

13 September 2019

Submission to Senate Community Affairs Reference Committee

Re: Senate inquiry into Newstart and related payments

Summary

cohealth welcomes the opportunity to provide comment to the Senate Community Affairs Reference Committee *inquiry into Newstart and related payments*.

As a primary health provider, cohealth provides integrated medical, dental, allied health, mental health and community support services, prioritising people who experience social disadvantage and are consequently marginalised from many mainstream health and other services. Many of our clients receive income support payments, with more than 25% of those aged 18 – 65 years identifying as being unemployed. They tell us how hard it is to make ends meet, and how this constant financial hardship has a negative impact on their health and wellbeing.

People on Newstart Allowance, and other related payments¹, are amongst the poorest people in Australia, surviving on incomes that are significantly below all poverty benchmarks,

Poverty is a key driver of poor health, and the alleviation of poverty is recognised as one of the key means of improving health outcomes.²

There is now broad support – from business and industry groups, community sector, unions and civil society - for the urgent increase in Newstart payment. Members of Parliament across the political spectrum, including former Prime Minister John Howard, are finally acknowledging that Newstart Allowance needs to be raised.³ cohealth strongly supports these calls, recognising the benefits to the physical and mental wellbeing of individuals, families and the nation that will flow from such an overdue measure.

Recommendations:

¹ Newstart Allowance (single parent rate); Youth Allowance (away from home rate); Austudy Payment; Abstudy Payment; Sickness Allowance; Special Benefit; Widow Allowance; Crisis Payment.

² CSDH (2008). *Closing the gap in a generation: health equity through action on the social determinants of health. Final Report of the Commission on Social Determinants of Health.*

Geneva, World Health Organization. https://www.who.int/social_determinants/thecommission/finalreport/en/

³ <https://raisetherate.org.au/resources/>

Recommendation 1

That the rate of Newstart Allowance, and related payments, be immediately increased by a minimum of \$75 per week, in line with recommendations by ACOSS⁴.

Recommendation 2

Newstart Allowance and related payments be indexed twice per year in line with movements in the rate of wage levels, as well as movements in the Consumer Price Index.

Recommendation 3

A Social Security Commission be established to provide independent expert advice about all matters related to the provision of social security payments, including payment rates.

Recommendation 4

Social security payments continue to be paid as cash entitlements without restrictions on how people spend their money. All forms of compulsory income management should be phased out as soon as possible.

Recommendation 5

Increase the maximum rate of Rent Assistance by 30% and index the payment to ensure it reflects movements in rents.

⁴ <https://raisetherate.org.au/about/>

About cohealth

cohealth is one of Australia's largest not-for-profit community health service, operating across nine local government areas in Victoria. Our mission is to improve health and wellbeing for all, and to tackle inequality and inequity in partnership with people and their communities.

A primary health provider, cohealth provides integrated medical, dental, allied health, mental health and community support services. More than 800 staff over 34 sites deliver programs promoting community health and wellbeing and involving communities in understanding needs and developing responses. Our service delivery model prioritises people who experience social disadvantage and are consequently marginalised from many mainstream health and other services – such as people who are experiencing homelessness or mental illness, vulnerable families, Aboriginal and Torres Strait Islanders, refugees and asylum seekers, people who use alcohol and other drugs, recently released prisoners and LGBTIQ communities.

cohealth also recognises that physical and mental health is affected by many factors including social inclusion and participation, education, housing, employment, and access to fresh food, and we are committed to addressing these underlying causes of health inequality. To this end, we work directly with people and in the community to design our services, and deliver advocacy, health promotion and education activities to improve health and connectedness.

More than 25% of cohealth clients aged 18 – 65 years identify as being unemployed. They tell us how hard it is to make ends meet, and how this constant financial hardship has a negative impact on their health and wellbeing. Many of our clients experience additional disadvantage in the labour market, making it even harder for them to find and retain work. They may be living with chronic illness, disability, the impacts of recent or past trauma and experiences of marginalisation and disadvantage. They tell us how they would like to work, however that they struggle to compete in a job market where there are eight jobseekers for every available job.⁵ Finding employers willing to give them a chance, and to make reasonable workplace adjustments to accommodate their needs, if required, is next to impossible. These groups may spend longer periods of time on Newstart Allowance, and the low rate of Newstart has a commensurately larger impact on them.

