



Newstart Allowance: is it time to raise it?

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Authors: Associate Professor Michael O’Neil, Executive Director
Darryl Gobbett, Visiting Research Fellow

Published by: South Australian Centre for Economic Studies
University of Adelaide
SA 5005
AUSTRALIA
Telephone: (61+8) 8313 5555
Facsimile: (61+8) 8313 4916
Internet: <http://www.adelaide.edu.au/saces>
Email: saces@adelaide.edu.au

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If you would like further information on the Independent Research Fund or to discuss the work of the IRF you can contact the Executive Director of SACES, Michael O'Neil at michael.oneil@adelaide.edu.au

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Executive Summary

Unemployment for many is not a transitional situation. The length of time on jobactive and state-based employment assistance programs and time on Newstart, along with ABS data, provide evidence of long-term unemployment. The Commonwealth NSA payment structure acknowledges this as well for those aged 60 or over, with a higher NSA fortnightly rate (\$601.10) for those “after nine continuous months on payment.” This is a recognition of the difficulty that older Australians experience in their search for work and increasingly it is older Australians who comprise the majority of the long-term unemployed.

An \$80 to \$120 per week increase in the Newstart Allowance (NSA) to around \$360 to \$400 per week is now necessary. This is on the basis of equity for the recipients and reducing the Poverty gap many Newstart recipients face, while it should also help the unemployed to be better resourced for finding paid employment. Such an increase would help restore the NSA to around the proportions of the various adult average earnings measures that existed in 1991 when the NSA was introduced. At that time the Federal Minimum Wage (FMW) was the equivalent of 42.7 per cent of the benchmark classification (C14 in the Metal Industry Award) which was used as the basis for setting the FMW.

The relationship of NSA to FMW was broken under the Howard government’s decision to benchmark NSA to inflation (unlike the Age Pension) rather than to wages. This has contributed significantly to the erosion of the value of NSA. This relationship represented one measure of community living standards. However, the ratio of NSA to FMW is now only 37.5 per cent, having declined every year since 1997. Estimates are that if tied to wages the current payment level of NSA would be \$352 per week. (It is notable that ex- Prime Minister John Howard has urged an increase in the NSA.)

An increase in the NSA is warranted to bridge the gap to the Poverty Line especially when housing, utility and general cost of living increases are acknowledged. There would appear to be general agreement on the need to raise NSA, including from the business community, the welfare sector, academics/researchers and the wider community. Only the Federal Government stands outside this accord.

It is the Government that calls for more inventive and innovative ways to deal with unemployment and the ‘barriers people find themselves facing’. Proposed reforms to jobactive are a start and need to be carefully monitored. However, employers, educational and training facilities and community organisations are the most underutilised assets in assisting the unemployed and those who have experienced intergenerational poverty of opportunity.

Increasing financial incentives within the NSA while embracing more innovative responses to the unemployed and unemployment are now required.

Background

In July 1991 the Commonwealth Government Unemployment Benefit was replaced by the Newstart Allowance (NSA). A good summary of the ongoing changes to the eligibility criteria and conditions etc. is provided in a Report, footnoted, by the Australian Parliament House Library.¹

In July 1991, the single rate for NSA was \$138.85. In May 2019 it was \$277.85.

Relationship of Newstart Allowance to Average Weekly Earnings

Table 1 shows what this represented as a proportion of various average wages estimates in November 1991 and in May 2019, the latter being the latest for which comparable employee earnings data is available.

Table 1 Average Weekly Earnings of Employees, Australia (original)

	Newstart Allowance per week	Males			Females		
		Full-time Adults		All Males	Full-time Adults		All Females
		Ordinary Time Earnings	Total Earnings	Total Earnings	Ordinary Time Earnings	Total Earnings	Total Earnings
November 1991	\$138.85	\$612.20	\$654.20	\$589.70	\$514.80	\$527.40	\$393.20
Newstart Allowance as %of each		22.68	21.22	23.55	26.97	26.33	35.31
May 2019	\$277.85	\$1,727.70	\$1,811.90	\$1,475.60	\$1,485.50	\$1,507.20	\$1,010.80
Newstart Allowance as %of each		16.08	15.33	18.83	18.70	18.43	27.49

Source: Australian Bureau of Statistics (ABS), Average Weekly Earnings, Australia, Cat. No. 6302.0.

In all cases there have been substantial falls in the ratio of the NSA to the various measures of employee earnings.

The largest falls have been relative to Female Full Time Adult earnings. This is because Female earnings have risen relative to Male earnings since 1991, with Ordinary Time Earnings for Female Full Time Adults rising from 84.1 per cent of that for Male Full Time Adults in November 1991 to 86.0 per cent in May 2019.

The falls in the ratios have been lowest for Total Earnings for each gender, partly reflecting the increased share of part time work in total employment. For Females, Part Time Hours worked have risen as a share of total hours worked from 22 per cent in November 1991 to 29 per cent in November 2018. For Males, the rise was from 3.6 per cent in November 1991 to 8.7 per cent in November 2018.²

We have applied the ratios of the NSA in November 1991 to each measure of Average Weekly Earnings in November 1991 to the Average Weekly Earnings estimates for May 2019. This gives an indication of the monetary gap per week derived from the fall in the ratios.

