

AUSTRALIAN GREENS

ADDITIONAL COMMENTS

1.1 The Australian Greens welcome the primary finding in the majority report that current rates of Newstart are inadequate.

1.2 On the weight of evidence presented by 78 submitters, the majority committee report has questioned, 'whether Newstart Allowance provides recipients a standard of living that is acceptable in the Australian context for anything but the shortest period of time.'¹

1.3 As the committee, 'agrees that Newstart Allowance does not allow people to live at an acceptable standard in the long term'² and references the extensive body of significant evidence which demonstrated inadequacy, these additional comments will not cover that evidence any further.

1.4 However, these additional comments are necessary, because despite questioning the adequacy of the payment, the majority report fails to follow through with a comprehensive package of recommendations to government such as increasing Newstart and other allowances, applying appropriate indexation, and improving job services, even though this was the preferred outcome for many submitters.

1.5 The Australian Greens are particularly disappointed with the majority report, because the committee has perceived the resolution to inadequacy to be a choice between:

[One] of two possible solutions... either Newstart Allowance should be increased to raise the standard of living available to recipients, or more careful thought needs to be applied to how best to ensure that people spend as little time as possible on welfare between jobs.³

1.6 The committee was not 'forced' to take this approach. It has demonstrated a lack of will to find appropriate and sufficient solutions to resolve the clearly demonstrated inadequacy of the payment.

1.7 The focus on moving people off allowance payments as quickly as possible also seems inconsistent with the assertion in the majority report that, 'since the 2006 *Welfare to Work* reforms, Newstart has shifted from a payment designed only for people who have the capacity to work full time to also support people who have less capacity to work due to caring responsibilities or a disability.'⁴

1 Majority Report, p. 50.

2 Majority Report, p. 54.

3 Majority Report, p. 50.

4 Majority Report, p. 70.

1.8 Rather than tackling the reality presented by the Australian Council of Social Service (ACOSS) that currently 62 per cent of Newstart recipients have durations of more than a year on the payment⁵, the recommendations by the majority report are primarily set around a superficial analysis of budgetary constraints.

1.9 We strongly disagree with this budget analysis and question the priorities of any Government that cannot find the necessary revenue to implement a \$50 a week increase, while still continuing to give highly profitable multi-national mining companies multi-billion dollar subsidies.

1.10 The Australian Greens also note that there are a number of disguised costs associated with poverty, that impact on a range of other budget areas, from health to the services provided by a range of non-government organisations, and a true costing should also factor in interaction with the justice system, lower educational outcomes and lost productivity. For example, the Aged Discrimination Commissioner highlighted a report which demonstrated that if the workforce participation of people over 60 was increase by just 3% the benefit to the Australian economy would be \$48 billion a year.⁶

1.11 There is also insufficient modelling to effectively measure the costs and benefits of lifting the Newstart payment including the intergenerational benefits of a reduction in the number of children living in poverty. Similarly, there is no assessment of how social security and health expenditure might be reduced if fewer people were entrenched in poverty.

1.12 In the view of the Australian Greens, inadequacy of the payment can only be effectively tackled by an appropriate increase to the current payment rates. A fair and equitable system would lift the payment rates by \$50 per week for Newstart Allowance Single, and adjust all other allowance payments in proportion to the single rate, as recommended by a majority of submitters to the inquiry – including peak bodies such as ACOSS, service providers such as Anglicare and the Business Council of Australia.⁷

1.13 More appropriate indexation is also crucial to ensuring that the purchasing power of the payment does not continue to decline, as it has over the past 8 years, according to evidence provided by ACOSS.⁸

1.14 The majority committee report notes that such a change can be addressed easily through the application of government policy, yet fails to address this as a recommendation.⁹ Given that the indexing pensions at a different rate to allowances is

5 Australian Council of Social Service, *Submission 64*, p.8.

6 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 20.

7 See for example, Anglicare Australia, *Submission 70*; Business Council of Australia, *Submission 46*; Australian Council of Social Service, *Submission 64*.

