



Submission to the Senate Standing Committees on Community Affairs' inquiry into the adequacy of the allowance payment system for jobseekers and others

About LawRight

LawRight is an independent community legal centre and the leading facilitator of pro bono legal services in Queensland, directing the resources of the private legal profession to increase access to justice.

About the Homeless Person's Legal Clinic

The Homeless Persons' Legal Clinic (HPLC) was established in 2002 to increase access to justice for people experiencing homelessness, which often co-exists with and is compounded by other vulnerabilities such as poor mental health, domestic and family violence, disability, or belonging to Aboriginal and Torres Strait Islander, regional and remote and/or culturally and linguistically diverse communities.

The HPLC provides targeted, integrated and holistic legal advice and representation on-site and in collaboration with community agencies to improve the health and well-being, and increase access to justice, housing, income and legal rights of people experiencing homelessness.

In 2018/2019, Homeless Persons' Legal Clinic provided ongoing legal assistance in 434 matters and 186 advices to clients attending a drop-in clinic.

Summary of submissions

Our experience in assisting clients who are experiencing or at risk of homelessness demonstrates the inadequacy of the current rate of Newstart Allowance. Our legal casework suggests that the current rate of Newstart is insufficient to lift people out of homelessness or to protect people from becoming homeless. Our submission draws on a consultation with our client group, and some of their reflections are provided.

Informed by the experiences of our clients, LawRight considers the Newstart Allowance insufficient to provide an acceptable standard of living in Australia. Marginalised groups, such as people experiencing homelessness, are disproportionately impacted by the low rate of Newstart. Newstart's inadequacy is demonstrated in particular by costs of housing, access to employment, and the disproportionate impact of high-cost consumer loans.

Submissions

Inadequacy of the current Newstart Allowance

Term of reference a): We consider an acceptable standard of living in Australia to be one by which a person is able to not only provide for their housing, clothing, food, and other necessities; but also to participate in their community and to pursue work and study opportunities.

Term of reference f): We consider the income support framework has a disproportionate negative impact on people with a disability, First Nations peoples, people from culturally and linguistically diverse backgrounds, and other marginalised groups.

The inadequacy of the current Newstart Allowance to provide for fundamental necessities such as housing, food, clothing, and healthcare is well established. In 2017, the Social Policy Research Centre published an exhaustive report on what it costs to live a basic, healthy life in Australia. It determined that households reliant on Newstart Allowance fell between \$47 and \$126 per week below what was needed for essentials, and made the increase of Newstart Allowance one of its key recommendations.¹

This recommendation has been reiterated in numerous reports and investigations over the past decade, including Catholic Social Services Australia's 2008 review,² the 2010 Henry Tax Review,³ and the QCOSS Cost of Living Reports.⁴

A single, unemployed person on Newstart receives as little as \$277.85 a week, or just \$39.70 a day. This is not enough to sustain day-to-day living costs for essential items such as rent, food, transport, healthcare and utilities. The inadequacy of Newstart pushes many recipients into poverty, and contributes to financial stress, housing insecurity, and diminished health and wellbeing.

"They expect that just because you're young and you're unemployed that your life will have fewer costs. They expect your life to be simpler and easier than someone who's working, but it's not."

Kirra, 18-24, experience of homelessness

¹ 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.

² Quinlan, F (2008), *An Australian Entitlements Commission*. Canberra, Catholic social Services Australia.

³ Department of Treasury (2010), *Australia's future tax system Report to the Treasurer*. Australian Government, Canberra.

⁴ Queensland Council of Social Service (2019), *Living affordability in Queensland*. Queensland Council of Social Service, Brisbane.



The Henderson poverty index defines a single person not in work with an income of less than \$420.54 per week as living in poverty,⁵ and a Newstart recipient falls \$140 per week short of this threshold. The average Newstart recipient receives the allowance for three years⁶, leaving a significant portion of the Australian population to face entrenched, long-term poverty.

Due to the inadequacy of the Newstart allowance to provide for their basic necessities, a large number of our clients report that they regularly rely on food trucks and charity hampers to provide them with meals, toiletries and other essentials.

The current rate of Newstart Allowance is insufficient to provide for an adequate standard of living, that is, adequate access to appropriate food, transport, healthcare, accommodation, and clothing.

