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*A Pastoral Letter for the
Feast of St Joseph the Worker*

1 May 2013

**Time for a New Start:
A call to increase allowance payments**

Fifty years ago, Pope John XXIII issued his last social encyclical *Peace on Earth*. The scope of his call for world peace was wide-ranging – encompassing all aspects of society, from the relationships between individual citizens to the interaction of nation states on the world stage.

Pope John provided a blueprint for a peaceful society based on the human rights of each citizen and the good of society as a whole. He emphasised the primary responsibility of governments to ensure the ‘right to live’ through entitlement to ‘the means necessary for the proper development of life, particularly food, clothing, shelter, medical care, rest, and finally, the necessary social services’. The standard of governance could be judged in terms of the support offered when people faced crises like ill health, disability, enforced unemployment and deprivation.¹

Adequately addressing the needs of vulnerable individuals and families is a particular requirement of good government. While the primary focus must be the common good of all – ‘without favouring any citizen or category of citizen’ – Pope John raised a vital qualification:

... considerations of justice and equity can at times demand that those in power pay more attention to the weaker members of society, since these are at a disadvantage when it comes to defending their own rights and asserting their legitimate interests.²

In 1963, Pope John foresaw social and economic challenges relating to technology and changed production methods that would require social security that ensures vulnerable members of society a decent standard of living.³ Two decades later, as the impact of global economic recessions and industrial restructuring had taken hold, Pope John Paul II added emphasis to the obligation on government to provide adequate income support:

[it] is a duty springing from the fundamental principle of the moral order ... namely the principle of the common use of goods or, to put it another and still simpler way, the right to life and subsistence.⁴

On this Feast Day of St Joseph the Worker, let us consider the circumstances of those who are seeking work but are forced to rely on income support Allowances that drive individuals and families into poverty.

Poverty level payments

Over 800,000 Australians struggle to survive on employment-related Allowance payments. The majority receive the Newstart Allowance. The single rate of payment is less than \$250 per week, or \$35 a day. The Australian Council of Social Service estimates that people who are unemployed are five times more likely than other Australians to be in poverty. This is partly a result of the low levels of Allowance, which for single adults is well below the poverty line.⁵

Up to 80 per cent of Allowance recipients each year experience three or more indicators of financial stress, such as lacking finances for emergencies, being unable to pay utility bills, or going further into debt.⁶ Around 17 per cent of households reliant on Allowances are going without meals just to make ends meet, and some agencies report that as many as half the recipients they assist are going without food.⁷ Increasingly it is Australia's charities that have been picking up the pieces for a social security system that is now failing the fundamental test of getting food on the table.

The system fails in two ways. Allowances have failed to keep pace with community living standards and have become less adequate over time as the growth in average wages has outpaced consumer price increases. Newstart has not been increased since 1994 and is indexed to the Consumer Price Index. Pensions received a substantial increase in 2009 and are more favourably indexed to average weekly earnings. In effect, the value of the Allowance has been frozen for two decades and the single rate is now \$150 per week lower than the pension.⁸

The second failure relates to the nature of the payment. It was designed at a time when full employment was the norm and periods of unemployment were brief. Long term unemployment is now a significant feature of the labour market and, in a high-employment environment, those remaining on benefits for long periods tend to experience higher levels of disadvantage. Over 60 per cent of Newstart recipients have been on the payment for more than one year and 20 per cent for five years or more.⁹ The payment was designed to tide 'job-ready' people over brief spells between jobs, but it is now woefully inadequate.

Growing ranks of desperation

It is a concern, therefore, that successive governments have been shifting increasing numbers of pensioners onto lower paying Allowances. Following the introduction of the *Welfare to Work* policy of 2006, there has been an emphasis on transferring parents with young children and people with disabilities onto Newstart. There is nothing wrong with encouraging people into the labour market if real opportunities exist that will improve social and economic wellbeing. What *is* wrong is the inadequacy of the payment.

There are 100,000 people with disabilities who have been assessed as having a partial capacity to work. With tougher impairment tables for the assessment of eligibility for

Disability Support Pension, people who have disabilities now represent 20 per cent of all Newstart recipients.¹⁰ In a labour market where jobseekers living with disabilities have only half the chance of their non-disabled counterparts of finding employment,¹¹ it is likely a significant number will languish on Newstart for long periods.

Increasing numbers of parents with young children have also been forced onto Newstart. As part of the *Welfare to Work* policy, around 45,000 parents have already been moved from Parenting Payment to the Allowance. The decision last year to shift all single parents off Parenting Payment when their youngest child turns eight means, from January 2013, an additional 80,000 are moving to the lower rate and facing cuts of between \$60 to \$110 per week.¹²

Those drafting the 2012 Fair Incentives to Work Bill maintained that the human rights of these recipients would not be infringed, since they could apply for alternative payments such as Newstart.¹³ But Parliament's own Joint Committee on Human Rights and the United Nations Special Rapporteur on Extreme Poverty and Human Rights have voiced concerns that the treatment of single parents could contravene the International Covenant on Economic, Social and Cultural Rights – particularly the rights to social security (article 9) and an adequate standard of living (article 11).

