

Raise the Rate of Newstart and other allowances

Update January 2020

ACOSS recommends an \$95 per week increase to the base rate of Newstart

ACOSS has updated the [Raise the Rate campaign's key asks](#) to address the inadequacy of Newstart and other allowances, by lifting the proposed increase to the base rate of Newstart from \$75 to \$95 per week. The \$75 per week figure was calculated over two years ago, and since that time the cost of essentials has risen substantially.

Summary of recommendations

- Increase the single base rate of Newstart, Youth Allowance and related payments by \$95 per week
- Index allowances in line with wage movements at least twice per year
- Increase Commonwealth Rent Assistance by 30%
- Establish a Social Security Commission to advise the parliament on the ongoing adequacy of income support payments, as well as other components of the social security system (eg., means-tests, eligibility criteria, etc.).
- ACOSS is also calling for a Single Parent Supplement and a return to wage indexation of Family Tax Benefit, recognising the additional costs faced by single parent families.

A little history

In 2009, the Henry Tax Panel recommended that the base rate of Newstart be increased. The proposed increase was \$50 per week¹.

From 2009 until 2017, ACOSS advocated for an increase of \$50 per week to the single base rate of Newstart. In 2017, ACOSS reassessed the absolute minimum increase to required, taking into account the lack of adequate indexation of allowance base rates and newly released research from UNSW regarding costs of essentials.

¹ Ken Henry (2009) 'Australia's future tax system Report to the Treasurer : Part Two Detailed analysis', volume 2 of 2 https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_2_consolidated.pdf p. 521

From 2018, ACOSS has recommended an increase of \$75 per week to the single base rate of Newstart. In 2019, ACOSS undertook to update this increase, in light of the Federal Senate Inquiry established into the inadequacy of Newstart (the Newstart Inquiry). In its submission to the Newstart inquiry, ACOSS stated it would undertake a further reassessment of the minimum essential increase to allowances, in the face of a **decade of inaction** by the Federal Government.

ACOSS has completed its reassessment of the minimum essential increase to the base rate of Newstart, again taking into account the inadequacy of indexation in light of increasing costs of essentials.

Revised recommendation is a \$95 per week increase to the base rate of Newstart

The \$95 per week increase to the single rate of Newstart, Youth Allowance and related payments should be implemented alongside a 30% increase to Rent Assistance, which for a single person renting privately, would equate to an extra \$20pw.

How did we arrive at \$95 per week?

ACOSS calculated the \$95pw figure using a wage index, based on research carried out by UNSW's Social Policy Research Centre (SPRC). ACOSS also used this research to develop the previous \$75pw figure. In 2016, the SPRC found that the single rate of Newstart and Rent Assistance for someone who is unemployed fell \$96pw short of the minimum required to meet living costs (they determined this minimum to be \$434 per week, assuming the person was in good health). ACOSS calculated its original \$75pw increase by deducting the \$20pw Rent Assistance increase from the \$96pw 'gap' figure, rounding it down to \$75.

To calculate the new \$95pw figure, we indexed the 2016 minimum amount needed to cover the cost of living for a single unemployed person (\$434pw) by the Median Full Time Non-Managerial Total Earnings wage index, which rose by 6.1% over the two years to May 2018.² This showed that a single person who is unemployed now needs **\$460pw** to cover basic living costs.

To calculate the gap between what people receive and what they need, we subtracted the amount of the total income support payments that a single person who was unemployed and renting privately received in May 2018 from the 460pw figure ($\$460 - \$345 = \$115$).

An absolute minimum of a 30% increase to Rent Assistance (\$20pw) is needed. ACOSS is reassessing whether a higher increase to Rent Assistance is required. If this is subtracted this from the \$115, it equals the updated Newstart increase ask - \$95pw.

² We used May 2018 data because this was the latest data we had for the MFTNMTE index.