Table 2 Rate of Newstart Allowance if 1991 Ratios of NSA to Average Weekly Earnings were applied in 2019

Maintaining the Ratio of Newstart Allowance at November 1991 Proportions of each Employee Average Weekly Earnings Measure							
		Males			Females		
		Full-time Adults		All Males	Full-time Adults		All Females
		Ordinary Time Earnings	Total Earnings	Total Earnings	Ordinary Time Earnings	Total Earnings	Total Earnings
May 2019: rate is \$277.85	Rate would be:	\$391.84	\$384.49	\$347.50	\$400.64	\$396.85	\$356.91
Gap to May 2019		\$113.99	\$106.64	\$69.65	\$122.79	\$119.00	\$79.06

Source: Australian Bureau of Statistics (ABS), Average Weekly Earnings, Australia, Cat. No. 6302.0.

Depending on the Average Weekly Earnings measure used, this monetary gap ranges from \$70 to \$123 per week.

Relationship of the Newstart Allowance to the Federal Minimum Wage

The Federal Minimum Wage (FMW) was introduced in 1997. In setting the weekly rate, the Australian Industrial Relations Commission (AIRC) stated that it was not linking the level to “any defined benchmark of needs”. However, the AIRC believed the most appropriate course was to “equate” the rate with the minimum classification rate in most federal awards, and specifically a classification in the Metal Industry Award.³

These minimum classification rates have a history, although admittedly variable, of being set in line with community, or at least lawyers’, expectations of meeting the evolving, albeit frugal, living needs of the average employee and their family.

It should also be noted, however, that other influences such as industry competitiveness, employer capacity to pay, changes to working hours and conditions, inflation indexation and occupational superannuation have also impacted the setting of the FMW and the predecessor minimum classification rates.

In addition, other social welfare payments such as Rent Assistance, Child support etc have also evolved and changed for both employees and the unemployed.

That said, we believe it is relevant to review the NSA in the context of the FMW as one measure of community living standards.

In 1991, the NSA of \$138.85 per week was the equivalent of 42.7 per cent of the then \$325.40 paid to employees in the C14 Classification in Victoria in the Metal Industry Award. (The latter was the basis for setting the first FMW rate in 1997.)⁴

With the introduction of occupational superannuation, limited inflation indexation of the Award Wage rates in the mid 1990s and the NSA continuing to be broadly adjusted in line with inflation, the ratio of the NSA to the C14 Classification in Victoria in the Metal Industry Award wage rate lifted to 46 per cent in early 1997. The ratio dropped to 44.7 per cent with the increase in the C14 Award Rate and the subsequent introduction of the FMW at \$359.40 per week in late 1997.

The ratio of the NSA to the FMW has been on a general decline ever since. NSA is increased with a lag in line with the ABS Consumer Price Index while FMW is generally increased each July at a rate of inflation plus.

With the NSA 6 monthly inflation indexation increase of 1 per cent to \$277.85 in March 2019 and the July 2019 increase of 4 per cent (compared with July 2018) of the FMW to \$740.80, the ratio of the NSA to the FMW is now 37.5 per cent and would see an estimated rise to 37.8 per cent with the indexation increase due in September.

Increasing the NSA back to the ratio of 42.7% that applied to the then C14 Award or the 44.7% that applied when the FMW was introduced would see the Allowance increased by \$38.47 to \$316.32 or by \$53.29 to \$331.14 respectively.

Relationship of the Newstart Allowance to the Australian Poverty Lines

The current adequacy of the NSA should also be considered in the context of what can be considered currently as poverty in Australian society.

While there is considerable debate over what is poverty and whether the latter should be categorized as absolute poverty or relative poverty, we believe the most agreed measure of poverty is that estimated each quarter by the Melbourne Institute: Applied Economic and Social Research at the University of Melbourne.

It has been calculating Poverty Lines since 1973 and uses the methodology established by the 1973 Henderson Commission of Enquiry into Poverty. The methodology, background and some of the debates are described by David Johnson below.⁵

In summary, the Poverty Lines are based on the benchmark income established in the 1973 Henderson Commission for the disposable income per week required to then support the basic needs of a family of two adults and two dependent children. Separate Poverty Lines were also estimated for other family groups, from a single person to couple plus four children and a single parent plus four children. Each Poverty Line is estimated for the Head of the group being employed or unemployed and for costs Including Housing or Other than Housing.

These are Relative Poverty Lines and are updated each quarter based on the Australian Bureau of Statistics estimates of per capital household disposable income.⁶

Selected estimates for households with a Head in the Workforce for March 2019 in comparison with the Newstart Allowance are set out in Table 3 (NSA payments are for the June qtr 2019).

Table 3 Newstart Allowance and Melbourne Institute Poverty Line
(assuming maximum welfare payments and no other income), (\$)

	Newstart Allowance Basic per Person	Newstart Allowance Basic of Partner	Family Tax Benefit Part A and Supplement	Family Tax Benefit Part B and Supplement	Rent Assistance	Energy Supplement	Total Income	Poverty Lines Including Housing ^(a)
Single Adult under 25 living with parent or guardian	277.85	n/a	n/a	n/a	n/a	4.40	282.25	356.39 ^(b)
Single Adult, sharing accommodation	277.85	n/a	n/a	n/a	47.74	4.40	329.99	529.57
Single Adult, not sharing accommodation	277.85	n/a	n/a	n/a	68.81	4.40	351.06	529.57
Single Adult with one dependent child up to age 12	300.55	n/a	105.86	61.49	68.81	4.75	541.46	579.60
Couple	250.85	250.85	n/a	n/a	129.20	7.90	638.80	708.41
Couple with one dependent child 5-15 years	250.85	250.85	105.86	61.49	129.20	7.90	806.15	851.54

Note: (a) Poverty Lines: Australia March Quarter 2019, Melbourne Institute: Applied Economic and Social Research, The University of Melbourne, p.4.
(b) Other than Housing Estimate.