8 Australian Council of Social Service, *Submission 64*, p. 6.

9 Majority Report, p. 51.

causing the two payment types to diverge significantly over time, it would be ideal to index allowance payments according to a method that is identical to that which is applied to pensions.

1.15 In the view of the Australian Greens, this remains a core measure that is required to ensure any increases to the base rate are retained into the future, and should have been formally recommended by the majority report, irrespective of the specific policy mechanism which is required to revise the indexation methodology.

Recommendation 1

1.16 The Australian Greens recommend that the government increase the single rate of New Start Allowance by \$50 a week.

Recommendation 2

1.17 The Australian Greens recommend that the government apply proportional increases to all other allowance payments.

Recommendation 3

1.18 The Australian Greens recommend that the government index all allowances by the higher of the Consumer Price Index and Male Average Weekly Total Earnings.

1.19 It is the view of the Australian Greens that these three recommendations are necessary to fully alleviate the current inadequacy of the allowance payments but should be considered alongside programs that deliver targeted job seeker services and facilitate secure, on-going employment.

Responding to the inclusion of the Joint Agency Submission's arguments against inadequacy

1.20 Although the majority report does ultimately concluded that the payment is inadequate, there are two attempts to blunt that central finding in favour of inadequacy – by casting doubt over the capacity of policy makers to judge adequacy and by implying that other government programs and payments are currently offsetting the inadequacy of the base payment.

1.21 Both arguments are drawn from the joint agency submission¹⁰, and are discussed in the majority committee report.¹¹ The inclusion of these arguments may be intended to dull the overwhelming number of arguments that point to inadequacy made by other submitters, but such arguments simply cannot disguise the stark reality that the single rate of Newstart is now less than 45 per cent of minimum wage, and \$130 per week below the poverty line or that it is declining in real terms, while cost of

10 Department of Education, Employment and Workplace Relations; the Department for Families, Housing, Community Services and Indigenous Affairs, the Department of Human Services and the Department of Industry, Innovation, Science, Research and Tertiary Education, *Submission* 38, p. 96.

11 Majority Report, pp 43–45.

living pressures, particularly relating to energy, food, transport and housing, are increasing.

1.22 The joint agency submission runs an argument that adequacy is a subjective claim that is difficult to measure.¹² This seems an entirely inappropriate argument to be made by government agencies that have often sought to measure their success in areas of social inclusion and poverty. While it is true that over time more nuanced methods such as a measure of multiple deprivations have replaced absolute concepts such as the poverty line as a more appropriate tool for assessing the impact of poverty, this collective shift in policy thinking away from absolute mechanisms does not mean that appropriate measures of capacity and inclusion, and hence adequacy, cannot be found.

1.23 A broad and robust international framework for policy making that takes a capabilities approach has already been well-established, and it is this subjective approach to health and wellbeing that underpins significant international poverty eradication programs such as the Millennium Development Goals.

1.24 Evidence presented to this inquiry clearly demonstrates that capabilities such as the ability to secure appropriate housing; maintain adequate nutrition; and participate in the labour market are significantly diminished by long periods spent on Newstart.

1.25 The impact of sustained poverty is also measurable. Many of the submissions document that poverty has tangible impacts in the form of hunger, psychological impacts, and homelessness, and have clearly demonstrated how these impacts further entrench people in a cycle of poverty.

1.26 The second obscuring aspect that warrants mentioning is the multiple references to the idea that the government provides a package of supports that offsets the inadequacy of the base payment. It is particularly troubling that the graphs found in the majority report compare the income of families to the minimum wage obtained by a single individual working full time.¹³

1.27 There appears to be some confusion on this point, as for example in *Submission 54*. It is important to reiterate the point that current programs such as Family Tax Benefit and Rent Assistance are also extended to families living on the minimum wage. Upon request, the Department produced additional materials that clearly demonstrate this.¹⁴ Yet the graphs that have been transferred through to the final report are still not adequate as a tool for comparing the budgets of families on allowance payments with those receiving the minimum wage.

