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Submission to Inquiry on the Adequacy of Newstart and other matters

The South Australian Council of Social Service is the peak body for the non-government health and community services sector in our state, and has a vision of justice, opportunity and shared wealth for all South Australians. We aim to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life, and also to represent our members who provide vital support services to vulnerable and disadvantaged South Australians.

SACOSS is part of a network of Councils of Social Service which encompasses the Councils in each state and territory, and at the national level, the Australian Council of Social Service (ACOSS). On the Commonwealth issues which are the subject of this inquiry, ACOSS has the lead role in our network and SACOSS endorses the submission and recommendations made by ACOSS.

In addition though, there are a number of extra issues arising from our South Australian experience that we wish to bring to the Committee's attention. These largely focus on the inadequacy of the current rate of the Newstart payment (and similar base-level allowances).

South Australia has had relatively high rates of employment and underemployment for much of the last decade or more, and so a significant number of South Australians are reliant on Newstart. Department of Social Security data shows that in December 2018 there were 65,558 people receiving Newstart in South Australia.¹ This represents both too many people in hardship, but also a lost opportunity for the South Australian economy and community as a whole. In this context, we note the findings of the 2018 Deloitte Access Economics report (commissioned by ACOSS) that found that a \$75 a week increase to Newstart would lift South Australian disposable income by \$288m in the first year of introduction.²

¹ *DSS Payment Demographic Data*, December 2018, Department of Social Services, Canberra.
<https://data.gov.au/data/dataset/cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/resource/c4db7814-fde1-4448-a7b5-94fb666b85d2/download/dss-payment-demographics-dataset-december-2018.xlsx>

² Deloitte Access Economics, *Analysis of the impact of raising benefit rates*, September 2018.

While the economic stimulus modelled by Deloitte's is a good outcome for all South Australians, SACOSS' primary reason for believing the rate of Newstart should be increased is that current rate is inadequate and is causing severe and unnecessary hardship. This is most evident not in economic modelling, but in the daily lived experiences of people living on the payment.

In 2018, a Select Committee of the Legislative Council of the South Australian parliament began an inquiry into poverty in South Australia. SACOSS made a major submission to that inquiry and suggested that raising Newstart and similar allowances would be the single most important thing that could be done to alleviate poverty.³ But beyond the SACOSS submission, the Legislative Council Committee heard evidence directly from a range of people who were struggling to survive on Newstart. The evidence suggested levels of hardship and deprivation which are not acceptable in a prosperous society like ours, and ***we would ask the Community Affairs Committee to look at the evidence given to that inquiry.***

The interim report of the SA Parliamentary Committee, "agreed with the overwhelming majority of submissions" that Newstart was "far too low" and called on the Federal Government "to make a meaningful increase to the rate of the Newstart Allowance (and other base allowances) as a matter of urgency".⁴ This is important because this was a unanimous finding of a cross-party committee, consisting of members from the Liberal and Labor parties, the Greens and SA Best (the South Australian state version of the Centre Alliance). Indeed, we believe that when you look at the evidence it is impossible not to find that the rate of Newstart is inadequate, and ***we hope this Senate Committee can similarly come to a unanimous recommendation calling on the government to raise the rate.***

The other particular point SACOSS would like to make in relation to the level of Newstart is that our research suggests that, beyond Newstart *not increasing* in real terms in a long time, ABS data shows that it is not even keeping up with the cost of living. SACOSS publishes a *Cost of Living Update* each quarter, essentially summarising for our sector the relevant ABS data contained in both the Consumer Price Index (6401.0) and the Selected Living Cost Indexes (6467.0). Our Newstart test case is a hypothetical single parent with two children (this approximates the average household size in the Living Cost Index for households whose main source of income is non-pension government transfers).

Our latest *Update* shows that if that single parent Newstart household spent all of their income (not an unreasonable assumption), their living costs in June 2019 would be \$10.79 a week higher than one year earlier (based on the Living Cost Index increase of 1.9%).

³ SACOSS, *SACOSS Submission to the Legislative Council of South Australia Select Committee on Poverty in South Australia*, August 2018.
<https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/180809%20SACOSS%20Submission%20to%20Select%20Committee%20on%20Poverty.pdf>

⁴ Legislative Council SA, *Interim Report of the Select Committee on Poverty in South Australia*, Parliament of South Australia, 2018.

However, the income support for that household (Newstart, plus FTB payments, Energy Supplement and Pharmaceutical Allowance) rose by only \$5.35 over the same period – leaving the household \$5.44 a week worse off than they were a year ago.⁵ ***This is the third financial year in row that the income support for those on Newstart has not kept pace with the cost of living*** (as measured by the ABS Living Cost Indexes).

The failure of Newstart to keep pace with the cost of living is an issue of inadequate indexation and the freezing of the Family Tax Benefits (although FTB was increased in July this year). However, the three year run of failing to keep pace with living costs is particularly important because of the inadequacy of the base rate in the first place. The work of the UNSW Social Policy Research Centre team in developing Minimum Income for Healthy Living (MIHL) benchmarks showed that in June 2016 the rate of Newstart for a single adult with no children was some \$96 below the MIHL benchmark.⁶ This was detailed academic work quantifying what those living on Newstart already knew – that the level of Newstart was hopelessly inadequate. ***Our Cost of Living Update analysis shows that the situation has got even worse since that baseline was established.***

Again, for more detailed argument and recommendations, we refer the Committee to the ACOSS submission. However, the evidence from the SA parliamentary inquiry into poverty and our analysis of the ABS Living Cost Index data add weight to the calls to raise the rate of Newstart. We hope this Committee can hear and act on those calls.

Thank you for your attention to our submission.

Yours,



Ross Womersley
CEO

⁵ SACOSS (2019), *Cost of Living Update, No. 39 – June Quarter 2019*, South Australian Council of Social Service, Adelaide. <https://www.sacoss.org.au/no-39-june-quarter-2019-summary>

⁶ Saunders, P. & Bedford, M. (2017). *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*. (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney. <http://doi.org/10.4225/53/5994e0ca804a4>