

# Should the Newstart allowance be raised?

## What they said...

*'The Newstart allowance provides no hope of its recipients achieving the most basic human need – shelter'*

**Anglicare Victoria**

*'Newstart is not intended to be a payment you live on. It supports you while you get yourself back into work'*

**The Prime Minister of Australia, Scott Morrison**

## The issue at a glance

On April 2, 2019, the Coalition government, led by prime minister Scott Morrison, brought down the 25th consecutive federal budget without an increase (in real terms) in the Newstart allowance. (Newstart is the benefit paid unemployed Australians to allow them to live as they seek employment.)

The treasurer, Josh Frydenberg, further announced a measure designed to reduce expenditure on welfare recipients: the government estimates it will save around \$2.1 billion over five years through data-sharing so that welfare recipients who work will report their income as they earn it, thus avoiding overpayments.<https://www.crikey.com.au/2019/04/03/newstart-federal-budget/>

This entrenched failure to lift the Newstart allowance has met with opposition from the Australian Council of Social Service (ACOSS), the Australian Unemployed Workers Union (AUWU), the Business Council of Australia (BCA) and Deloitte Access Economics.<https://www.crikey.com.au/2019/04/03/newstart-federal-budget/>

The status quo is supported by the Government who stress that Newstart is meant to supply short-term assistance not a long-term pension for living. The Labour Opposition has a less certain position on the question. While it states that Newstart is inadequate, it has not committed to increase the allowance should it be elected to government. Rather, Opposition leader Bill Shorten has promised a review of Newstart if he wins government.  
<https://www.crikey.com.au/2019/04/03/newstart-federal-budget/>

## Background

The information contained below has been taken from the Wikipedia entry titled 'Social Security in Australia' [https://en.wikipedia.org/wiki/Social\\_security\\_in\\_Australia](https://en.wikipedia.org/wiki/Social_security_in_Australia)

Some modifications have been made to make the information more current.

Newstart Allowance is an unemployment benefit paid to unemployed people aged 22 to 64. To be eligible, a person must apply for the benefit and be actively seeking work. On 1 July 1991, it replaced the Unemployment Benefit (UB) which had been unchanged since 1945. It was part of a government reform called Newstart - the Active Employment Strategy.

Terms under which Newstart is granted

It is paid on the basis of a 'mutual agreement' between the customer and Centrelink, where Centrelink will continue to pay fortnightly payments to the customer for so long as the customer attempts to find employment and fulfills the mutual obligation requirements. These mutual agreements are negotiated between Centrelink, the job seeker and their Job Services Australia provider or Disability Employment Services provider, and are recorded into an Employment Pathway Plan or 'EPP'.

Activities to which a job seeker may have to agree, in order to continue receiving the Newstart Allowance, include applying for a specific number of jobs (usually ten) per fortnight and recording these applications in a Centrelink issued diary, undertaking vocational education or training, paid work experience, participation in a labour market program or Work for the Dole project, and other activities, such as voluntary work if considered appropriate by Centrelink. For example, more elderly customers who have been made redundant and are approaching the age pension age, and who may face considerable difficulties re-entering the labour market, are often permitted to fulfil their plan by engaging in voluntary activities alone. A job seeker has to nominate and engage in one activity (for example, either a vocational education activity or Work for the Dole activity) in any one mutual obligation period (lasting six months at a time).

#### The obligations by Newstart recipients

Clients are not expected to engage in the more intensive of these activities as soon as their receipt of the allowance commences. The amount of activity required on behalf of the client in order to continue receiving his/her benefit is usually staggered as follows:

Ordinarily, during the first three months of unemployment, a job seeker has no other obligations but to submit a fortnightly Application For Payment form at the local office. The form asks the applicant a number of questions about his /her circumstances and for the basic details of four positions for which the job seeker applied in the last fortnight. Customers may also be required to make up to 10 'Job Search Contacts' per fortnight (dependent on the local labour market and their personal circumstances) and record the details of these jobs within a specifically issued Job Seeker Diary for a given period of time. The job seeker then takes the Application For Payment form personally to the local Centrelink Office. He will then attend a short one-on-one interview with a Centrelink officer. The interview is usually for the purposes of checking that the application form is in order and that the applicant is aware of any appointments that may need to be attended, and obligations that may need to be met. The client at this stage also has the opportunity to talk to a Centrelink officer about any problems the client may be encountering without having to make a prior appointment first.

If after an initial three months of unemployment, during which the job seeker has only to hand in the fortnightly application form and record the Job Seeker Diary, the client remains unemployed; the client will be required to attend appointments with a Job Services Australia provider whose responsibility it is to assist the client to re-enter the work force. The job seeker also has to attend a two-week training course which focusses on job searching skills such as writing resumes and attending interviews.

If the customer remains unemployed for twelve months, they are then subject to the Work Experience Phase of their Employment Pathway Plan, which consists of more intensive assistance involving the activities listed above, such as, Work for the Dole, accredited study, part-time work, volunteer work or a combination of these. A Job Services Australia provider may require a Newstart recipient to do voluntary work (up to 15 hours a week), for which clients receive a supplement to their benefit of \$20.80 per fortnight. The supplement is also paid to Work for the Dole participants. They must also continue to apply for 4 or more positions at the same time to meet their mutual obligations.

If the client becomes long-term unemployed (24 months or longer), the client's activity requirements will usually consist of another Work Experience Phase style activity for six months in any twelve-month period. (Australia's unemployment benefits do not have a time limit: it is, in theory, possible to remain on unemployment benefits for the whole of one's working life).

### Newstart Allowance Rate

The current Newstart Allowance is set at \$489.70 per fortnight for a single adult with no children. A single recipient with dependent children receives \$529.80 per fortnight, while an unemployed couple each receive \$442 per fortnight. Varying rates of rental assistance may be available.

