

13 September 2019

Ms J Radcliffe  
Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Ms Radcliffe

Thank you for the opportunity to make our submission to the Inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.

Catholic Social Services Australia (CSSA) is the national peak body for social services of the Catholic Church. We are dedicated to improving social and economic policy for the benefit of all Australians and in particular for the poor and marginalised by working alongside our members – some 50 Catholic social service organisations, who help around 450,000 Australians a year across 650 sites nationally.

### The Adequacy of Newstart

While we recognise that work is an inherent part of the human condition, we also hold firm that the value and dignity of individuals must not be defined solely by their ability to participate in paid employment. Our social safety net must be able to support those unable to work to live a dignified life.

It is our contention that by any social and economic measure the level of Newstart is inadequate. The latest Melbourne Institute<sup>1</sup> quarterly update on Poverty Lines in Australia shows that a single person on Newstart receives total income of \$347.40 per week (inclusive of rental assistance) while the poverty line for this cohort is determined to be \$529.57 per week; a shortfall of \$182 per week. In 2017 the UNSW's Social Policy Research Centre (SPRC) published its Minimum Income for Healthy Living (MIHL) Budget standard Report<sup>2</sup> which CSSA, ACOSS and United Voice were partners. The budgets standards are calculated across eight broad areas: Food; Clothing and Footwear; Household Goods and Services; Transport; Health; Personal Care; Recreation; and Education. The Report found that a single person on Newstart was some \$96 per week below what is necessary to meet the budget standards. As such, based on both reports the clear conclusion is that the current single rate for Newstart is inadequate.

While in absolute terms the inadequacy of the Newstart payment is clear, the Committee should also turn their minds to the question of relativity. The single Newstart rate (excluding rental assistance) equates to about 37% of the National Minimum Wage (NMW) and 17% of the average weekly wage. A safety net which sits at 17% of the average wage should in and of itself cause policy makers to question the current settings for Newstart.

<sup>1</sup> Poverty Lines: Australia March Quarter 2019 ; Melbourne Institute: Applied Economic & Social Research, 16 July 2019, p 4

<sup>22</sup> 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

## An Independent Mechanism to Determine the Level of Welfare Payments

The inadequacy of Newstart is symptomatic of a broader concern with the manner in which welfare payments; including Family Tax Benefits and Pensions are set and administered. In the 2018 National Minimum Wage (NMW) case the Commission<sup>3</sup> concluded:

*... An increase in minimum wages makes an important contribution to the maintenance and improvement of relative and actual living standards for the low paid, but it is not sufficient by itself to perform this function and must necessarily be supported in relation to families with children by the tax-transfer system. However, **the fact that recent changes to the tax-transfer system have resulted in a deterioration in the real disposable income and relative living standards of NMW and award-reliant single-earner households with children places a greater burden on minimum wage adjustments** [emphasis added], and tends to favour a larger rather than smaller increase to the NMW and modern award minimum wages.*

The Fair Work Commission's 2018 decision highlights a fact that should not be lost on this Committee. Regardless of the prevailing philosophy and ideology shaping the current debate about the adequacy of Newstart and other payments the fact remains that the arbitrary nature by which Governments set and manage welfare payments has had a material impact on the living standards of both working and welfare dependent families. Accordingly we say that there is a need to have an independent and transparent means to determine the appropriate level of payments for those receiving pensions and allowances to ensure that our social safety net operates effectively in preventing people from being trapped in poverty.

### Recommendation 1

That there be established an independent body to advise the Parliament and the government of the day of the level of payments for the current suite of welfare payments and allowances including but not limited to Family Tax Benefits, Pensions and Newstart.

## Factors for the Setting of Welfare Payments

The establishment of an independent and transparent means to determine the appropriate level of payments does not change the government's capacity to set policy parameters around the intent of an allowance or payment. Indeed for our welfare system to work properly, governments must have the capacity to articulate particular parameters in the setting of a particular payment.

CSSA recognises that some in our community, because of age or disability, are unable to source additional income and are therefore entirely reliant upon welfare payments to live. These people should receive a level of payment which allows them to live with dignity, accepting that they have no capacity to supplement their welfare payment.

For those studying and/or of working age it is acceptable for the parameters of their welfare payment to recognise that they have the capacity, whether realised or not, to enter paid employment.

<sup>3</sup> Fair Work Commission; Annual Wage Review 2017-18, June 2018, paragraph 371

Accordingly the parameters for the setting and reviewing of those payments should reflect the:

- Minimum Income for Healthy Living (MIHL) Budget standard factors;
- prevailing characteristics of the labour market, in particular the underutilisation (underemployment) rate;
- incentive for someone to seek paid work over remaining on welfare;
- effects the current rates have on the capacity for an individual to enter the labour market or move between jobs; and
- broader social and economic benefits in raising the level of payment(s).

For those with dependents and working on the minimum wage it is our contention that the minimum wage must be a living wage that is sufficient for a single income earner to support at least one dependent and one child. We note that the Fair Work Commission is of the view that the minimum wage is not sufficient by itself to perform this function and must necessarily be supported by the tax-transfer system. That being the case Family Tax Benefit payments must be set at a level which maintains and improves the relative and actual living standards for the families of low paid and welfare dependent families.

## **Recommendation 2**

That the setting and reviewing of all government allowances and pensions be done on the basis of agreed and transparent parameters as outlined above.

We recognise that welfare payments is an area of significant expenditure for government and that neither major party would be easily persuaded to relinquish control over the setting and reviewing of such payments. However, bodies such as the Fair Work Commission and Remuneration Tribunal carryout similar reviews around wages and payments and have done so with an appropriate level of diligence and consideration.

It is time for a similar transparent instrument of review to be established for determining the appropriate rates of various welfare payments which will give effect to the policy intent of the payments, their economic effects and the dignity of those required to access welfare payments.

Yours sincerely



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