

Raise the Rate

Increase Newstart and related payments

March 2018



A roof over every head, a meal on every table. Government must raise the rate.

Australia's social safety net is something most of us contribute to, and most of us benefit from, at different times in our lives. Our safety net should allow people to afford a roof over their head and food on the table.

The current rates of Newstart and Youth Allowance do not cover the cost of basic essentials.

It's time to raise the rate.

- Raising the rate is the first step to getting a roof over every head, a meal on every table.
- Raising the rate would improve social and economic participation. Every dollar would be spent in local communities.
- The government can choose to immediately alleviate poverty and help people to afford the very basics of everyday life, such as meals, housing and bills, by raising the rate.

Government can choose to reduce poverty and hardship by taking three steps:

1. **Government commits to raising the rate** of the single unemployment and student payments, and indexes them to wage and price movements.
2. **Government establishes an independent statutory Social Security Commission** to advise on the financial needs of people requiring social security payments to afford basic goods and services.
3. **Government improves employment services** so that people locked out of the labour market (especially people who are unemployed long-term) receive the help they need to get paid work.

The facts about the lowest income support payments in Australia.

- The last time Newstart rose above CPI was in 1994, when it went up by \$2.95 per week
- Newstart has not increased in real terms for 24 years, and is now worth just \$278 a week.
- The cost of basic essentials like housing, groceries, energy, transport, and clothing has risen, and is a minimum of \$433 per week for a single unemployed person.
- 647,000 people receive the single rate of Newstart and Youth Allowance (Other). 55% of people receiving Newstart live below the poverty line. The single rate of Newstart \$174 per week below the pension.
- 70% of people receiving Newstart have been unemployed for 12 months or more. There is only one job available for every eight people looking for work or more hours.
- Many business and community sector leaders agree unemployment payments are so low they act as a major barrier to employment.

Every day, people on the lowest incomes rely on charities.

- Social security cuts combined with low and stagnant wages, insecure work, and the high cost of living has pushed people into poverty, where they are forced to choose between paying bills and eating meals.
- There are over 3 million people living in poverty in Australia, of whom 731,000 are children. 40% of those children come from single parent families.
- We think of Australia as a society where everybody can afford the basics. But many people are relying on charities to feed themselves and their children because they lost their job or cannot afford the rent.

ACOSS recommends government raise the rate of Newstart and related payments.

ACOSS recommends the following payments for single people be increased by \$75 per week:

- Newstart Allowance (including the sole parent rate)

- Youth Allowance (away from home rate for both students and unemployed people)
- Austudy Payment
- Abstudy Payment
- Sickness Allowance
- Special Benefit, Widow Allowance & Crisis Payment.

Raise the rate is supported by evidence

The *New Minimum Budget Standards for Low-Paid and Unemployed Australians (2017)* shows that Newstart and related payments fall well short of what is needed to cover the cost of living.¹

A budget standard indicates how much income a particular person or family living in a particular place at a particular time needs to achieve a particular standard of living. Budget standards estimates are used in Australia to help guide the setting of the minimum wage and to assess the adequacy of social security payments.

The 2017 budget standards are based on very detailed research into what is the *minimum* cost of buying basic essentials, including food, housing, transport and health care.

¹ The Social Policy Research Centre at UNSW, in partnership with ACOSS, Catholic Social Services Australia and United Voice, released its revised minimum 'Budget Standards for Low-Paid and Unemployed Australians' during 2017. The last 'budget standards' were published in 1996.

Table 5.17 Comparisons of the Grossed-up Budget Standards with Existing Safety Net Incomes (\$ per week, June 2016)

Family Type	Grossed-up Budget Standard (1)	Low-Paid		Unemployed		
		Safety Net Income (2)	(2) minus (1)	Grossed-up Budget Standard (1)	Safety Net Income (2)	(2) minus (1)
Single adult	597.31	659.22	61.91	433.68	337.68	-96.00
Couple, no children	833.24	794.21	-39.03	660.25	552.84	-107.41
Couple, 1 child (G,6)	969.90	978.74	-8.84	766.74	708.28	-58.46
Couple, 2 children (G,6 & B,10)	1,173.38	1084.64	-88.74	940.37	814.13	-126.24
Sole parent, 1 child (G,6)	827.70	872.56	44.86	675.18	627.79	-47.39

Notes and Sources: Table 5.14 and see main text. G,6 = girl aged 6 and B,10 = boy aged 10

The table compares minimum budgets (with rents based on median rents in the largest capital cities) with 'safety net incomes' (social security including Rent Assistance and Family Tax Benefit).

As the table illustrates, a single person on Newstart (plus Rent Assistance) receives \$96 per week below the minimum budget needed to afford basic essential items such as housing, meals, and bills.

ACOSS reviewed the minimum budget standards, and revised our call for Newstart to be increased by \$54 per week to \$75 per week. This would be in addition to our proposal for Rent Assistance to be increased by 30% (\$20 per week for a single person). Together, a single unemployed person renting privately would receive a \$95pw rise.

Wage indexation would make a huge difference for people struggling year to year

- At present, the lowest income support payments are indexed to movements in the CPI (consumer price index). The last 'real' (above CPI) increase in allowances was in 1994, when they rose by \$2.95 per week. Pensions however are indexed to the highest of CPI, the Pensioner and Beneficiary Living Cost Index (PBLCI), and average male fulltime wages.
- The result of current indexation means that the living standards of people receiving allowances are frozen over time, while pensions (under normal conditions) increase by about 1% per year more than the CPI, as wages usually grow faster than inflation. As a result, the gap between pensions and allowances has grown (it is now \$174 per week for a single adult).

- Allowances, as well as pensions, should be indexed to wage movements and price increases.

Everyone benefits when government raises the rate.

Raising the rate will assist people to afford basic essential living costs for themselves and their children. It will improve people's prospects of finding decent paid work.

Raising the rate will help reduce the huge gap between allowance payments and pensions.

Raising the rate will lift thousands of people on the lowest income support payments out of poverty.