Other groups facing discrimination in the labour market include those with a criminal record, particularly those who have spent time in prison, older people, and parents of young children. Some trans and gender diverse and LGBTIQ+ people face discrimination and stigma, and hence find it harder to get a job. People from refugee and asylum seeker backgrounds in receipt of Special Resolution Support Services (SRSS) payment face even greater challenges meeting their costs of living as it is an even lower rate than Newstart Allowance, typically set at 89% of Newstart.⁶ Raising Newstart allowance would

⁵ <https://raisetherate.org.au/resources/>

⁶ <https://www.refugeecouncil.org.au/srss/>

provide a much needed small increase in income to this very vulnerable group of people.

Adequacy of Newstart and related payments

'There is no way for me to pay for essential medication or treatments - hindering my health in many ways. I also cannot afford private health insurance in order to access adequate mental health care.' Newstart recipient

The rate of Newstart Allowance is too low and needs to be increased as a matter of urgency. It is now significantly below all poverty benchmarks and has not been increased in real terms for 25 years. It is now imperative that the rate of Newstart Allowance is immediately increased.

The single rate of Newstart is \$278 per week – less than \$40 per day. This is more than \$100 per week below the poverty line, and less than 40% of the minimum wage. Youth Allowance is even less.⁷ Despite government claims that Newstart recipients receive other payments, the reality is that the only payment that all receive is the Energy Supplement, of \$4.40 per week. Other payments, such as rent assistance and family payments are designed to meet additional expenses, such as the cost of raising children.⁸

People who are locked out of paid work find that the rate of Newstart Allowance is too low for them to afford essentials such as a roof over their head and food on the table. They must make difficult choices between eating a meal, paying a bill or maintaining their health. The many impacts of the low rate of Newstart Allowance have been thoroughly documented over many years by wide range of organisations and individuals, including by ACOSS, The Salvation Army, St Vincent de Paul Society and Anglicare, to name just a few. Common experiences include struggling to meet costs of housing, utilities, food and job search, going without meals, and children unable to participate in school and community life. It has also been recognised that the rate of Newstart is now so low that it hampers people's ability to seek employment.

cohealth clients reflect these experiences, but also describe the significant impacts on their physical and mental health stemming from the low rate of Newstart Allowance. At cohealth we hear from people whose health deteriorates as they are unable to meet the costs of their healthcare needs because they:

- Are unable to pay for essential medications
- Delay seeking treatment for health conditions
- Are unable to pay for transport to attend medical appointments
- Live with ongoing pain as a result of delayed dental care and inability to afford pain relief

⁷ ACOSS 2019, Survey of People on Newstart and Youth Allowance https://www.acoss.org.au/media-releases/?media_release=more-food-for-my-kids-replace-worn-through-clothing-keep-a-car-running-to-get-to-a-job-acoss-survey-shows-what-a-newstart-increase-wou

⁸ <https://raisetherate.org.au/wp-content/uploads/2019/05/What-payments-do-people-on-Newstart-get.pdf>

- Live with constant stress about their very survival

As eligibility for the Disability Support pension has tightened in recent years, the number of people with a physical or mental illness or disability trying to survive on Newstart Allowance has also increased. Currently 25% people on Newstart have a serious disability or illness that means they have partial capacity to work.⁹ With higher healthcare and medication costs, reduced capacity to work, and facing discrimination in the labour market these people face serious struggles surviving from day to day.

The stress of living on such a low income, the stigma attached to unemployment and the onerous and demeaning processes required to receive the payment, combine to place great pressure on people's mental wellbeing. This stress can be both a contributing factor to the development of mental health issues and exacerbate existing conditions.

In these circumstances the continued refusal of successive governments to increase the real rate of Newstart Allowance, while the cost of essentials is skyrocketing, can only be seen as a clear abrogation of responsibility to meet the needs of the most disadvantaged Australians.

In line with calls from a wide cross section of community services, business groups, unions and civil society, cohealth urges an immediate increase of the Newstart Allowance of no less than \$75 per week, recognising the benefits to the physical and mental wellbeing of individuals and families that will flow from such an overdue measure.

Recommendation 1

That the rate of Newstart Allowance, and related payments, be immediately increased by a minimum of \$75 per week, in line with recommendations by ACOSS.