However, this basic rate does not include supplement payments which can include Rent Assistance of up to A\$121.00 per fortnight, and other supplements, such as Pharmaceutical Allowance, Telephone Allowance, Remote Area Allowance, Training Supplement and the Work For The Dole Supplement; which are paid depending on personal circumstances and activity. Rates differ for married couples, registered relationships or de facto couples (including same sex or opposite sex couples) and persons with children. Despite significant increases in the cost of living, the increases to the Newstart Allowance have not kept pace with inflation. The initial income threshold has only risen from 1987's \$60 to \$62 in 2000 where it remains today.

### Streamlining of programs

On 1 March 2010, the Australian Government introduced changes to Disability Employment Services. Multiple existing programs were streamlined into two clearly distinct programs, making assessment and referral processes less complex.

All eligible job seekers with disability have access to individually tailored services which meet their needs including capacity building, training, work experience and other 'interventions' to help participants obtain and maintain suitable employment. DES providers support and manage a participant's condition in the workplace, along with providing ongoing support in the workplace for as long as it is required.

New compliance rules were introduced on 1 July 2011, dealing with client meetings with a DES provider and payment suspension. Data released in mid-November 2013 showed that the number of welfare recipients had grown by 55%. In 2007, 228,621 Newstart Allowance recipients were registered, a total that increased to 646,414 in March 2013.

In the 2016 Australian federal budget, the Turnbull Government planned to cease the clean energy supplement of \$4.40 for people beginning Newstart after 20 September.

### Criticisms of the Newstart Allowance

In 2017, the Australian Council of Social Service stated that the Newstart Allowance was \$160 below the poverty line. The Business Council of Australia also advocates for increasing the Newstart Allowance, saying that it is impossible to live on.

In March 2018, Newstart was raised by 50 cents per day, which was criticised as inadequate. After handing down the 2018 Australian federal budget, Treasurer Scott Morrison rejected calls to increase the rate of the Newstart Allowance, saying 'my priority is to give tax relief to people who are working and paying taxes'. Newstart has not been increased since 1994, when it was increased by \$2.95 per week.

The Anti Poverty Network of South Australia in 2018 with the Newstart Choir recorded a revised version of the It's Time song used by the Australian Labor Party in 1972 to win the election after 23 years of Conservative Government. The song is a campaign to the Australian Labor Party to commit if elected at the next federal election to raising Newstart.

In September 2018, the base Newstart rate was raised by \$2.20 per week

## **Internet information**

On April 23, 2019, the ABC's Triple Hack site published a comment by Avani Dias titled, 'This is how Newstart is failing young Australians' which examines the negative impact Newstart is having on young unemployed.

The full text can be accessed at <https://www.abc.net.au/triplej/programs/hack/this-is-how-newstart-is-failing-young-australians/11038294>

On April 19, 2019, The Guardian published a news report titled 'Coalition's Newstart policy "appropriate" and no extra rise needed, minister says' which presents the government's justification for its decision not to increase Newstart.

The full text can be accessed at <https://www.theguardian.com/australia-news/2019/apr/15/coalitions-newstart-policy-appropriate-and-no-extra-rise-needed-minister-says>

On December 7, 2018 On Line Opinion published a comment by Philip Mendes, Associate Professor and Director of the Social Inclusion and Social Policy Research Unit in the Department of Social Work at Monash University, titled 'The Newstart Allowance stalemate reflects a lack of consensus about its purpose' which examines a confusion of purpose regarding Newstart.

The full text can be accessed at <http://www.onlineopinion.com.au/view.asp?article=20073&page=2>

On October 31, 2018, news.com.au published an analysis titled "'Too low': Newstart Allowance debate reignites' which considers arguments for and against an increase in Newstart.

The full text can be accessed at <https://www.news.com.au/finance/economy/australian-economy/too-low-newstart-allowance-debate-reignites/news-story/da9419767fc33c5fafc31a713adac0e6>

On September 26, 2018, The Australian published a news report titled 'Scott Morrison rules out increase to Newstart payments' which outlines the prime minister's reasons for rejecting an increase to Newstart.

The full text can be accessed at <https://www.theaustralian.com.au/nation/politics/scott-morrison-rules-out-increase-to-newstart-payments/news-story/b40c0f0a6731a9bf7d53c6325eec757c>

On September 18, 2018, The Guardian published a comment by Greg Jericho titled 'Keep Newstart low so young beach bums don't stay on it? That's laughable' which argues that the current level of unemployment benefit is inequitable,

The full text can be accessed at

<https://www.theguardian.com/business/grogonomics/2018/sep/18/keep-newstart-low-so-young-beach-bums-dont-stay-on-it-thats-laughable>

On September 17, 2018, The Guardian published a news report titled 'Push to raise Newstart allowance by \$75 a week' which gives arguments for and against an increase to Newstart.

