

September 2019



VCOSS submission to the Senate inquiry into the adequacy of Newstart and related payments

Introduction

VCOSS welcomes the opportunity to provide input to the Senate Community Affairs Reference Committee inquiry into the adequacy of Newstart and related payments.

VCOSS is the peak body for social and community services in Victoria. VCOSS supports the community services industry, represents the interests of Victorians facing disadvantage and vulnerability in policy debates, and advocates to develop a sustainable, fair and equitable society.

VCOSS joins the call of economists, industry leaders, social service groups and unions to increase Newstart by \$75 per week as a matter of urgency.¹

Address poverty by raising the rate of Newstart and related allowances

Newstart is so low, it traps people in poverty.² As a result, many people struggle to afford daily basic essentials like housing, food, bills, clothing and public transport. To alleviate poverty, VCOSS strongly advocates the government increase Newstart and Youth Allowance at least \$75 per week.

VCOSS members providing emergency relief and material assistance report they are being inundated with requests for assistance by community members who do not have enough income to live on, let alone move themselves out of poverty.

VCOSS 'poverty atlas' shows that 13 per cent of Victorians live in poverty.³ Receiving Newstart is the biggest risk factor for living

¹ ACOSS, *Raising Newstart and Youth Allowance would boost jobs, wages and inject millions into local communities*, https://www.acoss.org.au/media_release/raising-newstart-and-youth-allowance-would-boost-jobs-wages-and-inject-millions-into-local-communities/

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

³ VCOSS, *Every suburb, every town: mapping poverty in Victoria*, November 2018.

in poverty. Raising Newstart will boost wellbeing in regional communities doing it tough.⁴ Poverty exists in every Victorian community, but rates are even higher in regional and rural Victoria.

Increase assistance for single parents

People with dependent children who have moved from the Parenting Payment to Newstart are doing it especially tough. Tighter eligibility for family tax benefits and cuts to payments (like the Large Family Supplement) mean families are receiving less income than in the past, and are at exceedingly high risk of poverty. In some of the outer suburbs of Melbourne (including Cardinia, Frankston and Melton local government areas), single parents are the most likely to live in poverty.⁵

VCOSS members report they see single parents who cannot even afford to have a cup of coffee with friends or catch public transport to appointments.

Emergency relief organisations are increasingly seeing demand from single parents and struggling families to cover education costs including uniforms, books, camps, swimming lessons, excursions and sports participation. The *2018 Economic and Social Impact Survey of people accessing Emergency Relief* found that:

- 63% could not afford money for their children to participate in school activities
- 55% could not afford up-to-date school books and clothes for their children
- 61% could not afford a computer, laptop or tablet
- 48% could not afford an internet connection at home.⁶

VCOSS recommends a 'sole parent supplement' that replaces Family Tax Benefit B and lifts the income of single parents with school age children, compensating for the additional costs of raising a child alone.

Index related allowances to wages

The real rate of Newstart (and its associated living standards) has decreased over the last 25 years, as wages have grown faster than CPI. Unless it is indexed appropriately, Newstart will slide even further relative to living standards.

Newstart and related allowances should be indexed twice per year to wage levels.

Increase rent assistance in line with movements in rent

Housing costs in Victoria have increased significantly in recent years. The proportion of rental properties considered affordable for low-income families is at "the lowest

⁴ Deloitte Access Economics, *Analysis of the impacts of raising benefit rates*, for ACOSS, September 2018.

⁵ VCOSS, *Every suburb, every town: mapping poverty in Victoria*, November 2018.

⁶ The Salvation Army, *Economic and Social Impact Survey 2018: Feeling the pinch*, 2018.

level since the series first began to be measured.”⁷

About 60 per cent of people receiving Newstart and Commonwealth Rent Assistance are in housing stress, spending more than 30 per cent of their income in rent. About 40 per cent of young people receiving youth allowance spend more than half their income on rent.

Rent assistance has simply not kept up with the costs of rent in Victoria. The Government can help more people maintain their tenancies and avoid homelessness and financial hardship by increasing the maximum rates of rent assistance by 30 per cent and indexing payment to median rent movements.

Consider the changing nature of work

Stable paid employment provides people with an income and contributes to their sense of identity and wellbeing. But the changing nature of work is putting more people at risk of insecure work and unemployment, and needing social security assistance as a result.

People in insecure employment generally experience less protection from termination,

limited entitlements and often receive lower pay.⁸

Many Victorians are now employed insecurely and there is an increasing polarization of employment into high skilled, high paying jobs, and low-skilled, low paying roles.⁹ The promotion of independent contracting through the gig economy is an example of insecure work that has flourished in recent times, alongside rising casualisation, sham contracting and labour hire.¹⁰

Many vulnerable people have no alternative to insecure work.¹¹ People who face multiple disadvantages are more likely to experience insecure work, underemployment and be at higher risk of unemployment. This includes vulnerable young people, Aboriginal¹² people, people with disability, single parents, older people, women, people with low levels of education, people from culturally and linguistically diverse communities, migrants, people living in rural, regional, outer suburban areas, or low socioeconomic communities, and those with a history of contact with the justice system.

⁷ Department Health and Human Services, *Rental report: March Quarter 2019*, June 2019.

⁸ OECD, OECD Employment Outlook 2014, op. cit; International Labour Organization, *Digital labour platforms and the future of work: Towards decent work in the online world*, Geneva 2018, p.xviii
https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_645337.pdf

⁹ OECD, OECD Employment Outlook 2017, OECD Publishing, 2017, p.85.

¹⁰ Frances Flanagan, *Theorising the gig economy and home-based service work*, *Journal of Industry Relations*, 2018, 2

¹¹ OECD, OECD Employment Outlook 2014, OECD Publishing, 2014, p.151.

¹² The term 'Aboriginal' is used in this submission to refer to both Aboriginal and Torres Strait Islander peoples.

Recognise the impact on community service organisations

VCOSS members report that the low rates of Newstart are having unintended consequences for community service organisations and their ability to support the growing numbers of low-income Victorians needing help. For example, community housing providers require residents to pay a proportion of their income in rent. 25-30 per cent of income for a person on Newstart is too low to enable community housing providers to appropriately sustain and support the tenancy.

Remove unfair restrictions on access to the Disability Support pension

As the McClure Report found in 2015, the current system does not work well for many people with disability or mental illness, which is often episodic. During consultations for a submission to the Royal Commission into Victoria's Mental Health Services, VCOSS members reported that an increasing number of people with long-term mental illnesses are being diverted to Newstart from the higher paying Disability Support Pension, as a result of an overly strict disability threshold.

People with disability and mental illness are being pushed into poverty and financial hardship as a result.

Newstart and the DSP also fail to appropriately distinguish between

permanent and temporary inability to work, doing little to support and encourage people to work in periods of wellness. Newstart in particular does not appropriately support people with mental illness or disability who have capacity to work part-time.

The system should enable and empower people to work and participate in society, and set them up to succeed. Overly strict and punishing compliance regimes and eligibility criteria are counterproductive and doing more harm than good.