Source: A Guide to Australian Government Payments 30 March to 30 June 2019, Centrelink, www.humanservices.gov.au

On the above estimates for each of these groups, an increase in Newstart Allowance would appear appropriate to at least bridge the current gap to the Poverty Lines as estimated by the Melbourne Institute. This is particularly for Single Adults where the gap ranges from around \$74 per week for those living with a parent or guardian to around \$200 per week for those sharing accommodation.

That in turn raises the broader question, with the 1973 Henderson Commission now done over 45 years ago, of the need for a detailed investigation of what would now be considered as absolute and relative poverty levels in the context of current Australian societal and economic conditions.

This is particularly necessary in response to the dramatic increase in urban rental housing conditions and costs. Table 4 draws on Australian Bureau of Statistics estimates of Rents and Housing cost changes for selected household groups and indicates the generally faster growth in these over the last twelve years than in the All Groups CPI. Exacerbating this situation is that the value of rent assistance has “fallen behind average rents over the last two decades” (Productivity Commission 2019)⁷ so that the declining value of rent assistance and NSA juxtaposed against rising inner city rental costs is leading to a crisis in housing affordability.

Table 4 Selected Consumer Price Indices, year to percentage change

June:	All Groups CPI	Rents	All Groups	Pensioner and beneficiary households	Housing		
					Age Pensioner households	Other government transfer recipient households	Employee households
2008	4.4	7.8	6.1	6.6	6.2	7.0	6.9
2009	1.4	7.2	5.1	6.9	6.8	7.0	7.2
2010	3.1	4.3	5.9	7.1	7.4	6.8	7.1
2011	3.5	4.5	4.6	5.7	6.1	5.6	5.8
2012	1.2	4.4	3.3	5.5	5.8	5.3	5.1
2013	2.4	3.4	5.3	6.8	7.9	6.2	5.9
2014	3.0	2.4	3.9	4.3	5.2	3.9	4.0
2015	1.5	1.9	2.5	0.9	0.9	1.2	1.3
2016	1.0	0.7	1.3	0.9	1.0	0.6	0.8
2017	1.9	0.6	2.4	2.4	3.3	1.9	2.0
2018	2.1	0.6	3.1	3.3	4.3	2.8	2.9
2019	1.6	0.4	0.5	0.8	1.2	0.5	0.8
Total Change June 2007 to June 2019	30.9	45.3	53.9	64.6	72.6	60.9	62.5

Source: Australian Bureau of Statistics, Cat. No. 6470.0 and 6401.0.

“For example, the dataset for Victoria (the third-most expensive rental market and broadly representative of the nation) shows rent for a share house in Melbourne averages 70 per cent of income for a single person receiving Newstart (\$277.50 per week) and Commonwealth Rent Assistance (\$45.74 per week). This leaves people with \$98 a week to live on. That’s less than half the \$216 a week that experts calculate is a healthy base level of income for a single unemployed person.

After paying rent, people on Newstart have just \$14 a day to cover food, utilities and the costs of job seeking such as mobile phone plans and travel cards (\$4.40 a day in Melbourne).”⁸

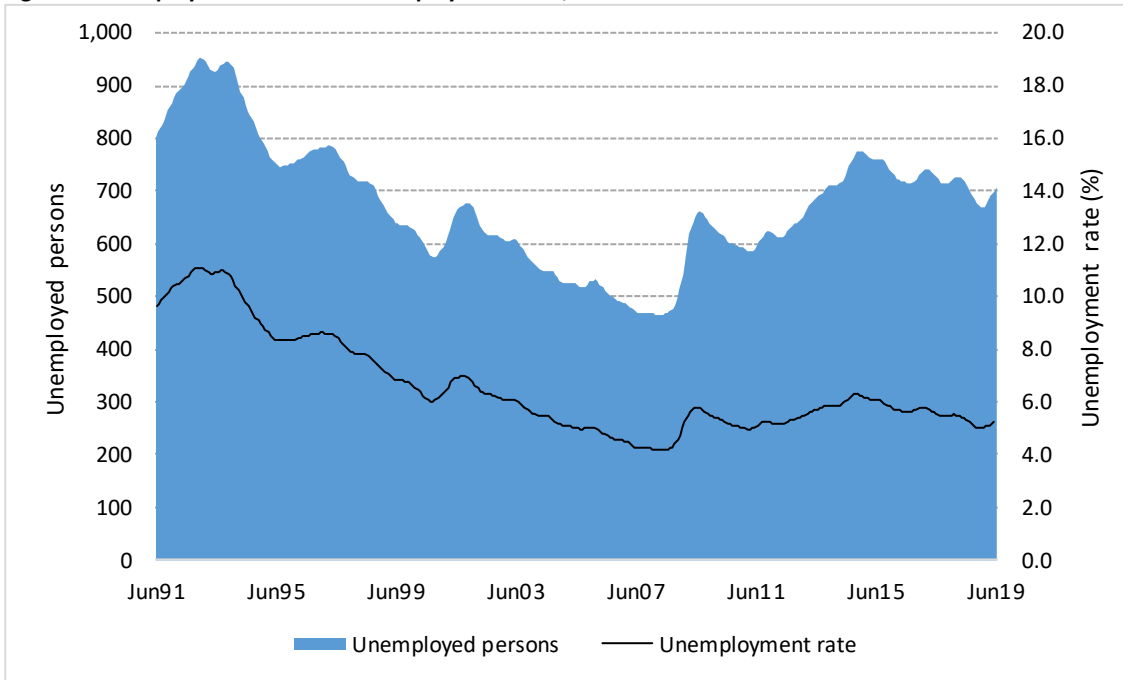
Locked into Unemployment

While the aggregate unemployment numbers were higher at the time the NSA was introduced the absolute numbers, which have increased over recent years, are relatively smaller now given the expansion in the population and economy. Notwithstanding that, there are a large number of people affected, with some 709,000 unemployed persons at June 2019.