The full text can be accessed at <https://www.theguardian.com/australia-news/2018/sep/17/push-to-raise-newstart-allowance-by-75-a-week>

On May 23, 2018, Eureka Street published a comment by Andrew Hamilton titled 'Stigmatising those in need is a grubby game' The opinion piece argues that attitudes toward

the unemployed are unjust. The full text can be accessed at <https://www.eurekastreet.com.au/article/stigmatising-those-in-need-is-a-grubby-game>

On May 10, 2018, The New Daily published a news report titled 'Revealed: Only one major business group opposes Newstart increase' which presents the view of the Australian Chamber of Commerce and Industry (ACCI) in opposition to an increase in Newstart. The full text can be accessed at <https://thenewdaily.com.au/money/welfare/2018/05/10/newstart-greens-push-rejected/>

On May 3, 2018, the ABC published a report titled 'Liberal backbencher Julia Banks challenged to live on Youth Allowance payments after "insulting" comments' which treats Liberal backbencher Julia Banks' claim that she could live on Newstart allowance. The full text can be accessed at [https://www.abc.net.au/news/2018-05-03/liberal-backbencher-challenged-to-live-on-\\$40-a-day/9720950](https://www.abc.net.au/news/2018-05-03/liberal-backbencher-challenged-to-live-on-$40-a-day/9720950)

On May 7, 2018, the ABC's current affairs program Q & A televised an episode titled 'Newstart, New Power and New Jobs' The program presents a wide range of views on the purpose for and efficacy of Newstart. A full transcript can be accessed at <https://www.abc.net.au/qanda/newstart-new-power-and-new-jobs/10649094>

On September 21, 2017, The Australian published a comment by Jennifer Westacott, chief executive of the Business Council of Australia, titled 'Economic growth our greatest tool in the fight against poverty' which among a range of other measures called for an increase in Newstart. The full text can be accessed at <https://www.theaustralian.com.au/nation/inquirer/economic-growth-our-greatest-tool-in-the-fight-against-poverty/news-story/af178ad115340dbedc011ecf99600086>

On May 11, 2017, The Conversation published a comment by Peter Whiteford, Professor, Crawford School of Public Policy, Australian National University, titled 'Budget 2017: welfare changes stigmatise recipients and are sitting on shaky ground' which criticises a number of features of the 2017 budget, especially as they pertain to the unemployed. The full text can be accessed at <https://theconversation.com/budget-2017-welfare-changes-stigmatise-recipients-and-are-sitting-on-shaky-ground-77394>

On September 4, 2013, the ABC's current affairs site, The Drum, published a comment by Judy Singer titled 'We never made a fuss: the silence of the unemployed' which outlines the supposedly long-term poor treatment of the unemployed by a succession of Australian governments. The full text can be accessed at <https://www.abc.net.au/news/2013-09-04/singer-the-silence-of-the-unemployed/4933984>

On August 28, 2012, The Conversation published a comment by Peter Whiteford, Professor, Crawford School of Public Policy, Australian National University, titled 'Will a Newstart boost actually deter jobseekers?' which examined the factors for and against a more generous attitude to unemployment benefits before concluding that the Newstart rate was too low. The full text can be accessed at <https://theconversation.com/will-a-newstart-boost-actually-deter-jobseekers-9083>



The Australian Unemployed Workers Union has been conducting a long-term campaign to have the Newstart allowance raised. An aspect of the campaign involving a petition to Bill Shorten can be accessed at <https://unemployedworkersunion.com/raise-newstart-now/>

Anglicare Victoria has been conducting a long-term campaign to have the Newstart allowance raised. A comment and analysis by Paul MacDonald titled 'While minimum wage goes up, Newstart languishes in poverty, creating a big hole in our safety net' can be accessed at <https://www.anglicarevic.org.au/minimum-wage-goes-newstart-languishes-poverty-creating-big-hole-safety-net/>

The Brotherhood of St Laurence has been conducting a long-term campaign to have the Newstart allowance raised. Its online material can be accessed at <https://www.bsl.org.au/advocacy/unemployment-benefits/>

## **Arguments in favour of increasing the Newstart allowance**

1. The Newstart allowance is insufficient for recipients to live on

Opponents of the current level at which the Newstart allowance has been set claim that it is so low that it condemns recipients to living in extreme poverty which adversely affects their physical and psychological health and makes it extremely difficult to provide basic necessities such as shelter for themselves and their families.

A study by the OECD shows that 53.5 per cent of Australia's unemployed are now living in poverty. Among 33 comparable nations, our jobless population is the second poorest in the world, beaten only by Canada. <https://www.abc.net.au/news/2019-03-31/newstart-budget-unemployment-benefits-lower-poverty-figures/10956660>

It has been claimed that one of the key reasons why the Newstart allowance is so inadequate is that Newstart is tied to the Consumer Price Index (CPI) and other pensions rise in line with average male weekly earnings. The Consumer Price Index has been condemned as a conservative measure of the average consumers expenditure on basic goods and other essentials. The Australian Bureau of Statistics (ABS) has acknowledged its inadequacy. The ABS website states, 'The Australian CPI measures the changes in price of a fixed basket of goods and services... In practice, no statistical agencies compile true cost of living or purchasing power measures as it is too difficult to

do.' <http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Consumer+Price+Index+FAQs#Anchor8> Even given the low level of wages growth in Australia, a pension that rises with average weekly earnings will grow far more rapidly than one tied to the CPI.

Anglicare Victoria has compared the growth in Newstart with the growth in the old age pension. They state, 'Once close to each other, the pension and Newstart began to diverge in 1991 when the government pegged the single pension to 25 per cent of male total average weekly earnings and left unemployment benefits pegged to the consumer price index. The gap widened again in 2009 when the Rudd government lifted the peg for the pension from 25 per cent of male earnings to 27.7 per cent.

The 2010 Henry Tax Review found that if the existing arrangements continued, by 2040 a single pensioner would be paid "more than twice as much as a single unemployed person". <https://www.anglicarevic.org.au/minimum-wage-goes-newstart-languishes-poverty-creating-big-hole-safety-net/>

A 2016 study undertaken by Anglicare indicated that the low rate of Newstart payment was making it impossible for many of its recipients to afford accommodation. Anglicare stated, 'The consequence of not adjusting Newstart or Youth Allowance payments become particularly stark as Australia goes through the most severe housing affordability crisis in memory. Forget home ownership..., the dire shortage of public housing is a national crisis. A

recent study by Anglicare showed that people on either Newstart, Single Parent Allowance or Youth Allowance could not access any affordable rental accommodation in any capital city in Australia. Allowance provides no hope of its recipients achieving the most basic human need – shelter.; <https://www.anglicarevic.org.au/minimum-wage-goes-newstart-languishes-poverty-creating-big-hole-safety-net/>

2. The Newstart allowance is not sufficient to allow people to job seek

Critics of the level at which Newstart is set claim that it is so low that it actually impedes jobseekers in their search for work.