Cost of housing concerns

Secure, ongoing, long-term housing provides an essential platform for vulnerable people to improve their lives through work or study, to engage with community services, and to seek effective, ongoing support for their physical and mental health concerns.

The inadequacy of the current Newstart Allowance is exacerbated by the rising costs of living, particularly with regard to accessible, affordable housing. Current rates of Newstart and similar allowances are insufficient to maintain an ongoing, safe and secure tenancy, and HPLC clients on Newstart struggle to afford appropriate tenancies.

The insufficiency of Newstart Allowance to meet the costs of housing has been well established. In 2017-2018, the median cost of a rental property in Australia was \$366 per week,⁷ placing the average rental home out of reach of a person whose sole source of income is Newstart Allowance. A 2019 Anglicare review of Brisbane rental properties found that, of over 6000 advertised rentals, only 300 of those (5%) were affordable for a family of four with both parents receiving Newstart allowance. No properties were affordable for a single person receiving Newstart Allowance, and the average room in boarding house or shared accommodation would cost 63% of a single person's allowance.⁸

"I simply can't live [on Newstart Allowance]. I can afford to eat, but then I can't afford utilities. I pay \$270 a fortnight in rent, so that's half my allowance just to keep a roof over my head."

David, 18-24, living with a mental illness

⁵ Melbourne Institute, Applied Economic & Social Research (2018), *Poverty Lines: Australia, March Quarter 2018*. Melbourne, University of Melbourne.

⁶ Department of Social Services (2018), *Labour Markets and Related Payments*. Australian Government, Canberra.

⁷ Australian Bureau of Statistics (2018), *4130.0 - Housing Occupancy and Costs, 2017-18*. Australian Government, Canberra.

⁸ Anglicare (2019), *Rental Affordability Snapshot Brisbane metropolitan area April 2019*. Anglicare southern Queensland.



Rental costs are likely to take up between 65 to 100 per cent of the payments available to a single jobseeker with no children.⁹ This means that households solely dependent on Newstart Allowance are necessarily put into a state of housing stress, according to the formula used by the Australian Housing and Urban Research Institute.¹⁰ Jobseekers experiencing housing stress are unlikely to also be able to meet basic needs like utilities, clothing and groceries; are likely to experience poor physical and mental health outcomes; and are susceptible to family breakdown and homelessness.¹¹

The unemployment cycle

Term of reference h): We consider current income support payments to fall short of allowing people to maintain an acceptable standard of living in line with community expectations, or to enable them to meaningfully and effectively seek paid employment.

Newstart allowance was designed to ensure that people have “adequate resources to search for and obtain employment.”¹² However, the current rate of Newstart Allowance has become a pathway to poverty, instead of to employment. The inadequate rate of Newstart undermines the stated goal of the allowance, which is to assist and equip recipients to re-enter the workforce.

Newstart recipients not only have to make their payments stretch to meet the basic costs of living, such as food and housing, but also need to spend a substantial portion of their welfare income on the costs associated with job hunting. These costs include phone credit, transport to and from interviews, and buying suitable interview clothes. LawRight demonstrated the barrier of public transport costs for homeless people seeking to access essential services such as health and employment support in “Fare Evasion in Queensland”, Parity, June 2019.¹³

KPMG Australia Chief Economist Brendan Rynne notes, “the low level of Newstart is actually forming a barrier to employment, as it is insufficient to allow unemployed people to actively

⁹ Consumer Credit Legal Centre and Consumer Action Law Centre (2012), submission to Australian Senate *Inquiry into the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market.* Sydney.

¹⁰ Rowley, S. and Ong, R. (2012) *Housing affordability, housing stress and household wellbeing in Australia*, AHURI Final Report No.192. Melbourne: Australian Housing and Urban Research Institute.

¹¹ Robinson, E & Adams, A (2008), *Housing stress and the mental health and wellbeing of families*. Australian Family Relationships Clearinghouse, Melbourne.

¹² National Commission of Audit (2014), *Towards Responsible Government, Appendix to the Report of the National Commission of Audit – Volume 1*. Australian Government, Canberra.

