

Submission To Economics Legislation Committee – Budget Savings (Omnibus) Bill 2016

ANTI-POVERTY NETWORK SA

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In this submission, Anti-Poverty Network SA will explain its opposition to the proposed scrapping of the Clean Energy Supplement for new income support recipients.¹

Introducing Anti-Poverty Network SA

Anti-Poverty Network SA, which formed in 2013, is a grassroots community group composed largely of individuals with significant direct, lived experience of poverty and unemployment, and interacting with Centrelink and Job Service Providers. Our membership is diverse and includes sole parents, students, carers, Age and Disability Pensioners, job-seekers of various ages and cultural backgrounds, and others. The organisation also includes not only former Work For The Dole participants but former Income Management clients as well.

We are committed to advocating and campaigning for the dignity, rights, and well-being of all Centrelink clients, and other low-income people, through a variety of means, including through the use of personal stories to highlight the inequities in the employment and welfare systems, and to challenge enduring myths and stereotypes that legitimate ineffective, irrational policy decisions.

Our aspiration is for an income support system with payments set at genuinely adequate levels. An income support system that allow recipients to achieve an acceptable quality of life and fully participate in community and social activities. We seek an end to blunt, punitive measures that lack clear evidence of positive outcomes. We want an approach to social and welfare policy that respects the autonomy and competence of income support recipients, with properly-funded support and wrap-around services for those battling crisis and dysfunction.

Why We Oppose The Scrapping Of The Clean Energy Supplement For New Income Support Recipients

Plans by the Turnbull government to scrap the Clean Energy Supplement for new income support recipients are mean-spirited, and demonstrate a staggering obliviousness to the considerable and widespread financial hardship experienced by those receiving income

¹ All references available on request.

support.

The cuts, varying from \$4.40 per week for unemployed people on Newstart Allowance, to \$7.05 per week for Age and Disability Pensioners, will be painful for those already living below the poverty-line, despite their modest size.

For Newstart recipients in particular, struggling on one of the lowest of all the income support payments, this move is a cruel blow. Therefore, it is the effects for future Newstart recipients that our remarks will focus on, though these comments apply to varying degrees to future recipients of other, somewhat higher income support payments.

There is a growing consensus that Newstart, which has not been raised in real terms since 1994, when it was increased by \$2.95 per week, is woefully inadequate. The Business Council of Australia (BCA), Australian Council of Trade Unions (ACTU), and Australian Council of Social Services (ACOSS) have long called for at least a \$50 per week increase to the payment.

The level of the payment has fallen increasingly behind community standards, and behind the average and minimum wages. The replacement rate of Newstart (the ratio between the payment, and the minimum wage) is the lowest in the developed world.

At \$260 per week, it is now \$190, or 32 percent, below the Henderson Poverty-Line² – the largest the gap has ever been.

ACOSS has over the past several years done much to highlight what the inadequacy of Newstart Allowance means in concrete, practical terms for recipients. The following statistics are taken from their 2014 annual Poverty Report, and from a survey of 600 Newstart recipients that they conducted in April 2015.

- 40 percent of recipients unable to pay their bills on time or see a dentist
- 46 percent only able to afford second-hand clothes most of the time
- More than half unable to raise \$2,000 in the event of an emergency
- 44 percent have unsustainable levels of debt, owing more than they could afford
- A majority turn off heating and cooling save money
- 32 percent have skipped meals over the past year
- 25 percent suffering from 'housing crisis' – were spending more than 50 percent of their income on housing
- 20 percent do not have enough money for essentials like housing, food, and electricity
- 63 percent have reported that their income has fallen behind cost of living over the past two years

In late April, immediately before this year's federal budget, accounting firm KPMG released a report on government spending, with one of its recommendations being that Newstart be significantly lifted. It noted that the low rate of the payment is hampering job-seekers' efforts to find employment, a point that has been repeatedly made by business groups, most notably BCA.

² This is one of three poverty-lines that are often used to assess the level of someone's income. The Henderson Poverty-Line is higher than 50 percent of median income, which for a single adult with no kids, is roughly \$400 per week, but lower than 60 percent of median income, which is frequently used in European nations. Note that Newstart is roughly \$140 per week below even the *lowest* of the poverty-lines.

Job-seekers face a hostile labour market, one where there are approximately eleven job-seekers desperately competing for every job vacancy, when the underemployed are included.

Under these circumstances, Newstart (and, indeed, Youth Allowance) are no longer the short-term payments they were during previous generations, when this country experienced conditions of full employment.

Job-seekers, through no fault of their own, languish on these payments for increasingly long periods, particularly older job-seekers, and others facing extra barriers to work (such as sole parents, and job-seekers with a disability).

Long periods surviving on inadequate income support payments can lead to social isolation and withdrawal from society, depression, and atrophy in confidence and social skills.

The scrapping of the supplement, affecting 2.2 million low-income people for savings of \$1.2 billion over four years, is both an unfair and unnecessary budget measure.

It speaks volumes about the priorities of the Turnbull government that it is committed to making the poorest people in the country face cuts to their incomes, while little is done to address the billions of dollars squandered through Superannuation Tax Concessions for high-income earners, and Negative Gearing for wealthy property investors.

We note that the same government that wishes to cut Newstart will also be hoping to cut the corporate tax rate, which will see \$48 billion in revenue that will be lost over the next ten years. A \$50 per week increase to Newstart, by comparison, would cost only \$1.5 billion per year, a \$100 per week increase \$3 billion per year.