Impact of poverty on health

Poverty is both a determinant and a consequence of poor health, and the relationship between low economic status and elevated incidence and prevalence of physical and mental illness is now well recognised.¹⁰

Meeting health costs is a struggle for people on low income, with the costs of services and prescriptions harder to meet. It is also common for people on low incomes to delay seeking medical care due to cost. Health conditions are then more severe when treatment is sought, with corresponding greater impact on the individual. If you are unable to get to a service, or pay for it, then conditions go untreated.

⁹ Raise the Rate Briefing Note, 2019 <https://raisetherate.org.au/resources/>

¹⁰ https://www.cambridge.org/core/services/aop-cambridge-core/content/view/39E6EB94B44818EDE417F181AC300DA4/S1355514600001322a.pdf/poverty_social_inequality_and_mental_health.pdf

In the recently released *Australia's Long Term National Health Plan to Build the World's Best Health System* Health Minister Hunt states that 'good health is essential to our happiness and wellbeing'.¹¹ With people receiving Newstart Allowance unable to meet the costs of health care, this goal is out of their reach.

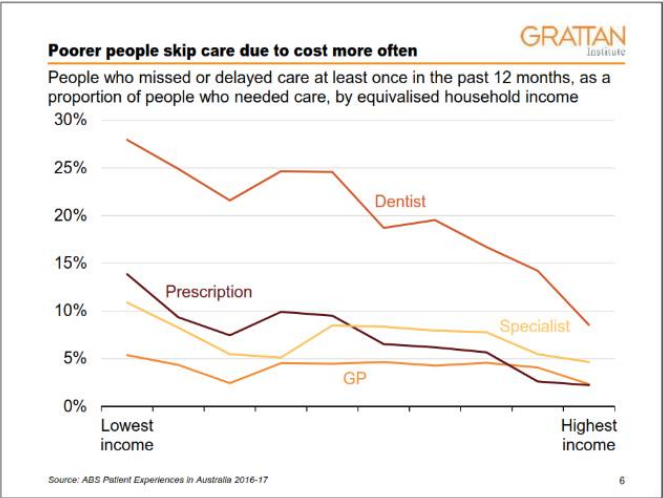
Physical Health

Poverty is the key driver of poor health. Compared to the wealthiest Australians, the most socio-economically disadvantaged:

- Are **twice as likely** to have a long-term health condition
- Are **twice as likely** to suffer from chronic illnesses
- Will die on average **three years earlier**¹²
- Are **2.1 times** as likely to die of potentially avoidable causes¹³
- Have a **mortality rate 1.5 times as high**¹⁴
- Have a **burden of disease 1.5 times as high**¹⁵

The impacts of low income are exacerbated by expensive housing, insecure employment, unemployment and underemployment, and location that is removed from services, jobs and health services.

The Grattan Institute has illustrated how cost is key barrier for people accessing health care, with this burden the greatest for people on low incomes.¹⁶



¹¹ https://www.health.gov.au/sites/default/files/australia-s-long-term-national-health-plan_0.pdf
¹² The Cost of Inaction on the Social Determinants of Health, *CHA-NATSEM Second Report on Health Inequalities* <https://natsem.canberra.edu.au/publications/?publication=the-cost-of-inaction-on-the-social-determinants-of-health>
¹³ <https://www.aihw.gov.au/reports/australias-health/australias-health-2018-in-brief/contents/all-is-not-equal>
¹⁴ <https://www.aihw.gov.au/getmedia/746ded57-183a-40e9-8bdb-828e21203175/aihw-aus-221-chapter-4-2.pdf.aspx>
¹⁵ <https://www.aihw.gov.au/getmedia/746ded57-183a-40e9-8bdb-828e21203175/aihw-aus-221-chapter-4-2.pdf.aspx>
¹⁶ Grattan Institute Commonwealth Orange Book 2019, p94
<https://grattan.edu.au/wp-content/uploads/2019/04/916-Commonwealth-Orange-Book-2019.pdf>

Mental Health

'When I had a very severe episode of mental health I was on Newstart for 2 years. It was demoralising. Luckily I lived with my family. Begging for payments was disempowering and distressing. I have zero idea how anyone pays rent on it. All my clients struggle on it. The only ones with heads just above water are on DSP, and that's impossible to get these days.' Previous Newstart recipient

Studies throughout the world have demonstrated an inverse relationship between mental illness and social class¹⁷ – that people on lower incomes have poorer mental health than those on higher incomes.