In the period shown in Figures 1 and 2 the definition of unemployment was revised so that employment of one hour or more per week effectively removed a person from the ranks of the unemployed. This and other reasons has led to reporting on the “underemployment rate” (Figure 2) with over 1.1 million persons recording that they were looking to work more hours than they currently were working. In considering the

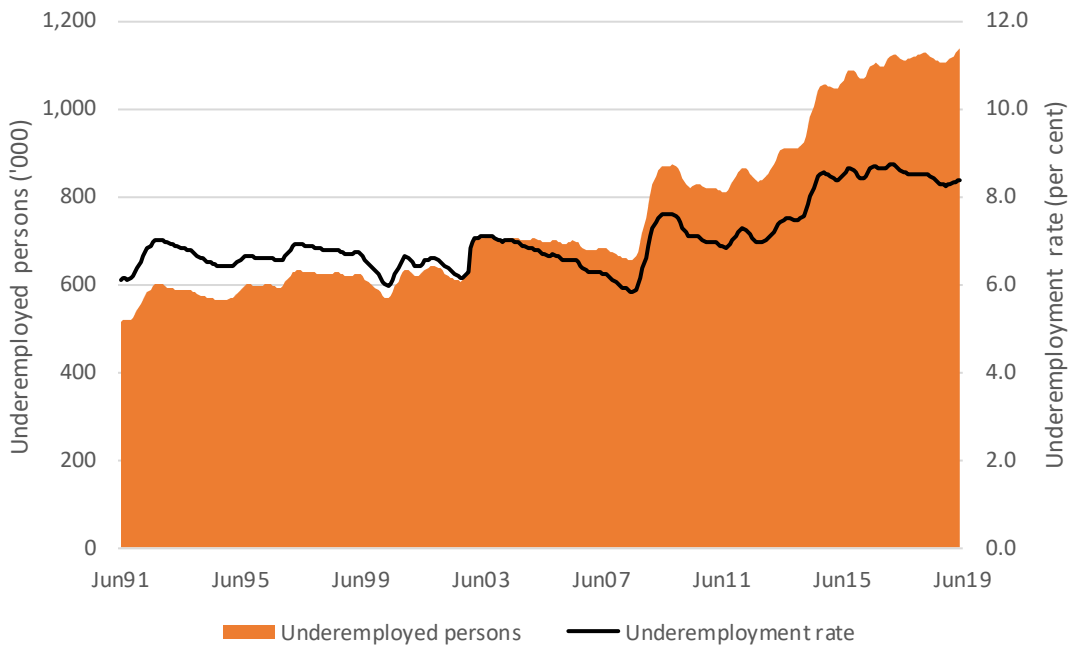
total market of job seekers the practical reality is that the unemployed and the underemployed make up the total market.

Figure 1: Unemployed Persons and Unemployment Rate, Australia - Trend Series



Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Cat. No. 6202.0.

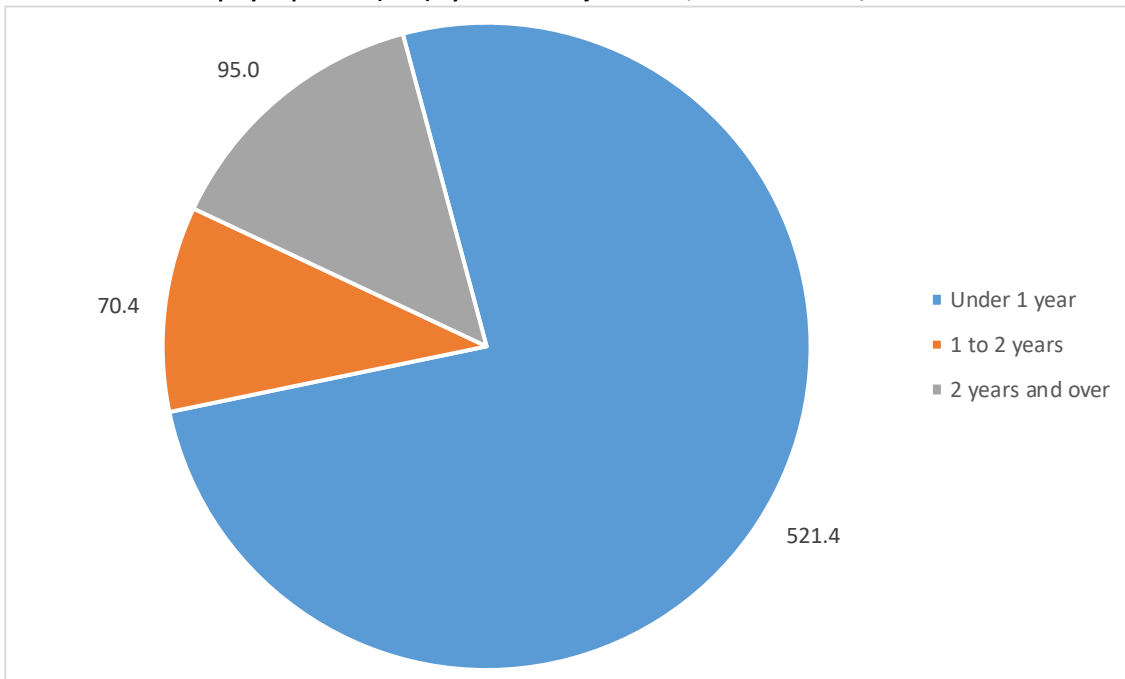
Figure 2: Underemployed people and underemployment rate, Australia – Trend Series



Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Cat. No. 6202.0.