¹³ Hughes, P & Maroske, K (2019) *Fare Evasion in Queensland — Compounding Inequity and the Need to Improve Social Inclusion on Public Transport*, in Parity June 2019: *Criminalising Homelessness — no shelter from the law*. Council to Homeless Persons, Melbourne.



conduct job search. This is an example of how some cuts to welfare can be counterproductive, both socially and in terms of cutting the long-term deficit.”¹⁴

The rates of Newstart and Youth Allowance fall below the poverty line, leaving recipients vulnerable to poverty, debt, homelessness, social exclusion and mental health issues — factors that detract from job search activities. International research shows that inadequate payments decrease the likelihood of successfully securing and sustaining work, whereas increasing payments so that subsistence needs can be met improves employment outcomes. Put succinctly, “the more jobless people carry out subsistence activities, the less attention they are able to put into the job search process”.¹⁵

“Youth allowance is unlivable. After paying rent and bills I have to make \$40 last a fortnight. That’s for food, clothing, public transport, everything. In the past I’ve had to take out an advance payment just to pay for rent and food. I have lots of appointments with doctors and social workers, and the train fare to see them just costs so much, it’s really hard to get by.”

Thomas, 18-24, experience of homelessness

Disproportionate vulnerability to high-cost consumer credit

Perversely, homeless people must frequently resort to high-cost financial products to supplement their Newstart Allowance. Payday loans to afford food and medication, storage, or furniture leases (‘rent-to-own’ arrangements) are common amongst our clients. A Newstart recipient who suffers from an unexpected crisis or emergency often has no alternative but to borrow from short-term lenders to meet unexpected costs. Even clients who take care with their budgeting and make informed choices as consumers are vulnerable to these costs, and are in fact targeted by the unlawful providers of these products.

For example, the HPLC recently argued that ASIC should restrict lending practices which generated over 1000% fees and interest on the initial emergency loans.¹⁶ Our submission included several stories of the impact of these practices on welfare-dependent, vulnerable Australians. The impact of these loans, and other high-cost financial products, is unfortunately commonplace.

The extremely high interest rates and significant fees and charges of high-cost financial products targeted at vulnerable Australians leads those who rely on them into a debt spiral. This ultimately leads to many of our clients owing considerable debts to multiple lenders, the repayments of which they must then prioritise over basic living expenses to avoid enforcement action. Thus the cycle of poverty and debt becomes inescapable.

¹⁴ KPMG Australia (2019), *KPMG urges changes to cut Australia’s structural deficit*. KPMG, viewed 12 September 2019, URL: <https://home.kpmg/au/en/home/media/press-releases/2016/04/kpmg-urges-changes-to-cut-australias-structural-deficit-28-apr-2016.html>

¹⁵ Mesén Vargas, J & Van der Linden, B (2017). *Is there always a trade-off between insurance and incentives? The case of unemployment with subsistence constraints*. CESifo Group Munich.

¹⁶ LawRight (2019), submission to *Australian Securities and Investment Commission’s consultation paper on its product intervention power in Pt. 7.9A of the Corporations Act 2001*. Brisbane.



Case Study: Katrina

Due to an incident of domestic violence, Katrina was forced to leave her a home and was sleeping rough for a number of years. She is now living in temporary, supported accommodation. Katrina receives Newstart Allowance, but finds that it is “not really enough to get by”. She starts running short on funds about three or four days before the end of the fortnight. She thinks the government needs to either implement a pay rise or provide more comprehensive support, such as housing, to homeless and vulnerable people. She said that an increase is needed: “It takes forever. But we need it now. We needed it years ago.”

As Katrina is often short on money, she regularly takes out short-term loans and currently owes a debt to a payday lender. She reports frequently having trouble making repayments for these loans, but is resigned to continue borrowing as she feels she has no alternative

Katrina, 46-55, experience of domestic violence

Recommendations

With respect to the above submissions, LawRight makes the following recommendations:

- an increase to income support payments in Australia, to ensure that recipients are able to maintain an acceptable standard of living in line with community expectations; and
- that Newstart and other income support payments are indexed appropriately, to ensure that they keep pace with rising costs of living.

Submissions made on 13 September 2019 to:

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

By email only: community.affairs.sen@aph.gov.au