12 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

13 Majority Report, p. 44.

14 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

1.28 Furthermore, while there is clearly a package of supports available from the government that does modestly supplement the income of allowance recipients, particularly families, this still has not been demonstrated to sufficiently lift those families, particularly single parent families, out of poverty. In fact, other submitters such as Anglicare and ACOSS have presented evidence that clearly demonstrates the extent to which families living on Newstart experience poverty, even with the current suite of additional payments.

1.29 Hence, the Australian Greens remain unconvinced by the arguments provided by the Joint Agency Submission that other government policies are sufficient to offset the inadequacy of the base-payment of Newstart and other allowances. Coupled with the recent legislation to shift single parents off the higher Parenting Payment onto Newstart, once their youngest child turns eight, lifting people out of poverty does not seem to be as important as achieving a budget surplus.

1.30 In conclusion, neither of these arguments from the majority committee report significantly alter the central finding that Newstart is simply too low. Therefore, it is extremely disappointing that the majority report does not follow through with an appropriate recommendation to directly tackle its initial finding of inadequacy.

Response to the Majority Report Recommendations

1.31 The Australian Greens acknowledge that the majority committee report has identified some of the key challenges faced by people who are living on allowance payments for more than a very short period of time.

1.32 In particular, the majority committee report has done a good job of recognising the specific needs of unemployed older workers, and of carers who are transitioning into the workforce. The duration of time that older workers spend on Newstart, and the impact that this has on that cohort, is of significant concern to the Australian Greens and we are glad this was covered well in the majority report.

1.33 None-the-less, we are concerned that the report has not given a comprehensive picture of the specific challenges that many long term Newstart recipients face, apart from asserting that, 'since the 2006 *Welfare to Work* reforms, Newstart has shifted from a payment designed only for people who have the capacity to work full time to also support people who have less capacity to work due to caring responsibilities or a disability.'¹⁵

1.34 Evidence given to the committee demonstrated that long term Newstart recipients are likely to be older workers, to have a partial disability or mental illness, to face communication or language barriers or lack marketable skills and have low level of formal education.

1.35 An excellent overview of the challenges faced by Newstart recipients is provided by ACOSS's 2011 paper, *Beyond Stereotypes: Myths and Facts About Social Security Recipients of Working Age*. This paper presents data provided by DEEWR through Estimates, and reports that:

15 Majority Report, p. 70.

- One in two have not completed year 12
- One in three is aged over 45
- One in seven has a disability that means they can only work part-time
- One in ten is indigenous
- One in fifteen is a sole parent

1.36 Programs that help overcome these barriers to work are necessary and need to be addressed in the recommendations. However, the majority committee report has failed to demonstrate how specialised services would deal with the multiple barriers to work that some Newstart recipients face; for example, older workers, with a low level of formal education and those with a partial disability will still be left behind.

1.37 It is of concern that these recommendations almost entirely ignore the different supports required by the long term unemployed in comparison to those who have recently left the workforce, even though the report references evidence from the Department of Education, Employment and Workplace Relations (DEEWR) that since 2009, the case load of stream 4 job seekers who are “have been identified to have multiple and complex needs” has doubled from 11 per cent to 22 per cent of total cases.¹⁶

1.38 Failing to address these concerns will ensure that some Newstart recipients continue to languish in poverty, despite the clear evidence that extended periods of time spent in poverty only diminishes people’s capacity to enter the workforce.

1.39 As a result, we disagree with the premise that the specialised employment supports for carers and older workers that form recommendations 1, 2 and 3 of the majority committee report will fully overcome barriers to work for all Newstart recipients.

1.40 Given that there are significant gaps in the current employment services system, the Australian Greens consider it entirely inappropriate for the committee to merely recommend reorganising the existing Job Services Australia programs in this piecemeal fashion.

1.41 In the view of the Australian Greens a comprehensive, independent review of job seeker services would deliver a more substantial package of reforms in this area with a particular focus on developing support programs for the most disadvantage job seekers.