And, while the proposed changes will only affect new income support recipients, we fear that later on, current recipients will also be affected, and have their payments lowered, as part of a current or future government dealing with the resultant two-tier income support system.

It has been pointed out by the Turnbull government that since the Carbon Tax been removed, there is no justification for retaining the compensation that was introduced alongside the Carbon Tax's implementation. But we note that the tax cuts that were introduced as Carbon Tax compensation for other sections of the community are not being removed.

A Comment On Welfare Spending And 'Dependency'

An important background conversation is the perennial discussion around welfare spending and 'dependency', where grossly inaccurate claims about unsustainable levels of spending are routinely made.

In fact, relative to most other developed economies, Australia already spends far less on welfare payments of all kinds; less on family payments, less on unemployment benefits, less on Disability Pensions, and less on Age Pensions.

Only 6.9 percent of our Gross Domestic Product (GDP) is consumed by welfare benefits, and it is expected that spending levels will be more or less the same in 2050. In particular, we note that we spend only 0.5 percent of GDP on unemployment benefits.

The current system is strict. It provides income support only to those in direct need of it. As a

result of this, the number of Australians dependent on welfare payments is low and getting lower.

In 2011, 18.5 percent of people received Centrelink payments, down from 23 percent in 2001. Only 4.8 percent of working-age households derive 90 percent or more of their income from Centrelink, down from 7.1 percent in 2001. In fact, levels of reliance on welfare payments are at their lowest since the 1980s.

An Organisation for Economic Cooperation and Development (OECD) report into welfare spending found that among developed nations, only in Mexico and Korea are those on average incomes less dependent on welfare than their Australian counterparts. More of our welfare spending targets those at the very bottom than in most wealthy countries.

Personal Story A – Kat, Older Unemployed Person On Newstart

I am a 58 year-old unemployed person. Along with so many other sole parents, I was removed from Parenting Payment Single and placed on Newstart in 2013. The cost of private rental virtually takes my complete Newstart payment. Trying to survive on the payment and cover food, gas, electricity, phone, internet, transport fares, and clothing, is nearly impossible.

I pay 75% of my income on rent and I struggle to pay the gas, electricity, internet and phone, all of which are needed. I gave up a long time ago on eating healthy, I now eat what I can get, when I can get it. Three meals a day are a forgotten luxury for me.

Before I was shifted from Parenting Payment Single to Newstart in 2013, I was studying to better my chances of obtaining employment. This fell by the wayside once being transferred as I could no longer afford the cost of study. In fact, I could no longer afford much of anything. The transfer cost me \$230 per fortnight from my income. This meant I needed to give up study, and focus on keeping a roof over my son's and my heads.

I was unable to afford the rent on the place we had lived in for 5 years, and thus started three years of going from place to place, never being able to settle as rent kept rising out of our reach. My health suffered, and so did my son's. I withdrew from many things, never being able to afford to meet up with friends, or attend functions. My son stopped asking to attend school excursions, friends' birthday parties, going to the skate rink, anything that cost money really.

Things just kept getting worse, everything kept rising in cost, but my income remained the same. I started skipping meals to try and make ends meet. No hope of finding work, I was too old, and had no recent work history, although I had owned my own business, spent 5 years volunteering at my son's school, had while attending TAFE helped many other students use the computers, copied items for the lectures and other things, none of it counted when trying to find work.

I do all the right things, I attend my appointments, do their in-house courses, such as learning to write a resume, how to talk when attending an interview, what to wear to an interview etc., none of which has helped me in any way.

I became so disheartened that I started having thoughts of ending it all. I kept thinking that maybe things would be better for my son if I was not here holding him back. But instead of giving up, I decided to help others in the same situation as me. I started up my own charity, became incorporated, got all the necessary coverage needed, and now deliver close on 100

hampers to others like myself each week.

I spend close on 50 hours a week, picking up items, sorting, bagging, packing and delivering, but none of this counts towards my volunteer hours required. This is because the base for the charity is my home, only because there is no way on Newstart that I can afford to rent another place to run the charity from, as well as pay my own rent. It does however allow me to accept others whom need to meet those same requirements.

Personal Story B – Jo, Student

I was on Newstart, but have recently switched to AusStudy. I am recovering from some mental health problems.

Shortly after leaving Newstart and becoming a student, I noticed a sharp improvement in my overall mental health. The stress of dealing with an unhelpful (understaffed, with under-qualified staff) Job Active provider (job agency) was definitely detrimental to my mental health. For me, the greatest barrier to finding employment (besides the lack of vacancies) has been my mental health.

I have not been able to afford the type of specialised trauma therapy that I need to substantially improve my mental health. Though a Mental Health Care Plan has been helpful to me so far, I also struggle to afford medication at times.

I also have not been able to afford to go to a dentist for over 2 years.

I have quite a restrictive diet due to health problems, but I frequently have to compromise on my dietary health due to finances.

My budget has hardly any room for social spending (maybe one coffee with friend per week). This has a negative impact on my mental health, as it is contributing to social isolation. Also it reduces my ability to network and seek employment.

I have not bought any clothes for over one year. I cannot afford the appropriate equipment for me to be able to study at home. I can only use on-site equipment at my TAFE to study.

The place I am renting is very far from ideal, and not situated in an area that feels safe.

If a crisis or unexpected financial burden occurs, I have no savings to deal with it.