These critics claim that when your income is so low that you are struggling to pay for basic necessities such as accommodation and food, then the added expenses of job hunting, including transport, communication expenses and appropriate clothing become very difficult to meet. This point has been made by the Brotherhood of St Laurence which states on its website, 'Such a low payment makes it harder for unemployed people to seek work, for example by being able to pay for public transport and clothing to attend job interviews. It also hurts their ability to secure proper housing and, broadly, to live with dignity in a country with our standard of living.' <https://www.bsl.org.au/advocacy/unemployment-benefits/> The same point has been made by Dr Cassandra Goldie, the chief executive officer of the Australian Council of Social Service (ACOSS). Dr Goldie has stated, 'Most people receiving Newstart live below the poverty line. It is very hard to look for a job when you don't know where your next meal is coming from or how to put food on the table for your

kids.' <https://www.news.com.au/finance/economy/australian-economy/too-low-newstart-allowance-debate-reignites/news-story/da9419767fc33c5fafc31a713adac0e6> Similarly, in September, 2017, Jennifer Westacott, chief executive of the Business Council of Australia, stated, 'I'm proud to have called out the inadequacy of the Newstart unemployment allowance which, at only \$38 a day for single people, has itself become a barrier to effective jobseeking.' <https://www.theaustralian.com.au/nation/inquirer/economic-growth-our-greatest-tool-in-the-fight-against-poverty/news-story/af178ad115340dbedc011ecf99600086>

In 2013, while the current leader of the Opposition, Bill Shorten, was Minister for Workplace Relations in the Gillard Labor Government, the Greens were campaigning for an increase in Newstart. As part of this campaign they gathered together a set of protest letters from then recipients of Newstart addressed to Mr Shorten. A large number of these letter writers noted the extreme difficulties they faced seeking work while on Newstart. One noted, 'It's an absolute disgrace that one of the most affluent countries per capita in the world...should persecute its unemployed so severely that those unable to obtain private assistance from family or friends, far from being assisted in obtaining employment, are forced to go hungry and abandon the very necessities, such as phone services, clean clothes and transport costs, which they need in order to find work. It's not only a disgrace, it's perverse and

sick.' [https://greensmps.org.au/sites/default/files/letters\\_to\\_bill\\_shorten.pdf](https://greensmps.org.au/sites/default/files/letters_to_bill_shorten.pdf)

Another letter from the same collection stressed the negative impact of low Newstart payments on recipients' capacity to look for work. The letter writer stated, 'People on Newstart are unable to afford accommodation, food, energy and water bills, ISP for phone and computer connections, petrol or diesel or public transport. Without network access, they cannot even apply for jobs. Without adequate discounts for all transport costs, Newstart recipients very often cannot get to interviews. They become the underclass if families cannot support them.' [https://greensmps.org.au/sites/default/files/letters\\_to\\_bill\\_shorten.pdf](https://greensmps.org.au/sites/default/files/letters_to_bill_shorten.pdf)

3. Newstart is not a short-term support for many of its recipients

Supporters of an increase to Newstart argue that the allowance is frequently drawn on for a significant period of time by recipients. It is not a short-term expedient tiding people over between jobs or before they enter the workforce. For many it is the income they have to rely upon in order to support themselves and often their children for months or years.

The Australian Council of Social Services (ACOSS) has noted that 70 percent of people receiving Newstart have been unemployed for 12 months or more.

<https://www.acoss.org.au/raisetherate-2/>

Dr Cassandra Goldie, the chief executive officer of ACOSS has indicated that there are key groups within Australian society for whom unemployment is likely to become long term. A recent ACOSS report has found that: 44 percent of those unemployed long-term were on these payments for over 2 years and 15 percent for over 5 years; 49 percent of long-term recipients were over 45 years old; 29 percent had a disability; 11 percent were of Aboriginal and Torres Strait Islander background; 16 percent were principal carers of children, including sole parents, and 21 percent were of culturally and linguistically diverse backgrounds.

<https://hope1032.com.au/stories/open-house/2018/getting-a-job-on-newstart-is-harder-than-you-think/>

The Brotherhood of St Laurence has also noted, 'Over the past 30 years or so, the job market has changed dramatically, with a decline in manufacturing, a rise in part-time jobs and technological and demographic change...

Long term unemployment has grown, especially for mature-age job seekers who tend to remain unemployed for twice as long as those aged 25 to 54.'

<https://www.bsl.org.au/advocacy/unemployment-benefits/>

An ABC 7.30 report televised on September 25, 2018, stated, 'The number of people aged 55-64 on Newstart has risen by more than 55,000 in less than five years.' The same program also interviewed labour market analyst Professor John Spoehr who stated that the sharp rise in the number of over-55s on Newstart was due to a downturn in traditional industries and a crackdown on eligibility for disability support payments.<https://www.abc.net.au/news/2018-09-25/mature-workers-on-newstart/10195296>

Professor Spoehr explained, 'Despite the Australian unemployment rate being relatively low, that masks some other problems in the labour market. In particular, the difficult circumstances that mature-age workers face, particularly because of the decline in mining and manufacturing.'<https://www.abc.net.au/news/2018-09-25/mature-workers-on-newstart/10195296>

A 63-year-old woman, interviewed by Crikey, who has been out of work for four years, stated, 'Newstart is not enough money to live on when it is the sum total of your income. It is meant as a supplementary income as you seek employment and are supported by your family. If you are older (aging), single and have mobility issues, health and support needs, it is patently inadequate.'<https://www.crikey.com.au/2019/04/05/comments-newstart-older-australians/>

Critics of the level of support offered by Newstart also note that many children are condemned to long-term poverty because of the low rate of assistance offered to their parents.

