

Settlement
Council
of Australia



Submission to the Community Affairs Reference Committee

Inquiry into the Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia

Settlement Council of Australia

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About the Settlement Council of Australia

The Settlement Council of Australia (SCoA) is the national peak body for Australia's dynamic settlement services sector. SCoA represents approximately 100 agencies in the settlement sector that offer settlement support to recently arrived migrants, including those from a refugee background.

SCoA members work directly with a wide range of new arrivals from diverse backgrounds, as well as the mainstream Australian community and other stakeholders.

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Introduction

The Settlement Council of Australia would like to thank the Committee for the opportunity to make a submission on its Inquiry into the *Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia*.

SCoA is the peak body representing services that support recently arrived humanitarian entrants and other migrants settle into the Australian community. SCoA has approximately 100 member organisations that work to support humanitarian and migrant settlement, including by promoting multiculturalism and developing social cohesion.

This submission considers the effect of the current rate of Newstart, Special Benefit and related payments on people from culturally and linguistically diverse (CALD) backgrounds, particularly humanitarian entrants and other recently arrived migrants. These groups have greater barriers than those experienced by other Australians, which can result from:

- difficulties navigating government systems
- taking longer to enter the Australian labour market during the settlement process, for example, while learning English, finalising qualification reassessments or retraining and/or
- discrimination by prospective employers.

Special Benefit*

DW came to Australia from Iraq on a spouse visa in 2014, at 72 years old and was subject to waiting periods for income support payments. He will not be eligible for a government pension until 2024 (his wife arrived earlier and receives Age Pension). He became eligible for Special Benefit after a cancer diagnosis but, on the lower rate of payment, the couple is struggling to meet rent, daily living expenses, and medical costs.

*Case studies are typified and do not relate to an identifiable/specific person or people.

Migrants, other than refugees, may also only be eligible for payment of Special Benefit which, while paid at the same rate as Newstart, is paid in place of payments that have a higher rate (such as Age Pension, Disability Support

Pension and Carer Payment). It is also subject to a different income test. This can be a disincentive for jobseekers to take up part time casual work that may lead to more suitable employment with higher incomes, because it creates additional costs without improving a person's overall income in the short term.

Recommendations

SCoA endorses recommendations made by the Australian Council of Social Service (ACOSS), including that:

- the maximum single rates of Newstart and related payments be immediately increased by \$75 per week
- Rent Assistance should be increased by 30 per cent
- redefining Family Tax Benefit Part B as a single parent supplement, that equalises overall payments for single families with children aged 8 years or older to those with younger children
- indexation of Newstart and related payments, as well as Family Tax Benefit and Rent Assistance, should use the same formula as pension payments; that is, using increases in both prices and wages, and
- income support payments should always be made in cash without mandatory restrictions (including through the use of the Cashless Debit Card), with savings redirected to supporting local communities.

In addition, SCoA recommends that:

- increasing Newstart and related payments by an additional set dollar amount each year, until they again match the pension rate
- the income test for Special Benefit be applied at the same rate as Newstart to reduce work disincentives
- payments and waiting periods for new residents be reviewed with the objective of reducing waiting times, and the waiting period for Carer Allowance and Family Tax Benefit Part A be removed altogether
- refugees and new migrants are given individual job services support, through settlement service providers.

The labour market

While Newstart and related payments offer a safety net for short periods of unemployment, there are many structural causes of long term unemployment and/or periods out of the labour market, with groups or cohorts who will need to rely on these payments for twelve months or longer. For example, refugees, students and/or people suffering from ill health or impairment, may need to rely on these “short term” income support payments for long periods.

Importantly, many working age refugees and other humanitarian entrants face barriers to immediate employment when they first settle in Australia. These can include limited or no English language skills, lack of recognition of overseas skills and qualifications, limited literacy, ongoing effects of trauma, lack of employment experience, poor or no transport options, and parenting and/or other caring responsibilities.

The Commonwealth Government has recognised these barriers with the Streamlining Services for Refugees Budget Measure, which commenced on 1 January 2019, and exempts newly arrived refugees from Newstart activity testing for 6 months, and the Better Targeting of Support for Refugees, to commence from 1 January 2020, which will extend that exemption to 12 months. While many refugees will be job ready within 12 months, many others will take longer to learn English and overcome other employment barriers.

With little likelihood of employment in the short term, and going through the experience of settling in a new country and a new community, the current rate of Newstart creates many additional hardships.

These hardships can be even more severe for humanitarian entrants and other migrants who are not refugees, and who may be subject to the Newly Arrived Residents Waiting Period before they can access Newstart and other payments. In special circumstances, they may receive Special Benefit, which is paid at the same rate of Newstart, but may also be paid in place of a pension or related payment.

Special Benefit is also subject to more severe income testing, where a recipient loses one dollar of payment for every dollar they earn. That can create a disincentive for jobseekers to take on casual work that may lead to longer hours or more permanent employment, entrenching them in long term unemployment.