These concerns relate not just to the treatment of a particular category of client. They call into question the very capacity of Allowance payments to meet basic living costs related to essential health care, basic shelter, utilities and food.¹⁴

Time for a New Start

It has long been the position of policy-makers that the low rate of Newstart is consistent with community expectations and is functioning as an incentive for labour market participation.¹⁵ This rationale suggests that, beyond any worthwhile assistance gained through labour market and training programs, the low payment, flanked by a tough compliance regime, will create a strong work incentive.

This logic is being challenged by charities and community services, trade unions, labour market economists and business leaders. Far from being an incentive, it has become a barrier to work. For many, the payment does not cover significant costs related to job search and circumstances of financial stress regularly detract from seeking employment and preparing for interviews. As stated by the Chief Executive of the Business Council of Australia:

*The point that I, and other employers, have tried to make is that entrenching people into poverty by expecting them to live on \$35 a day is not a pathway back into employment.*¹⁶

The Newstart Allowance is set so low that even an increase of \$50 per week would only raise its value to half the minimum wage – hardly a disincentive to finding work.

The government can introduce a whole range of incentives and programs to encourage people into the labour market, but the immediate priority must be an increase in payments. It is time for a 'new start' – one that focuses first on the adequacy of Newstart and other Allowance payments before there is any consideration of the 'incentivisation' of recipients.

Over the past two decades, agencies like Catholic Social Services Australia and St Vincent de Paul have seen the value of Allowance payments fall. They have been at the forefront of efforts to convince parliamentarians on both sides of politics of the need to treat our disadvantaged brothers and sisters more fairly. They are advocating for:

- an increase to the base rate of Newstart and other Allowances by \$50 per week.
- the indexation of Allowance payments to average wages.
- the establishment of an independent commission to set benchmarks of adequacy related to a standard of living below which no citizen should fall.

Remember those words of Blessed Pope John XXIII – ‘considerations of justice and equity can at times demand that those in power pay more attention to the weaker members of society’.

For the welfare of citizens enduring great hardship and for the common good, now is such a time.

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Notes

¹ Pope John XXIII (1963), *Pacem in Terris*, Encyclical Letter, n. 11

² *Ibid.*, n. 56

³ *Ibid.*, n. 64

⁴ Pope John Paul II (1981), *Laborem Exercens*, Encyclical Letter, n. 18

⁵ Australian Council of Social Service (2012), *Poverty in Australia*, pp. 23, 31f

⁶ Catholic Social Services Australia (CSSA) (2012), *Adequate income support payments for jobless Australians*, Submission to Senate Standing Committee on Education, Employment and Workplace Relations, p. 9

⁷ National Centre for Social and Economic Modelling (2012), *Going Without: Financial Hardship in Australia*, Report prepared for CSSA et. al. p. 15; Salvation Army Australia (2012), Submission to the Senate Standing Committee, p. 5; Anglicare Sydney (2012), Submission to Senate Standing Committee, p. 8

⁸ ACOSS (25 March 2013), ‘United call for Newstart increase at ACOSS National Conference’, media statement.

⁹ National Welfare Rights Network (2012), Submission to the Senate Standing Committee, p. 9

¹⁰ ACOSS, (7 March 2013), ‘Not an either-or: Newstart must be lifted to ease worsening poverty in Australia’, joint media statement.

¹¹ PricewaterhouseCoopers (2011), *Disability Expectations: Investing in a better life, a stronger Australia*, p. 42

¹² ACOSS, (2 December 2012), ‘New Year must bring a better safety net for single parents and people looking for work’ & (21 March 2013), ‘Evidence is in: Government must now reverse single parent cuts and lift Newstart’, media statements.

¹³ Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012, *Statement of Compatibility with Human Rights*.

¹⁴ Parliamentary Joint Committee on Human Rights (2012), *Examination of Amendment (Fair Incentives to Work) Bill 2012*, p. 3; ACOSS (5 October 2012), Communication to UN Special Rapporteur on Extreme Poverty and Human Rights; UN Special Rapporteur on Extreme Poverty and Human Rights and UN Chair-Rapporteur of the Working Group on the Issue of Discrimination Against Women in Law and in Practice (19 October 2012), Communication to Australian Government.

¹⁵ Departments: Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Human Services, Industry, Innovation, Science, Research and Tertiary Education (2012), Submission to the Senate Standing Committee, pp. 11f

¹⁶ Jennifer Westacott (23 January 2012), ‘We Need to Talk about Refurbishing All Our Safety Nets’, *The Australian*.