A Report recently released by the Australian Research Alliance for Children and Youth (ARACY) found children in jobless families were more likely to suffer from a greater number of deprivations than any other group examined.

<https://probonoaustralia.com.au/news/2019/02/report-reveals-children-suffering-newstart/>

This report and other studies have indicated that deprivation in early childhood can have enduring effects on the later life prospects of a child. Greens senator, Rachel Siewert, has noted re the impact of inadequate Newstart payments, 'Poverty in early childhood leads to poorer outcomes and if we don't address this now, we are condemning members of our



community to poor health and education outcomes.' <https://probonoaustralia.com.au/news/2019/02/report-reveals-children-suffering-newstart/>

#### 4. Increasing the Newstart allowance would benefit the Australian community

Supporters of an increase in the Newstart allowance claim it would have wide-reaching social benefits, including boosting economic growth and increasing employment, promoting social cohesion, preventing crime and helping to reduce inter-generational poverty.

Proponents of an increase in Newstart as a means of boosting the Australian economy and increasing jobs favour a bottom-up rather than a trickle-down model of economic growth. The trickle-down model argues that tax concessions should be given the wealthy, including business owners, in the hope they will spend more and invest within Australia, thus creating jobs growth. Critics of policies that make more money available to wealthy Australians argue that these people may simply increase their savings or invest overseas. The bottom-up model suggests that making more money available to the disadvantaged will have them spend more and that this will give an immediate and inevitable boost to the Australian economy and to jobs.

The bottom-up model has been proposed by Dr Cassandra Goldie, the chief executive officer of the Australian Council of Social Service (ACOSS). Dr Goldie has stated, 'People on the lowest incomes – including Newstart and minimum wages – must spend the money they receive to cover the very basics like food and rent, so boosting their incomes is a far more effective way to bolster economic growth than more tax cuts.

A rise in Newstart would particularly benefit businesses in the regions struggling the most with high unemployment. Increasing Newstart and the minimum wage would increase consumer spending, creating new jobs...' [https://www.acoss.org.au/media\\_release/not-the-time-for-more-tax-cuts-time-to-boost-newstart-and-minimum-wages/](https://www.acoss.org.au/media_release/not-the-time-for-more-tax-cuts-time-to-boost-newstart-and-minimum-wages/)

Referring to the impact of low Newstart payments on intergenerational poverty affecting children, Dr Goldie has stated, 'One in six children live in poverty in our wealthy country and in order to reduce child poverty we need to reverse government funding cuts to family payments and expressly consider these cuts in the setting of the minimum wage.

In the past decade, more than \$12 billion has been cut from payments for individuals and families with low incomes, including by dumping all single parent families from the single parent payment on to the low Newstart Allowance once their youngest child turns eight.' [https://www.acoss.org.au/media\\_release/not-the-time-for-more-tax-cuts-time-to-boost-newstart-and-minimum-wages/](https://www.acoss.org.au/media_release/not-the-time-for-more-tax-cuts-time-to-boost-newstart-and-minimum-wages/) Numerous studies have indicated that children brought up in poverty have extreme difficulty in acquiring an education and the sort of secure, well-paid employment which will help to protect them and their children from poverty. The 2004 Senate report on poverty and financial hardship stated, 'Low income families do not have a choice of school: their children must rely on the public education system and because of transport costs, must rely on the closest public school rather than the one best suited to the needs of their child. This can lead to lifelong disadvantage with early school leavers often unable to find employment, thus perpetuating the cycle of poverty.'

[https://www.aph.gov.au/parliamentary\\_business/committees/senate/community\\_affairs/completed\\_inquiries/2002-04/poverty/report/c11](https://www.aph.gov.au/parliamentary_business/committees/senate/community_affairs/completed_inquiries/2002-04/poverty/report/c11) If this cycle is broken the whole community benefits.

#### 5. The cost to government of increasing Newstart would be manageable

Supporters of an increase in the Newstart allowance claim that Australia is in a position to afford to implement this rise. They further claim that if tax cuts were not granted to wealthy taxpayers then the Newstart increase would become even more affordable.

A report released by Deloitte Access Economics, in September, 2018, stating that the increase they recommended of \$10.71 a day to 700,000 people on Newstart would cost the federal budget \$3.3bn a year. However, Deloitte also indicated that this expenditure would be significantly offset by what they referred to as a 'prosperity dividend'. This means that the country would make other economic gains through increasing the allowance which would contribute towards its cost. This 'prosperity dividend' would see the government collect an extra \$1bn in taxes as a result of a stronger economy, and the proposal was also projected to create 12,000 extra jobs in 2020-21 and increase wages by 0.2%.

<https://www.theguardian.com/australia-news/2018/sep/17/push-to-raise-newstart-allowance-by-75-a-week>

Supporters of the increase in Newstart allowance also note that this increase would be more readily fundable if tax cuts were not given to high income earners. A recent survey conducted for the Australian Council of Social Services has found that a majority of Australians would rather see these tax cuts rescinded and an increase in the Newstart allowance.

