

1 October 2019

Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary

**Submission to the inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia**

Social Ventures Australia (SVA) welcomes the opportunity to provide a submission to the inquiry by the Senate Community Affairs Reference Committee (the Committee) into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.

SVA is a not-for-profit organisation that works with partners to overcome disadvantage in Australia, which requires great education, sustainable jobs, stable housing and appropriate health, disability and community services. SVA has a vision for Australia where all people and communities thrive and believe that this will be achieved when all Australians are empowered, have a voice in decisions that impact them, have a sense of belonging and experience social inclusion. SVA believes that belonging for all Australians requires, and is enabled through, specific recognition and respect of First Australians<sup>1</sup> knowledge and cultures.

SVA is not a traditional service delivery organisation. We work at the intersection of the government, social purpose and business sectors. We seek to influence the way systems operate by providing funding; advising on strategy and evaluation; and making investments in partner organisations to significantly increase their social impact. We advocate for more effective programs and policies, and we convene unlikely coalitions to build support for system wide solutions.

***SVA supports the position put by the 'Raise the Rate' campaign, the Business Council of Australia, and many others that the current rate of Newstart is manifestly inadequate. It is further hurting individuals already experiencing disadvantage, and creating barriers to their participation as full members of the Australian community – including barriers to seeking work.***

We endorse the existing research from many social sector, academic and corporate organisations, which clearly demonstrates the inadequacy, unfairness, and economic impact of low rates of Newstart.<sup>2</sup> Rather than restate these findings, this submission seeks to add to this work by sharing our perspective on two specific areas in which we have developed expertise:

- Barriers to engagement with the labour market for some cohorts
- How inadequate income support can entrench disadvantage.

**Social Ventures Australia**

## Barriers to engagement with the labour market

Arguments in favour of the current rates of Newstart are often based on the premise that it is a short-term payment designed to bridge a gap between employment opportunities. However, our experience is that many people on Newstart face significant barriers to meaningful long-term engagement with the labour market. 64 per cent of recipients are on unemployment payments for more than a year,<sup>3</sup> and current income support settings are not an incentive to stay out of work.<sup>4</sup> A 2018 analysis found that there were eight unemployed or under-employed people for every job vacancy, and people experiencing disadvantage often do not receive adequate support from the employment services system.<sup>5</sup>

This is relevant to the inadequacy of Newstart for two reasons:

- The significant number of people receiving long-term payments means that it is no longer primarily a means of short-term temporary support. The proportion of recipients who have been on income support for more than 12 months is significantly higher than it was ten years ago.<sup>6</sup> The average Newstart recipient receives payments for around three years, and 15 per cent of recipients have been on payments for five years or more.<sup>7</sup> Current rates cannot provide even a basic standard of living over such time periods.
- Current income support rates are so low that they prevent people from effectively job-searching.<sup>8</sup> The UNSW Social Policy Research Centre estimates that the average minimum cost of basic essentials in Australia for a single unemployed person is \$434 per week.<sup>9</sup> The current maximum rate of Newstart for a single adult is \$277.85 per week. Research suggests that after accommodation expenses, the average Newstart recipient is left with just \$17 a day to cover all other expenses, such as food, utilities, transport and medical costs.<sup>10</sup> This does not leave funds for the necessities of a modern job search, such as transport to interviews, appropriate professional clothing, or reliable telephone and internet access.

SVA has a vision for Australia where every person can participate to the maximum of their potential. We believe that as a nation we should harness the opportunities created in our changing economy and labour market to significantly improve the employment of jobseekers experiencing disadvantage, particularly those who have been unemployed for long periods.

SVA's focus in employment over 15 years has been on supporting job seekers who face complex barriers in finding work. Our expertise has developed from our partnerships with a wide range of employment-related ventures and initiatives as well as expertise in developing outcomes frameworks for Governments and non-profits, and pricing outcomes through our social impact investing team.

Our Employment Perspectives Paper presents an evidence-informed perspective on what is required to achieve better outcomes for jobseekers experiencing disadvantage.<sup>11</sup> These three drivers are:

1. Increase the number of jobs that people experiencing disadvantage can access;
2. Match disadvantaged jobseekers with the right employers, and
3. Give employers and jobseekers the support and services they need to overcome barriers to sustainable employment.

Increasing the rate of Newstart is key to the third driver – giving jobseekers the support and services they need.

We have worked with a number of specific cohorts that are particularly affected by the inadequacy of Newstart. These include:

*Older women at risk of homelessness*

SVA is embarking on a major project of work seeking to improve outcomes for older women at risk of homelessness. Older single women are the fastest growing cohort of people experiencing homelessness in Australia. Projections based on both current housing market conditions, and the superannuation and asset base of this cohort, see the number of women affected growing considerably into the future with estimates of over 300,000 women aged 45-65 today being at risk of homelessness when they retire.