Unfortunately for many job seekers, the duration of unemployed is neither transitory nor short-term. As highlighted in Figure 3, almost one-quarter (24 per cent) of unemployed persons in 2018/19 had been unemployed for more than one year. Of this 10 per cent had been unemployed for more than one year but less than two years, while almost 14 per cent had been unemployed for two years or more.

Figure 3: Number of unemployed persons ('000) by duration of job search, Australia – 2018/19



Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Detailed, Cat. No. 6291.0.55.001.

Long-term unemployment measured as persons unemployed for 52 weeks or more - as a proportion of total unemployed persons - has increased since the GFC. While lower than the ratio following the recession of 1991 and a series of drought years through the 1990s, the ongoing structural changes in the economy and the employment market are contributing to a rise in the numbers of persons unemployed for more than a year (Figure 4).

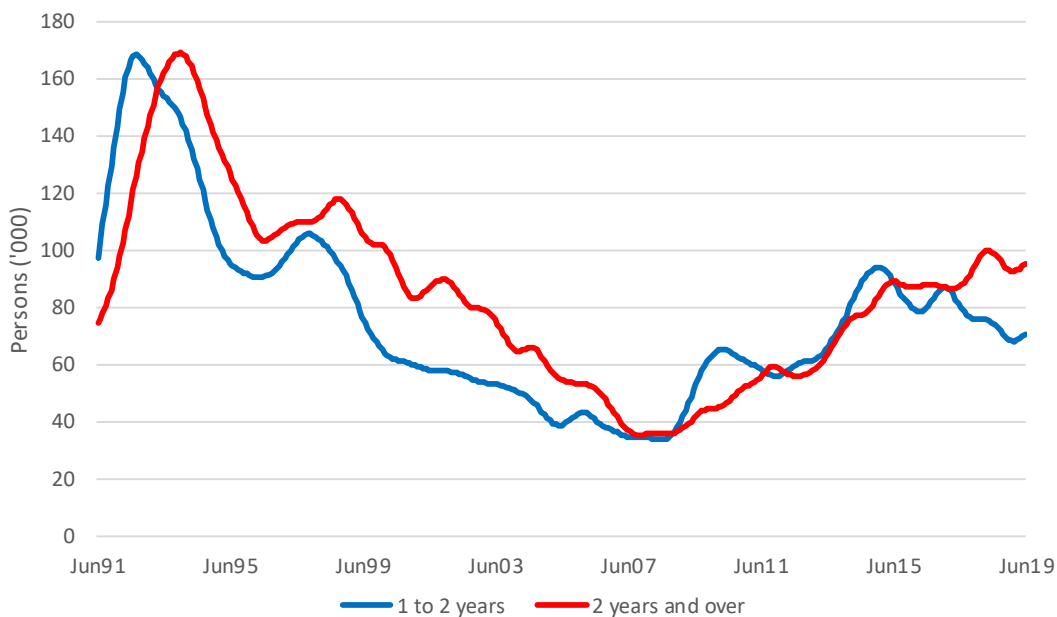
Figure 4: Long-term unemployment ratio^(a), Australia – Trend Series



Note: (a) The number of long-term unemployed - i.e. persons unemployed for 52 weeks or more - as a proportion of total unemployed persons.
Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Detailed, Cat. No. 6291.0.55.001.

The number long-term unemployed 2 years or more has not improved recently as shown in Figure 5. Movements in the very long-term unemployed i.e. 2 years and over, follow those unemployed 1 to 2 years as movements in the latter directly flow into the former, while there are additional challenges associated with moving the longer-term unemployed into employment.

Figure 5: Number of long-term unemployed by duration, Australia – Trend Series



Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Detailed, Cat. No. 6291.0.55.001.

The longer the duration of unemployment the greater the consequences for loss of skills and motivation, the build-up of additional barriers to employment and the greater cost and effort required to assist job seekers to become job ready.

The duration of job search is again on the rise post GFC. It reveals that many job seekers are successful in securing employment, that they are competent to do so using, *inter alia*, digital technology, personal and family contacts and other means so that the median duration of job search is 15 weeks.

That some job seekers appear to move relatively seamlessly through the job market while others are entrenched in long-term unemployment confirms that there are 'different classes' of job seekers with different needs.

The proposed reforms to the Commonwealth's employment placement program, jobactive, with greater help for the more disadvantaged confirms the segmentation of job seekers and more difficult barriers that many individuals face in the labour market.

Figure 6: Median duration of job search, Australia – Moving annual average



Source: Australian Bureau of Statistics (ABS), Labour Force, Australia, Detailed, Cat. No. 6291.0.55.001.

Are Help Services Responding Appropriately?