The Essential Research poll of about 1000 respondents conducted for ACOSS on April 8, 2019, shows: 66 percent agree that it is not fair to give people on \$200,000 a year a \$200 a week tax cut; 72 percent agree Newstart should be increased to cover basic living costs and to help people search for jobs; and 67 percent agree middle income earners would be better off with secure funding for services, such as health, education and aged care, than with a \$20 per week tax cut. [https://www.acoss.org.au/media\\_release/polling-shows-widespread-concerns-about-tax-cuts-and-support-for-increase-to-newstart/](https://www.acoss.org.au/media_release/polling-shows-widespread-concerns-about-tax-cuts-and-support-for-increase-to-newstart/)

## **Arguments against increasing the Newstart allowance**

1. The Newstart allowance is only intended as short-term support

Opponents of an increase to Newstart argue that it is important to recognise that the allowance is not a pension in the sense of the old age pension. It is not meant to supply an income to its recipients over the long term. Newstart is intended to supply temporary support for those who will soon have work; it is not meant as a permanent income for someone who will remain unemployed.

James Pearson, the chief executive of the Australian Chamber of Commerce and Industry (ACCI), has stated, 'The important thing to remember is Newstart isn't a pension, it's to provide some help for people who are looking for

work.' <https://thenewdaily.com.au/money/welfare/2018/05/10/newstart-greens-push-rejected/>  
The prime minister, Scott Morrison, has made the same point. Mr Morrison has stated, 'Newstart is not intended to be a payment you live on. It supports you while you get yourself back into work.' <https://www.theguardian.com/australia-news/2018/sep/17/push-to-raise-newstart-allowance-by-75-a-week>

In a Q&A program broadcast on May 4, 2018, Victorian Liberal MP, Tim Wilson, similarly stressed that Newstart was intended only as a short-term expedient to support people as they moved into employment. He stated, 'We've been focused very much on making sure that people can move off Newstart and get into jobs.' <https://www.abc.net.au/qanda/newstart-new-power-and-new-jobs/10649094>

The same point was made by Minister for Employment, Michaelia Cash, who has stated, 'We focus very much on getting people off welfare and into work. The best form of welfare is a job. It is there to provide a basic safety net for those who are looking for work who are on welfare.' <https://www.news.com.au/finance/money/costs/bill-shorten-says-he-couldnt-live-on-welfare/>

40-a-day-vows-overhaul-of-welfare-payments-under-labor/news-story/f31cc21af33b5f14127e91da083d2dde

Ms Cash reiterated this point noting, 'Those who can work should work and our welfare system should be there as a genuine safety net, not as something that people can choose to fund their lifestyle.' <https://www.smh.com.au/national/australia-takes-from-the-poor-to-give-to-the-rich-20180404-p4z7sn.html>

2. The employment market in Australia is growing

Opponents of an increase in Newstart point to Australia's growing job market as an indication that such an increase is not necessary.

The Australian Government's JobOutlook has stated, 'The future of Australian jobs is strong, with the number of workers in most industries expected to grow over the next five years.

There are likely to be around 886,000 more jobs by 2023.' <https://joboutlook.gov.au/futureofwork.aspx>

The Australian Government's Australian Jobs Report (to January 2018) stated that labour market conditions have strengthened considerably...with employment increasing by a robust 403,300 (or 3.3%), more than double the decade annual average rate of 1.6%. The increase in employment was due, predominantly, to a rise in full-time employment, up by 293,200 (or 3.6%) to 8,460,900 in January 2018, while part-time employment increased by 110,100 (or 2.8%) to 3,992,600. The unemployment rate fell from 5.7% in January 2017 to 5.5% in January 2018, while the participation rate rose by 1.0 percentage point to 65.6%, as stronger labour market conditions encouraged more people to enter the labour market. <https://docs.jobs.gov.au/system/files/doc/other/australianjobs2018.pdf>

More recent figures have shown the same continued improvement. Australia's labour market rebounded in August, 2018, with monthly jobs growth of 44,000 against a forecast rise of just 18,000. At the same time, the level of labour force participation edged higher, which left the unemployment rate unchanged at a near six-year low of 5.3%. The rebound in employment was due to a 33,700 rise in the number of full-time jobs.

<https://www.businessinsider.com.au/australian-labour-market-economists-summary-2018-9>  
Kristina Clifton of the Commonwealth Bank stated, 'Trend data shows jobs growth of 29,000 per month. With the working age population increasing by around 20,000 each month, this is enough to keep downward pressure on the unemployment rate...We expect above trend GDP growth over the next few years. This growth should help bring down the unemployment rate even further.' <https://www.businessinsider.com.au/australian-labour-market-economists-summary-2018-9>

Callam Pickering of the Indeed Jobs website has observed, 'A further positive is the ongoing improvement in labour market outcomes for younger Australians. The unemployment rate among 15-24 year olds has declined to 11.2%, from 12.4% at the beginning of the year, with the decline particularly impressive since it has coincided with a sizable increase in participation.' <https://www.businessinsider.com.au/australian-labour-market-economists-summary-2018-9>

Opponents of increases in Newstart argue that Australia's strong employment market makes such an increase unnecessary. In February, 2018, Social Services Minister Christian Porter stated, 'We've worked very hard to get the growth in actual numbers and expenditure on a payment like Newstart down. So, under six years of Labor, the Newstart bill every year — so the unemployment welfare benefit bill every year — was growing at an average each year of 13.5 per cent — every single year for six years.

The actual average growth under us since we've been in government is 3.7 per cent. What does that represent in human terms? It represents more people moving off Newstart and into

employment quicker.’ <https://www.abc.net.au/news/2017-11-17/fact-check-newstart-labor-coalition-spending/9111150>

3. Increasing the Newstart allowance would be a disincentive to recipients to seek work  
It has been argued that if Newstart were increased this would act as a disincentive for the unemployed to find work. According to this argument, if Newstart supplied a comfortable livelihood for recipients, they would no longer have a motivation to find work. They would lose their work ethic and become dependent on government support.