Socio-economic disadvantage is clearly associated with poorer mental health. Barriers to opportunities such as work and education can lead to poor social connection, increased social isolation and a lack of attachment to communities. Social exclusion, and the stress of living on or under the poverty line have a negative effect on mental health.¹⁸

Children's development

Research has now found that poverty also has a significant influence on the development of children's brains. Disturbingly it has found that disadvantage begins at birth, is intergenerational and children from poorer socio-economic backgrounds are at greater risk of mental illness than those from more affluent circumstances.¹⁹

739,000 Australian children (17.3%) now live in poverty, many with parents trying to raise them on Newstart Allowance.²⁰ The implications for their long-term health and wellbeing should be of profound concern to all Australians.

The extreme level of poverty experienced by people receiving Newstart Allowance and related payments is a serious concern for both physical and mental health and wellbeing. This payment is now so far below all poverty benchmarks that it works against the ability of people to seek work and contributes to social isolation and marginalisation. Research that specifically examines the health of people on Newstart Allowance is limited, however, as outlined above, the impacts of poverty on physical and mental health are incontrovertible. One study that has addressed this issue examined the impact of 'Welfare to Work' policies on single mothers. These policies moved single parents from the higher paid Parenting Payment Single to Newstart Allowance when their youngest child turned eight years old. The findings clearly showed that those parents receiving Newstart Allowance showed higher levels of mental health problems,

¹⁷ https://www.cambridge.org/core/services/aop-cambridge-core/content/view/39E6EB94B44818EDE417F181AC300DA4/S135551460001322a.pdf/poverty_social_inequality_and_mental_health.pdf

¹⁸ <https://www.sbs.com.au/topics/life/health/article/2017/11/07/surprising-link-between-mental-illness-and-poverty>

¹⁹ <https://www.sbs.com.au/topics/life/culture/article/2017/11/24/how-much-do-you-know-about-science-poverty?cid=inbody:the-surprising-link-between-mental-illness-and-poverty>

²⁰ ACROSS 2018 Poverty in Australia <https://www.across.org.au/poverty/>

compared with parents with continued eligibility for the higher paid Parenting Payment Single.²¹

Ensuring Newstart and related payments maintain value

Newstart Allowance and related payments have lost value relative to the cost of living, and to pension payments, over time due to the way it has been indexed. While pensions have increased in line with wages growth, Newstart has been indexed to Consumer Price Index (CPI), our standard measure of inflation. However, the Consumer Price Index does not reflect the real cost rises of essential living expenses (housing, utilities, childcare, education, healthcare) which have risen significantly faster than the CPI.²² It is these essential costs of living that make up the majority of expenditure for Newstart recipients. Newstart payment rates should maintain pace with community living standards through more realistic indexation.

Recommendation 2

Newstart Allowance and related payments be indexed twice per year in line with movements in the rate of wage levels, as well as movements in the Consumer Price Index.

Currently there is no independent body advising the government about setting the rates of social security payments. Changes to rates and benefits, eligibility requirements, means testing and the like appear to be made on the basis of political expediency, rather than on any transparent and independent process that recognises the cost of living and the income level required to maintain an adequate standard of living. cohealth supports ACOSS' proposal to establish a Social Security Commission to advise on all matters related to social security payments.

Recommendation 3

A Social Security Commission be established to provide independent expert advice about all matters related to the provision of social security payments, including payment rates.

²¹ <https://onlinelibrary.wiley.com/doi/full/10.1111/1753-6405.12304>

²² <https://www.abc.net.au/news/2019-07-29/inflation-may-be-low-but-our-cost-of-living-is-rising/11350530>

Other matters

Punitive welfare system

The last 15 years have seen increasingly punitive and inflexible requirements placed on recipients of income support payments. Based on the erroneous assumption that unemployed people will not seek work, or manage their finances and lives, responsibly and independently, an increasing array of requirements have been imposed on them. Compulsory income management, ParentsNext, harsh sanctions regimes, unreasonable job search and 'mutual obligation' requirements, and proposals for random drug testing, all demonise and stigmatise people, and cause significant stress.

Research is revealing the detrimental impact these approaches are having on the mental health of income support recipients. A major study in the UK has found that 'Welfare conditionality²³ was also reported as being associated with negative health outcomes including fear, anxiety and psychological distress, and is exacerbating existing health conditions, in particular in people with mental health issues.'²⁴ Our welfare system should recognise the structural barriers that are the largest contributor to unemployment, and provide people with dignity and respect when they need to access social security payments.