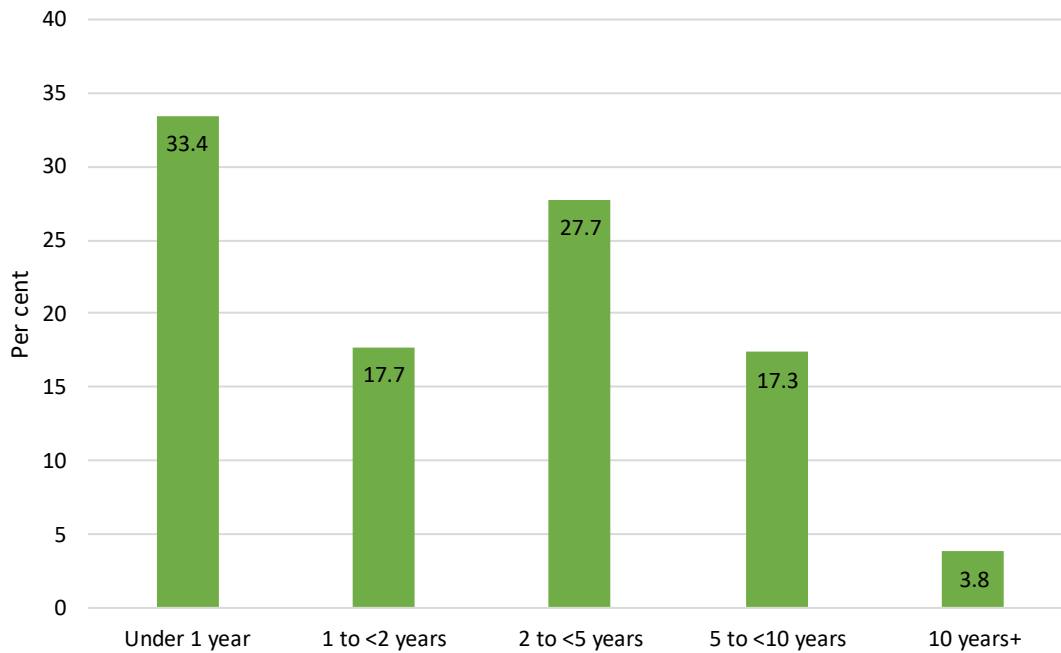
While the labour market has generally been buoyant for much of the last decade, the previous Minister for Employment, the Hon Kelly O'Dwyer MP noted in reforms proposed to the unemployment program *jobactive* that some 20 per cent of job seekers had been unemployed for more than five years and some 65 per cent had been registered with that program for one year or more. In recent times there has been a rise in the proportion of people who have moved up from 3-6 months unemployed into the category of long-term unemployed – more than 12 months and over 2 years unemployed.

For the NSA there are approximately 50 per cent of recipients who have been on this income support payment for more than 2 years. Figure 7 shows the duration the recipient has spent on their current income support payment. For all payments, duration is reset to zero if a recipient exits from payment for any period of time.

While policymakers may contend that NSA is a temporary income measure to assist/soften the transition from unemployment to employment, the reality for many is that NSA is a medium to longer term income support payment.

Proposed reforms to *jobactive* are intended to focus on those with multiple barriers to employment, the most disadvantaged in the labour market and this is welcomed although there can be little doubt that low income has exacerbated the situation for many.

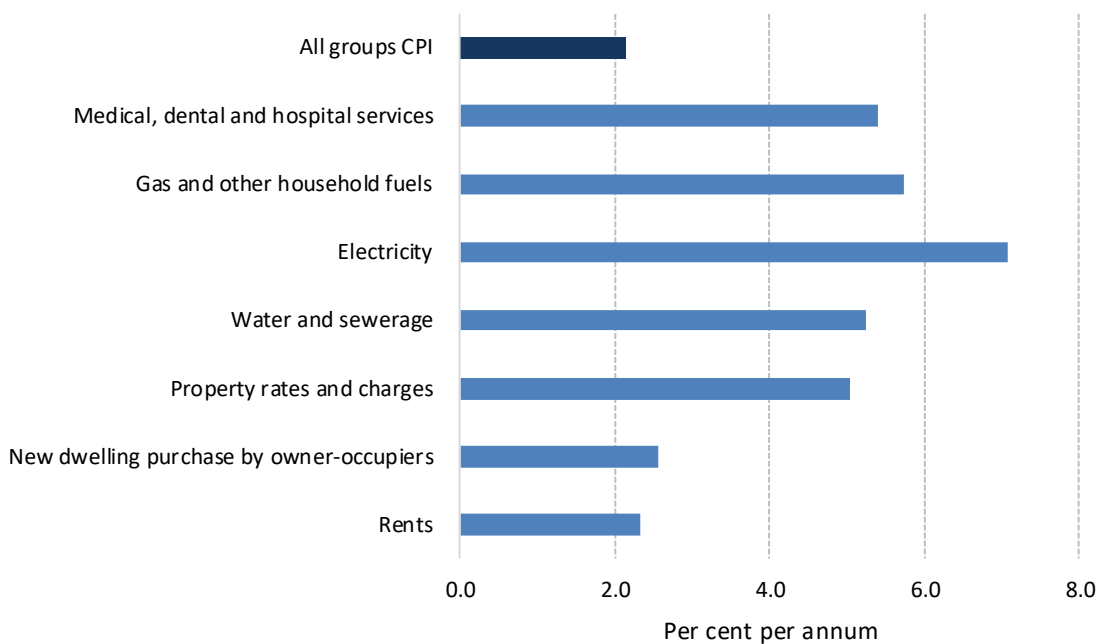
Figure 7: Newstart Allowance Recipients by Duration on Payment, Australia – December 2018



Source: DSS Payment Demographic Data.