This line of thought has been explained by Philip Mendes, Associate Professor and the Director of the Social Inclusion and Social Policy Research Unit in the Department of Social Work at Monash University. In an opinion piece published in On Line Opinion on December 7, 2018. Professor Mendes stated, ‘Neoliberals believe the state should act to motivate and discipline welfare recipients, and reintegrate them with mainstream social values and morality, such as self-reliance and the work ethic. Income support should shift from being a right or entitlement to a privilege. Welfare dependent individuals should be given incentives to choose employment over welfare...’

Welfare dependence is a popular term often used in the News Corp media to depict the increasing (and prolonged) financial reliance of individuals or families on income support payments for their primary source of income. Neoliberals construct welfare recipients as holding fundamentally different values and attitudes to the rest of the community.

Dependence on welfare is interpreted as an addiction not dissimilar to that of helpless dependence on drugs, alcohol or gambling.’ <http://www.onlineopinion.com.au/view.asp?article=20073&page=2>

Those explaining the origin and purpose of Newstart have noted that the unemployment benefit was designed to be lower than the minimum wage so it would be an incentive to move into paid work, and it was supposed to be for a 'short time' that people would be on it. As a result, it was never indexed or raised in the same way as payments such as the aged or disability pensions. <https://www.abc.net.au/news/2012-04-30/siewert-living-on-newstart/3976916>

In line with the perspectives explained above, a reader of Bargain Oz has noted that a more generous Newstart could deprive people of the incentive to find work. In a comment posted on May 4, 2018, he noted, ‘If the Newstart allowance covered food, mortgage, entertainment, takeaway coffee and food, bills, car cost, new phone.... There wouldn't be much point in working. I'd resign and get a cash in hand part time job.’

system <https://www.ozbargain.com.au/node/376160>

Another respondent to the same publication noted, ‘Keep in mind that the allowance wasn't designed to be a long term living solution. There has to be a balance between being able to live and still keeping it low enough so that there is an incentive for someone to go out and look for a job.’

Even at this current rate, there are already many people who live off it for years and aren't willing to get off their arse to look for work. If they were to raise that amount too high, the number of those people would just increase and that would put more strain on the welfare system <https://www.ozbargain.com.au/node/376160>

4. Increasing the Newstart allowance would take funds away from other programs

Opponents of an increase in Newstart argue that Australia is still struggling to emerge from deficit and that there are budget priorities of far greater significance than a Newstart rise.

The prime minister, Scott Morrison, has stated, ‘We're in a \$10bn deficit...while that is the best result we've had in a decade it's still a deficit...so I don't think you can all of a sudden

go “Oh, let’s make whoopee”.’ <https://www.theaustralian.com.au/nation/politics/scott-morrison-rules-out-increase-to-newstart-payments/news-story/b40c0f0a6731a9bf7d53c6325eec757c>

Among the greater priorities for funding which Mr Morrison nominated were ‘additional schools funding, additional hospitals funding and affordable medicines funding.’

Mr Morrison also stressed the importance of funding the National Disability Insurance Scheme (NDIS). He stated, ‘I remember being on this program as Treasurer a while back, talking about how I’m guaranteeing full funding of the NDIS based on the improved trajectory of the economy and what that will mean for the government’s revenues to support the NDIS. So my priorities haven’t changed.’

<https://www.theaustralian.com.au/nation/politics/scott-morrison-rules-out-increase-to-newstart-payments/news-story/b40c0f0a6731a9bf7d53c6325eec757c>

The Prime Minister has further indicated that if it were possible to increase welfare spending, his priority would be to increase the old age pension, not the Newstart allowance. Responding to the Labor Opposition’s announcement that it would conduct an inquiry into the adequacy of Newstart, Mr Morrison stated, ‘I heard the other day they were thinking of increasing the Newstart payment. Well I’ve got to tell you, if I thought I had the money to do that, I reckon I’d be doing it for pensioners first.’ <https://www.sbs.com.au/news/increase-pension-before-newstart-morrison>

James Pearson, the chief executive of the Australian Chamber of Commerce and Industry (ACCI) has made a similar point. Mr Pearson indicated that his organisation does not support an increase in Newstart. Mr Pearson stated, ‘Increasing the Newstart allowance to the extent that it would make a material difference would be a significant cost to the budget.’ He argued that there are far better uses to which this money could be put, including directing it toward job creation measures. Mr Pearson concluded, ‘Our argument is that kind of expenditure would more useful to spend on programs that are already proving to be successful in getting people who are long-term unemployed into

jobs.’ <https://thenewdaily.com.au/money/welfare/2018/05/10/newstart-greens-push-rejected/> Numerous members of the government have stressed that it has a duty to spend taxpayer money responsibly and in the most appropriate manner. When he was Social Services Minister, in 2015, the current Prime Minister, Scott Morrison, stated, ‘More than eight of 10 income taxpayers are needed to pay for our annual social services bill. The contribution of these taxpayers must be respected by ensuring that the welfare system focuses on those most in need.’ <https://www.theguardian.com/australia-news/2015/jul/16/newstart-becomes-de-facto-disability-pension-for-25-of-claimants>

5. Newstart is set at a level which allows recipients to survive

Supporters of the current level at which Newstart is set claim that it is an appropriate level to support recipients.

