiving Allowances is assumed to be receiving Newstart Allowance or Parenting Payment Partnered.

^d A single person receiving an Allowance is assumed to be receiving Newstart Allowance.

^e A single person receiving a Pension is assumed to be receiving the Age Pension or the Disability Support Pension.

^f A sole parent is assumed to be receiving Parenting Payment Single.

^g All basic payments for Pensioners include the maximum applicable Pension Supplement.

^h Total income is the sum of allowances, pensions and benefits for persons who have no other income. To be comparable with the poverty lines, total income reported should be net of personal income tax. However, allowing for offsets/rebates, no income tax would be payable for welfare recipients who received no other income. Hence, direct comparisons of total income with the poverty lines are valid.

ⁱ Poverty lines for single persons and married couples with up to four children are shown here, inclusive of housing costs. For recipients of allowances, the income unit head is assumed to be in the workforce, since recipients of the most common allowance, Newstart Allowance, are usually required to search for employment to be eligible for payment. For pensioners and sole parent families, costs are based on poverty lines for income units where the head is not in the workforce.