It is also the case that cost of living pressures have been significant, they have been on the “political radar”, used as election sloganeering with promises to reduce costs such as for electricity, gas, housing, transport and rental costs. Figure 8 reveals that the costs of necessities have grown faster than general price inflation.

Figure 8: Annual average growth in select CPI indices, Weighted average of eight capital cities, 10 years to June quarter 2019



Source: Australian Bureau of Statistics, Prices: www.abs.gov.au

Comparison with Policy Makers' Remuneration

While there appears to be broad support within the Australian business, social welfare and union constituencies for an increase in the Newstart Allowance, the Federal Coalition Government seems far less supportive.

Table 5 shows how the remuneration of Australian Prime Ministers, Federal Parliamentarians and Departmental Secretaries have changed in comparison to the Newstart Allowance.

The "decision makers" have increased their capacity to meet the rising cost of living with the Treasurer's basic salary increasing from a multiple of 17 times the NSA in 1991 to 27 times in 2019; the Prime Minister from 24 times to 38 times in 2019, and selected heads of agencies/Departmental Secretaries from 17 times in 1991 to 60+ in 2019.

Table 5 Weekly Financials of Decision Makers

	Newstart Allowance per week	Federal Parliamentary Basic Salaries (excludes Electorate, Travel and other Allowances)			Departmental Secretaries Total Remuneration	
		Backbenchers	Treasurer	Prime Minister	Prime Minister and Cabinet and Treasury	Social Services
November 1991	\$138.85	\$1,276.67	\$2,393.76	\$3,319.34	\$2,439.38	\$2,254.96
Newstart Allowance as % of each		9.2	17.2	23.9	17.6	16.2
July 2019	\$277.85	\$4,062.50	\$7,617.19	\$10,561.00	\$17,372.60	\$16,626.54
As Multiple of Newstart Allowance		14.6	27.4	38.0	62.5	59.8

Source: A Guide to Australian Government Payments 30 March to 30 June 2019, Centrelink, www.humanservices.gov.au; Remuneration and Allowances Act 1990; and Remuneration Tribunal.

International Comparisons

In the USA, unemployment benefit levels and conditions vary across the different States. We have examined Californian settings as it is the most populous state and, of the US states, having a population and living standards probably most similar to Australia. In this case we have excluded the Job Insurance contributory type of unemployment benefit and used the Federally funded Unemployment Benefit. What is paid under this scheme is related to previous earnings and can vary from a minimum of \$US50 per week to a maximum of \$US1,252 per week.

The California minimum wage for businesses with 26 or more employees is \$US12 per hour, so for a 38 hour week this would provide \$US456 or the equivalent of \$A660 per week. A single person earning this and becoming unemployed would be eligible for weekly benefits of \$US228 (the equivalent of \$A330 per week), some 50 per cent of the minimum wage if working 38 hours per week.

In the context of policy makers' remuneration, the US President is paid \$US400,000 per annum or US\$7,700 per week, the equivalent of \$A11,150, and representing a multiple of 33.8 times the Unemployment Benefit calculated above, roughly equivalent to the multiple of 38 times for the Australian Prime Minister. The Secretary of State is paid \$US210,700, the equivalent of \$A305,000, and his weekly salary is a 17.8 multiple of the Unemployment Benefit.

For the United Kingdom, the Job Seekers Allowance per week is currently GBP57.90 (\$A104.86) for those under 25 and GBP73.10 (\$A133.77) for those 25 and older. In addition there is housing rental support and other benefits. The minimum wage varies by age. It is GBP7.70 per hour for those of ages 21- 24 and GBP8.21 per hour for those 25 years or older.

Assuming 38 hours of work per week, the Job Seekers Allowance would represent 19.8 per cent of the weekly minimum wage for those 21 - 24 and 23.4 per cent of the minimum weekly wage for those of age 25 and older. The UK Prime Minister currently draws an annual salary of GBP75,440, the equivalent of \$A109,300. The Permanent Secretary of HM Treasury has an annual salary of GBP185,000, the equivalent of \$A268,100. Their weekly salaries are respectively 19.8 and 48.5 multiples of the Job Seekers Allowance for those 25 years or older.

Concluding comments ...

The Budget is forecast to be in surplus in 2019/20. Tax cuts – the income tax package passed in June 2019 was estimated to cost the budget \$160b over the decade yet a number of Federal politicians have argued budget deficits from years gone by are the reason why NSA cannot be increased.⁹

While the NSA has been raised only in line with inflation, the Age Pension has increased with wage growth or inflation and further, the Aged Pension was increased by the Rudd Government post the GFC by \$64 per fortnight (single pension). The rate of the single aged pension and NSA was virtually the same in the mid-1990s; NSA is now approximately only two-thirds of the pension (NSA \$559 p/f; Pension \$850.40 p/f).

There is no substantive principle or reason as to why the two rates should differ except the socially defined labels of deserving/undeserving recipient and entitlement/non-entitlement.

This sentiment would appear to underscore the reference by the Minister for Families and Social Services, Senator Anne Ruston in a recent public speaking engagement that “we can’t just keep adding money to this bucket, because we’re not making a difference. Giving (people) more money would do absolutely nothing...probably all it would do is give drug dealers more money and give pubs more money. What we need to do is take a proactive approach to how we look at social welfare, look at cohorts and what those cohorts need. We’ve got to be fair to the people who pay it.”¹⁰

The comments illustrate an all too pervasive notion of the jobseeker as ‘dole bludger’, a recipient who is a drain on the tax payer and the Budget and who is undeserving, notwithstanding the fact many unemployed individuals have a long work history, have paid taxes and through no fault of their own find themselves unemployed (e.g. car workers as the automotive industry closed down, power station employees as a result of plant closures, job losses flowing from the drought and as a hangover from the GFC, etc.).