Setting income support payments

Until 1997, income support pensions and allowances (including Newstart and related payments) were paid at the same rate. Automatic CPI indexation was applied to all payments from 1976, and adjustments to allow for wage increases were introduced in 1983. From 1997, adjustments for wage increases were automated for pensions, but not for allowances, including Newstart, which continued to only be adjusted for price increases. A one off increase of \$30 was also made to the single pension rate in 2009, that was not extended to Newstart.¹

With typically much higher increases in wages – and consequently living standards – than prices over the 20 years after indexation was separated, the rate of payment between Newstart and pensions has diverged considerably.

Access to housing *and* jobs

WB is a single male refugee arrival in Sydney. With the high cost of Sydney housing, he can only afford shared accommodation at the outskirts, where there are few employment opportunities.

The house is overcrowded and the new arrivals are strangers to each other. With no local job prospects and no way to pay for accommodation closer to where the work is, there is a growing sense of despair in the household as WB and the others come to a realisation that they cannot break out of poverty.

Reduced real income has been exacerbated by increases in the costs of housing in the private rental and sales' markets, in excess of both price and wage increases, and by less available government and other social housing.

1

<https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/prspub/3117315%22>

Research detailed in a recent SCoA report points to little availability of government and other social housing for refugees and other migrants, and lack of suitable affordable housing in the private rental market.² The result is that many people who rely on Newstart or related payments do not have secure housing, or an income that is adequate to meet everyday expenses. They are increasingly entrenched in a cycle of poverty.

Affording accommodation

It took 18 months from the time AG, a refugee, arrived in Australia, until she was able to be placed in permanent accommodation.

The settlement service arranged inspections of 14 properties over that time, but was not able to secure any of them because real estate agents and landlords did not believe that AG could afford to pay the rent while only receiving Newstart.

The settlement service could also not match her with another single female client to share accommodation. At risk of homelessness, the settlement service referred AG to a women's homelessness support service, which was unable to offer her accommodation.

Longer periods without paid employment, the increasingly insecure and inconsistent nature of jobs, and increasing costs in securing employment (for example, the need to meet internet, mobile phone and transport expenses) point to a need for parity between Newstart and related payments and pension rates.

This could be achieved, in the long term, with an initial increase of \$75 per week, a 30 per cent increase to Rent Assistance, and introducing indexation on a par with pension rates. Additional incremental one off increases should be made to Newstart in subsequent years until the payments are again level.

² <http://scoa.org.au/wp-content/uploads/2019/08/The-Effects-of-Discrimination-of-Refugee-and-Migrant-Housing-Needs.pdf>

Economic and social costs and benefits

The story of the economic contributions of migrants to the nation is well known and accepted.³ Humanitarian entrants and other migrants want to start a new life where they are working, supporting their families and contributing to the economic and social life of their communities. It is now an important part of government policy to encourage regional migration, where there have already been many successes in the growth of towns and communities.

However, experiences of income inequality and poverty in the first few years of settlement can impede that success and the potential for humanitarian entrants and other migrants to make those contributions – not only affecting their own lives, but the life chances of their children.

This can also affect social cohesion. Giving a person or a family a safety net payment that is adequate to support them by covering the costs of basic accommodation and expenses, can enable them to make a contribution at home and in their communities. On the other hand, without basic income support, people can become socially isolated, withdrawn, depressed and resentful, having little contact within their broader communities.

Conclusion

Newstart and related payments offer a safety net for people who are not in paid employment. While many recipients are actively seeking work, many others are not in the labour market, including newly arrived refugees, students, carers, and people with (non-permanent) medical conditions, disability or other impairments.

This means that there are many circumstances in which people will need to rely on government payments for long periods. The current rate of Newstart and other payments is not intended to – and cannot – sustain those people.

³ Eg <https://research.treasury.gov.au/sites/research.treasury.gov.au/files/2019-08/Shaping-a-Nation-1.pdf>, p23-27, https://migrationcouncil.org.au/wp-content/uploads/2016/06/2015_EIOM.pdf

Many humanitarian entrants and other migrants, who are already struggling to settle in a new country and build lives for themselves and their families, find themselves in precarious situations in relation to housing, education, and often rely on support from settlement agencies, including emergency relief payments, to meet everyday expenses.

Meeting everyday living expenses

SY, from Pakistan, came to Australia on a spouse visa. Her husband died after the birth of their two children, who are now teenagers, so SY receives Newstart and Family Tax Benefit, totalling \$770 per fortnight. She lives in public housing, paying \$231 per fortnight rent and spends the rest of her payments on necessities. These necessities do not include costs for her children's extracurricular activities, including to play cricket. The settlement service regularly helps SY with bill payments and shopping vouchers.

The inadequate rate of Newstart and related payments, as well as supplementary payments such as Rent Assistance, should be increased to enable recipients to meet the minimum standard of living expected by all Australians.