In May, 2018, former Liberal MP, Julia Banks, stated, ‘I could live on 40 bucks a day knowing the government is supporting me with Newstart to look for employment.’ Ms Banks defended herself against accusations that she was out of touch with what was required for people to sustain themselves, claiming, ‘I speak to constituents every day and all I can say is the dignity of having a job and finding work is what our policy is about.’ [https://www.abc.net.au/news/2018-05-03/liberal-backbencher-challenged-to-live-on-\\$40-a-day/9720950](https://www.abc.net.au/news/2018-05-03/liberal-backbencher-challenged-to-live-on-$40-a-day/9720950)

A similar claim has been made by the Minister for Employment, Michaelia Cash, who, in justifying the amount of assistance offered the unemployed under Newstart, stated, ‘Certainly as a backpacker ... I lived off a very, very minimal amount of



money.’ <https://www.smh.com.au/politics/federal/just-say-no-politicians-can-t-seem-to-give-a-straight-answer-on-newstart-20180507-p4zdwi.html>

Though acknowledging that living on the Newstart allowance requires discipline, a number of readers of Bargain Oz have claimed that if recipients were careful, it is possible to get by on Newstart. One noted, ‘Centrelink recipients get free dental at the Royal Dental Hospital (and community dental clinics) and doctors generally bulk bill them. You can live on it comfortably IF you CHOOSE to live within that means. Like give up parties, booze, smokes and buy food, give up your own internet ( phone or computer plans) and use libraries...If you have a car, use it only to attend jobs not hooning around with mates, frag racing or drifting in groups. All achievable. Depends on what you are prepared to do.’ <https://www.ozbargain.com.au/node/376160>

Another Bargain Oz respondent, who had lived on Newstart for over a year, claimed that, although challenging, it is possible to survive on the allowance. He wrote, ‘It was definitely possible, I had a roof over my head, I had clothes, I had food and it allowed me to get... through 1.5 years of Newstart and get a job that I really enjoy.’ Another Newstart recipient similarly noted, ‘I live on Newstart. Yes, there are some things I do not have. I don't own a car, relying on public transport instead. Do I want a car? No. I find public transport to be sufficient, time consuming but sufficient. I also use taxis when necessary which is very rare.’ A further respondent detailed some of the measures he employs in order to live on Newstart. He wrote, ‘I am careful with my money on many things, so as I can afford some small luxuries which are important to me. I go through phases also, spend nothing for couple of days, to save. For example, there are people selling Dominos vouchers for \$2, I can essentially spend \$2 a day and that's most of my food for a day covered. Then half price crumpets and vegemite.

I always shop for what's half price at supermarket. I actually go straight to the catalogue at the front of Coles, and decide what I will buy mostly based on what's on a good sale...I shop for bargain meals, that still taste good (to me) . There is an RSL club that has a \$5-\$6 special every day. Another club does \$5.50 lunch, includes all you can eat salad bar and some fruits.’ <https://www.ozbargain.com.au/node/376160>

<https://www.northernstar.com.au/news/qa-recap-labor-and-liberal-mps-clash-on-tax-breaks/3408937/>

## **Further implications**

‘Today there are 700,000 unemployed, 1.1 million under-employed, and another 1 million hidden unemployed people. For this group of 2.8 million Australians looking for work, there are only 170,000 job vacancies across the country. This means there are about 17 jobseekers competing for each vacancy. Put another way, even if each and every vacancy were filled magically overnight, there would still be roughly 2.6 million job seekers left over.’ These figures were supplied by the Australian Unemployed Workers Union and were first posted in November, 2014 <https://unemployedworkersunion.com/faq-introduction-auu/> Despite these figures government policies have been adopted by each of the major parties which see

unemployment as invariably a transitional state and which effectively penalise the unemployed.

Numerous studies have been undertaken to explain the parsimonious attitude that governments and significant sections of the Australian population adopt toward the unemployed. These studies appear to indicate that attitudes toward the unemployed vary to some degree with life experience. A study conducted for the Australian Research Council in 2015 found that negative attitudes towards welfare recipients were more likely to be present among those who were less educated. People who have not experienced unemployment also appear to have a more negative attitude as 'those with life stability were not favourably disposed to welfare'. The most commonly prevailing view was that 'welfare recipients were...lazy and not doing enough to find work'.

Despite such findings there appears to be a growing sense within the community that Newstart is inadequate. A poll recently conducted for the Australian Council of Social Service (ACOSS) found that 72 percent of those surveyed supported a boost to the unemployment benefit, which has not risen in real terms in two decades. The Essential survey of 1,000 voters suggests there is support across party lines for an increase to the dole. Labor voters were most likely to back a proposal to lift Newstart, with 81 percent in favour and only 12 percent against such a plan. Coalition voters were split 66-22 in favour of an increase, while Greens supporters were also overwhelmingly in favour (79-12) about the idea.<https://www.theguardian.com/australia-news/2019/apr/21/newstart-increase-big-majority-of-voters-across-parties-back-rise-poll-finds>

This recent general support for an increase in Newstart is interesting given the generally negative attitude that appears to exist within the Australian population toward the unemployed. The answer to this apparent contradiction may be that after a quarter of a century with no growth in unemployment benefits, in real terms, Australia has now reached a point where the inadequacy of the payment is generally acknowledged within the electorate. It will be interesting to see if attitudes toward the unemployed shift as more older Australians find their way onto unemployment benefits. Changes in the workforce and the required skill base which mean that older people no longer seen as having relevant experience is likely to result in a growing number of elderly unemployed. The current age pension eligibility age is 65 years and 6 months for any person born before 1954. This age is progressively increasing from 1 July 2019 depending on your date of birth. Retirement age will increase to 66 by July, 2019, to 66 and six months by July, 2021 and to 67 by July, 2023.<https://www.superguide.com.au/retirement-planning/current-age-pension-age> These changes will serve to increase the number of elderly unemployed living on Newstart until they can access the age pension. It remains to be seen whether humanitarian considerations or concern to limit government expenditure determine subsequent government policy. Should there be a Labor government after the May 18, 2019, federal election it will be interesting to see what the Newstart review Labor plans to implement will recommend.