Recommendation 4

Social security payments continue to be paid as cash entitlements without restrictions on how people spend their money. All forms of compulsory income management should be phased out as soon as possible.

Responding to changing capacity to work

In addition to the low payment rate the income support system is not well designed to meet the needs of people with fluctuating capacity to work, including those with episodic physical and mental health conditions. It is highly rigid and complex, and penalties for missing appointments and deadlines (activities that can pose particular challenges for people experiencing mental illness) can result in loss of payments. Greater flexibility, more accommodating processes and more reasonable evidence requirements are needed to enable people who are unable to work to move on and off payments more easily as their needs change.

In our experience people experiencing unemployment are keen to work. They are very aware of the benefits of employment, particularly higher income, social status and social and community connections. However, they face significant barriers in an economy where there are eight jobseekers for every available job. Insufficient jobs, the stigma still associated with disability and mental illness, limited workplace adjustments to accommodate the particular needs of people with physical and mental health conditions, and assumptions made by employers about time out of the workforce are

²³ The linking of welfare rights to specific obligations or patterns of behaviour

²⁴ <https://basicincome.org/news/2018/07/united-kingdom-study-suggests-that-welfare-conditionality-does-more-harm-than-good/>

the real barriers to employment. Indeed, research has shown that the assumption of a lack of willingness to work is unwarranted, harmful to people with a disability and counter-productive to engagement in employment.²⁵

Inadequate Housing

Secure, adequate housing is fundamental to the wellbeing of individuals and families. However, Newstart Allowance is so low that this is out of reach for many recipients. As cohealth clients have observed when talking about the impact of being on Newstart:

'[I am] unable to get affordable accommodation'

'[I am] always worried I cannot pay any rent or live on what I get paid'

Indeed, when Anglicare Australia surveyed over 69,000 properties in April 2019 they found that Australia-wide there were just two properties that would be affordable for a single person without children on Newstart (and receiving Rent Assistance).²⁶

Poor housing has a significant impact on the physical and mental health of individuals and families. The ongoing uncertainty and stress about ability to meet the costs of housing (rent or mortgage), and the effects of precarious housing (including insecure tenure, poor quality housing and overcrowding) have significant impacts on mental health.²⁷ Even more severe are the impacts of homelessness – too often the consequence for people trying to survive on Newstart Allowance. The negative impacts of homelessness on physical and mental health are well recognised and include depression and other mental health problems.²⁸ Not only does the experience of homelessness exacerbate existing physical and mental illness, but it can also precipitate various health conditions.

It is critical that governments of all levels take urgent action to increase the supply of affordable and social housing to address current high housing costs and reduce the number of people experiencing homelessness. 500,000 additional social and affordable homes are needed by 2026 to address this need.²⁹

In the meantime, an immediate 30% increase in Rent Assistance, in line with ACOSS recommendations, will provide some relief to people in private rental. Rent Assistance provides important assistance to low income residents of private rental housing but has failed to keep pace with steep increases in rents. Data also show that Rent Assistance

²⁵

https://www.aspc.unsw.edu.au/sites/www.aspc.unsw.edu.au/files/uploads/aspc_historical_conferences/2009/paper290.pdf

²⁶ Anglicare Australia (2019) 'Rental Affordability Snapshot 2019' <https://anglicare-ras.com/the-findings/>

²⁷ Mallett, S, et al (2011). Precarious housing and health inequalities: what are the links? Summary report.

https://www.vichealth.vic.gov.au/~/_media/resourcecentre/publicationsandresources/health%20inequalities/precarious%20housing/precarious%20housing_summary%20report_web.pdf?la=en

²⁸ <http://www.nwhn.net.au/Health-Homelessness.aspx>

²⁹ <https://everybodyshome.com.au/our-campaign/more-social-and-affordable-homes/>

payments do not come close to achieving affordable rents for many households with 42% of households still in rental stress after receiving Rent Assistance.³⁰

Recommendation 5

Increase the maximum rate of Rent Assistance by 30%, to provide immediate relief to renters on low incomes, and index the payment to ensure it reflects movements in rents.

For further information about this submission please contact:

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³⁰ ACOSS, *Budget Priorities Statement: Federal Budget 2018-19* https://www.acoss.org.au/wp-content/uploads/2018/02/ACOSS-Budget-Priorities-Statement-2018-19_FINAL.pdf