Current low rates of Newstart are a major challenge for some in this cohort. 24 per cent of Newstart recipients are 55 or older,<sup>12</sup> and 49 per cent of people who have been on Newstart for over a year are aged over 45.<sup>13</sup> Many face very limited employment prospects due to a combination of age discrimination, health issues, and in some cases limited previous workforce experience due to caring responsibilities. In light of recent findings that there were no homes in any Australian capital city that were within the means of a single person on Newstart, homelessness is a significant risk for those who do not own their own home by this age.<sup>14</sup>

Solutions in this area will require integrated action from governments and the social sector to recognise the unique structural barriers facing older women. This includes a focus on increased availability of appropriate and affordable housing, the provision of appropriate support and navigations services, and measures that will increase the financial wellbeing of both older women and future generations. Raising the rate of Newstart to a liveable level would be an excellent step in the right direction to support this cohort.

*People experiencing disability and mental ill-health*

24 per cent of Newstart and Youth Allowance recipients have a disability, and 29 per cent of those who have been on payments for more than a year have a disability.<sup>15</sup> Low Newstart rates are especially challenging for people with disability and people experiencing poor mental health. These groups are likely to face specific barriers to finding employment. Australia has one of the lowest rates of employment for people with disability in the OECD,<sup>16</sup> suggesting that there is insufficient support available compared to other countries.

In recent years, eligibility for the Disability Support Pension (DSP) has been tightened, with some people who have previously received the DSP now receiving Newstart.<sup>17</sup> Newstart rates are lower than DSP rates, so this group is now more vulnerable than before. Exacerbating this, people with disability often also experience a higher cost of living relative to people without disability, due to the additional costs they face in obtaining accessible housing, transport and services.<sup>18</sup>

*First Australians*

First Australians are another cohort that is likely to face significant barriers to employment, exacerbated by low rates of Newstart. 11 per cent of Newstart and Youth Allowance recipients identify with Aboriginal and Torres Strait Islander background.<sup>19</sup> On top of the barriers faced by the broader

cohort of unemployed people identified above, First Australians may face discrimination and other challenges when seeking work.

While government has a role to play in providing effective services to dismantle barriers and support access to the mainstream economy by definition, First Australian self-determination must be driven by First Australians.<sup>20</sup> First Australian-owned and managed businesses create employment for First Australians, generate wealth for First Australian communities, offer First Australian role models and create a conducive environment for training and entrepreneurial development.<sup>21</sup> First Australian enterprises are far more likely to achieve alignment with community interests and First Australian culture, which explains (at least in part) why First Australian businesses are 100 times more likely than other businesses to employ First Australians.<sup>22</sup> Ensuring adequate income support is one potential tool to support and grow First Australians' economic participation and self-determination.

### **Inadequate income support entrenches disadvantage**

Beyond the immediate challenges that low rates of Newstart create for people in achieving a basic standard of living and finding a job, there are long-term repercussions for individuals, families and community. Below are two examples SVA has encountered in our work of the broader impact of persistent low incomes in perpetuating social disadvantage and exclusion.

#### *Intergenerational disadvantage*

10 per cent of Newstart and Youth Allowance recipients are sole parents, and 16 per cent of those who have been on payments for more than a year are principal carers of children.<sup>23</sup> There is significant evidence that children in very low-income families (such as those on Newstart and other income support payments) are more likely to experience disadvantage throughout their lifetimes.

In 2018, SVA consolidated what we have learnt from our work with social sector organisations and governments throughout Australia into a submission to the Parliamentary Inquiry into Intergenerational Welfare Dependence. In summary, we have found that intergenerational disadvantage has particular implications for children, young people and families – and that there are opportunities to break the cycle at critical life stages. Responding to the complex needs facing an individual, a family and a community that is living in entrenched and intergenerational disadvantage requires consideration of a broad set of drivers across multiple domains.

Through our work, we are acutely aware of the challenges existing social service systems face – including service fragmentation, inadequate funding arrangements, inability to address complex needs and a lack of tailored and intensive support. We have identified a range of system level reforms that we think are necessary to reduce intergenerational disadvantage, including service redesign, a focus on prevention and early intervention, taking a 'investment approach' to refocus and reshape policy and program interventions to drive social impact across the lifecycle of people experiencing disadvantage, and build an outcomes management culture.<sup>24</sup>

These reforms take time to develop and implement. Increasing the rate of Newstart, while by no means a solution for families facing intergenerational disadvantage, would be an interim step in recognising the value of supporting children and preventing entrenched disadvantage.



### *Financial wellbeing*

Financial inclusion and financial capability are an increasing focus of policy and investment in Australia, and SVA are conducting a growing body of work in this area. We are drawing on the leading international research which confirms that an improvement in objective financial situation (i.e. having enough income) is a necessary pre-requisite for achieving financial wellbeing. As noted above, there is clear evidence that current rates of Newstart are inadequate to meet basic living costs in Australia, so any efforts to improve financial wellbeing of those on Newstart are unlikely to succeed.

One emerging area of work in this field is funeral poverty. Close to half of Newstart recipients are aged 45-64 years of age, which is a timeframe in which many people lose their parents and need to pay for a funeral. For a person on Newstart the cost of a funeral could be more than 45 per cent of their annual income (for comparison, for average Australians, a funeral costs around 10 per cent of their annual income). This is yet another example of Newstart recipients being financially excluded from full participation in Australian society. SVA are currently working with partners to develop a set of low-cost funeral and financial products that are affordable to those on low incomes, however the \$10-15 per week contribution that these would cost will remain out of reach for those on current rates of Newstart.