1.42 We also note that there is still insufficient analysis of how individuals are churning through the job seeker system as a result of cycling in and out of short term employment opportunities. By its own admission, DEEWR has been unable to

16 Majority Report, p. 17.

effectively measure how many people are in fact cycling through on and off Newstart or at what frequency.¹⁷

1.43 It is also particularly concerning to note that the answers from DEEWR and the Department of Human Services (DHS) in response to questions about possible churning put to them by the committee were not able to demonstrate effective data sharing between those two important Departments. This indicates a siloed approach to these matters within government that should be reviewed as part of any effort to better address the dynamics of short term and casual work.

Recommendation 4

1.44 The Australian Greens recommend that the government initiate an independent inquiry into the functioning of Job Services Australia programs, and assess the effectiveness of its expenditure with regard to helping people into work, particularly those people who face multiple barriers to employment and the long term unemployed.

1.45 The majority report's recommendations 4 and 5 are geared towards providing greater opportunities for Newstart recipients undertake a very small amount of paid work.

1.46 The Australian Greens recognise the principles behind recommendation 5 which calls for an increase to the working credit thresholds. However, in our view, it is a significantly more complex issue than is presented in the majority report, and if applied in this manner, could increase the exposure of Newstart applicants to a system of payments that is even more difficult to comprehend, and easy to accidentally fail to comply with. The mismatch between government reporting requirements and pay day is well documented problem, which brings an increased risk of misreporting, and swings in income that can be devastating to households without any savings to buffer them.¹⁸

1.47 Where temporary casual work results in additional financial penalties on low income households it is also more likely to act as a disincentive to employment. As this recommendation requires further development and does not directly tackle adequacy, we do not support this recommendation as it stands.

1.48 The Australian Greens also question the assumption throughout the majority report that casual work will lead to secure, ongoing work in the future. The majority report does pick up on the evidence from submitters that even partial engagement with the workforce ensures that individuals are more work ready than those who are not engaged. However, while improvements to the income free threshold would be welcome, the committee's suggestion of a three hours per week at the minimum wage threshold is the absolutely bare-minimum that a jobseeker could legally work in a

17 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 14 November, 2012).

18 See for example Welfare Rights, *Submission 68*, p.23; Australian Council of Social Service, *Response to questions taken on notice*, received 14 September 2012.

single shift and is not even close to the equivalent of a full standard 7.5 hour day at work.¹⁹

1.49 The income free threshold is an important component of support for those on income support, however we do not think the recommended three hour per week limit is sufficient and believe it should be higher.

1.50 Furthermore, there is still no clear explanation as to how casual, part time work leads into secure, full time work, despite the assertion in the majority report that, “The majority of Newstart recipients who transition to work initially do so through casual and part time work.”²⁰

1.51 Given that there is no clear evidence to underpin the assertion that casual work will lead to a permanent exit from the allowance payment system, it is the view of the Australian Greens that these matters would be better addressed in conjunction with a review of job services.

1.52 Recommendations 6 and 7 in the main committee report are primarily attempts to tinker with the way in which Centrelink delivers services and information to its customers. These are not necessarily inappropriate tasks for Centrelink to commit to resolving, as there is no reason why the system is not focused on customer service, and the provision of accurate, easily understandable information. However, these recommendations also do not directly tackle the issue of inadequacy.

Conclusion

1.53 In conclusion, it is the view of the Australian Greens that it is irresponsible to ignore the primary finding of this report that Newstart and other allowances are simply inadequate.

1.54 Policy makers should recognise that this inadequacy can only be fully resolved by taking steps to improve the base level of payment, as well as helping to decrease the time that people have to spend on Newstart by providing better employment services and support.

Senator Rachel Siewert

Australian Greens

19 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, *Proof Committee Hansard*, 27 August 2012, p. 47. See also, Australian Council of Trade Unions, *Submission 62*, p. 3.

²⁰ Majority Report, p.70.