There are also reputed to be in the order of 100,000 parents and single parents on Newstart who are transferred to NSA when their youngest child reached eight years of age.

The Minister claims that her remarks were made in the ‘context of addressing individual barriers to employment’ and no doubt she recognises that there are cohorts who experience significant barriers to employment. The Commonwealth has at its disposal the major employment placement assistance program – jobactive - which is undergoing reforms to specifically devote more resources to those who are more difficult to place into employment.

The States and the Commonwealth have at their disposal the facilities for training, further education, re-skilling; they have the capacity for incentive payments to reward employers who sponsor and support employees and training (on or off the job); they have the opportunity to sponsor and reward regional, community and employer/industry initiatives designed to promote new skills for employment that might also address intergenerational barriers to employment.

Perhaps the Minister/s and their agencies may wish to set quantifiable targets to skill the unemployed and to achieve employment outcomes through the use of all the facilities and funding options available to government (involving the three tiers of government and community providers). Some of the most innovative and successful training and job placement programs SACES has evaluated in recent times include skills training, employment placement with post-placement support, employer involvement and community organisation involvement in addressing regional unemployment.

As the Minister also expressed “we need to come up with more inventive and innovative ways to deal with the barriers people find themselves (facing) in going into the workplace...just constantly spending more money and not getting better results is not the right thing for us to be doing”.¹¹

The low-level of NSA most likely compounds difficulties with job search including that job generation is fastest in our capital cities yet low income earners face higher rents to locate near to employment opportunities. High rents in inner city may force relocation of renters to outer suburbs where there are fewer job opportunities and transport costs are high. We know from state-based and the Commonwealth employment assistance programs that job seekers placed into employment experience difficulty in job retention due to long distances to work, lack of private vehicle and inadequate public transport. “Getting a job” is difficult – holding a job is often more difficult.

NATSEM estimate there are some 200,000 Australians with a disability living on Newstart payments. The level/type of disability may add a further barrier to job search and employment.

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Why we can't afford to increase Newstart <https://www.theguardian.com/australia-news/2019/jul/30>

Appendix A

Terms of Reference

The adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia, with specific reference to:

- a. consideration of what constitutes an acceptable standard of living in Australia, including the cost of safe and secure housing;
- b. the labour market, unemployment and under-employment in Australia, including the structural causes of long term unemployment and long term reliance on Newstart;
- c. the changing nature of work and insecure work in Australia;
- d. the appropriateness of current arrangements for supporting those experiencing insecure employment, inconsistent employment and precarious hours in the workforce;
- e. the current approach to setting income support payments in Australia;
- f. the impact of the current approach to setting income support payments on older unemployed workers, families, single parents, people with disability, jobseekers, students, First Nations peoples, people from culturally and linguistically diverse backgrounds, people living in regional and remote areas, and any others affected by the process;
- g. the impact of geography, age and other characteristics on the number of people receiving payments, long term unemployment and poverty;
- h. the adequacy of income support payments in Australia and whether they allow people to maintain an acceptable standard of living in line with community expectations and fulfil job search activities (where relevant) and secure employment and training;
- i. the economic cost of long-term unemployment, underemployment, poverty, inequality and inadequate income support payments;
- j. the economic benefits – including job creation, locally and nationally – of increasing and improving income support payments and supports, and decreasing poverty and inequality;
- k. the relationship between income support payment levels, minimum wages and wage stagnation in Australia and other comparable economies;
- l. the interactions with other payments and services, including the loss of any increased payments through higher rents and costs;
- m. the cost and fiscal sustainability of any changes;
- n. the relative merits of alternative investments in health, education, housing and other programs to improve outcomes;
- o. other countries' approaches to setting income support payments, minimum wages and awards;
- p. other bodies that set payments, minimum wages and awards in Australia;
- q. the role of independent and expert decision-making in setting payments; and
- r. any other related matters.

End Notes

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- 1 https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2012-2013/SSPaymentsUnemployment/AppendixB/AppendixBTable2
 - 2 Australian Bureau of Statistics (ABS) (1991), *The Labour Force*, Cat 6202.0, November and electronic delivery.
 - 3 Bray, J. Rob (2013), *Reflections on the evolution of the minimum wage in Australia: Options for the Future*. HC Coombs Policy Forum, Crawford School of Public Policy, Australian National University College of Asia and the Pacific, May.
 - 4 Bray, *ibid*.
 - 5 Johnson, David (1987), "The Calculation and Use of Poverty Lines in Australia", *The Australian Economic Review*, 4th Quarter.
 - 6 Melbourne Institute: Applied Economic and Social Research (2019), *Poverty Lines: Australia March Quarter*. The University of Melbourne.
 - 7 Productivity Commission (2019), *Vulnerable Private Renters: Evidence and Options*.
 - 8 <https://www.abc.net.au/news/2019-09-08/city-share-house-rents-use-most-of-nestart-rental-stress/11537584>
 - 9 *Why we can't afford to increase Newstart* <https://www.theguardian.com/australia-news/2019/jul/30>
 - 10 <https://indaily.com.au/news/2019/10/01/higher-dole-payments-would-go-to-drug-dealer-pubs-minister/>
 - 11 <https://indaily.com.au/news/2019/10/01/higher-dole-payments-would-go-to-drug-dealer-pubs-minister/>