### **Conclusion**

We thank you for the opportunity to provide a submission to this important inquiry and welcome the opportunity to further discuss the insights summarised here.

Yours sincerely

Katie Maskiell  
Campaigns Manager

## Notes

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- <sup>1</sup> The term First Australians is used here to refer to Aboriginal and Torres Strait Islander peoples.
- <sup>2</sup> See, for example, Arthur, D. (2019) 'The adequacy of jobseeker payments' *Parliamentary Library Briefing Book: Key Issues for the 46th Parliament* Parliamentary Library  
[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BriefingBook46p](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p)
- <sup>3</sup> ACOSS and Jobs Australia (2018) *Faces of Unemployment* [https://www.acoss.org.au/wp-content/uploads/2018/09/ACOSS\\_JA\\_Faces-of-Unemployment\\_14-September-2018\\_web.pdf](https://www.acoss.org.au/wp-content/uploads/2018/09/ACOSS_JA_Faces-of-Unemployment_14-September-2018_web.pdf)
- <sup>4</sup> Deloitte Access Economics (2018) *Analysis of the impact of raising benefit rates* Report for the Australian Council of Social Service <https://www.acoss.org.au/report/analysis-of-the-impact-of-raising-benefit-rates/>
- <sup>5</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>6</sup> Phillips, B., Gray, M., Cukoo, J. and Webster, R. (2019) *Research Note: Newstart and other Government Allowances: Incomes, Financial Stress and Poverty* ANU Centre for Social Research and Methods  
<https://csmr.cass.anu.edu.au/research/publications/newstart-and-other-government-allowances-incomes-financial-stress-and-poverty>
- <sup>7</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>8</sup> KPMG Australia (2016) *Solving the Structural Deficit* <https://assets.kpmg/content/dam/kpmg/pdf/2016/04/solving-structural-deficit-australia-april-2016.pdf>
- <sup>9</sup> Saunders, P., & Bedford, M. (2017). *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*. Social Policy Research Centre, UNSW Sydney. <http://doi.org/10.4225/53/5994e0ca804a4>
- <sup>10</sup> The Salvation Army (2018) *Economic and Social Impact Survey 2018: Feeling the Pinch*.  
[https://www.salvationarmy.org.au/subscribe/sites/auosalvos/files/ESIS\\_2018\\_Main\\_Report.pdf](https://www.salvationarmy.org.au/subscribe/sites/auosalvos/files/ESIS_2018_Main_Report.pdf)
- <sup>11</sup> Social Ventures Australia (2016) *SVA Perspectives: Employment* <https://www.socialventures.com.au/assets/Employment-Perspective-web.pdf>
- <sup>12</sup> Brotherhood of St Laurence and Committee for Melbourne's Future Focus Group (2019) *Share the Pie*  
<https://www.sharethepie.com.au/>
- <sup>13</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>14</sup> Anglicare Australia (2019) *Rental Affordability Snapshot* <https://www.anglicare.asn.au/our-work/research-reports/the-rental-affordability-snapshot>
- <sup>15</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>16</sup> OECD (2009) *Sickness, Disability, and Work - Breaking the Barriers (A Synthesis of Findings Across OECD Countries)*  
<https://doi.org/10.1787/9789264088856-en>
- <sup>17</sup> Phillips, B. et al. *op. cit.*
- <sup>18</sup> Mitra, S., Palmer, M., Kim, H., Mont, D. and Groce, N. (2017) 'Extra Costs of Living with a Disability: A Review and Agenda for Research' *Disability and Health Journal*, Vol 10, Issue 4. <https://doi.org/10.1016/j.dhjo.2017.04.007>
- <sup>19</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>20</sup> Social Ventures Australia (2016) *SVA Perspectives: First Australians* <https://www.socialventures.com.au/assets/First-Australians-Perspective-web.pdf>
- <sup>21</sup> Commonwealth Government of Australia (2008) *Open for Business: Developing Indigenous Enterprises in Australia* Report of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs,  
[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Committees\\_Exposed/atsia/indigenouenterprises/report](https://www.aph.gov.au/Parliamentary_Business/Committees/Committees_Exposed/atsia/indigenouenterprises/report)
- <sup>22</sup> Forrest, A. (2014) *The Forrest Review: Creating Parity* Department of the Prime Minister and Cabinet  
<https://apo.org.au/node/40734>
- <sup>23</sup> ACOSS and Jobs Australia *op. cit.*
- <sup>24</sup> Social Ventures Australia (2018) *Submission to the Parliamentary Inquiry into Intergenerational Welfare Dependence*  
<https://www.aph.gov.au/DocumentStore.ashx?id=2861b277-138f-45c5-af40-3dc365405274&subId=660699> and testimony to the Committee on 8 November 2018  
<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22committees%2Fcommrep%2Fbba663f2-9a37-486a-a4b2-f6028492690b%2F0002%22>