

# A generous increase in Newstart?

## *The effect of the Coronavirus Supplement*

**David Richardson**

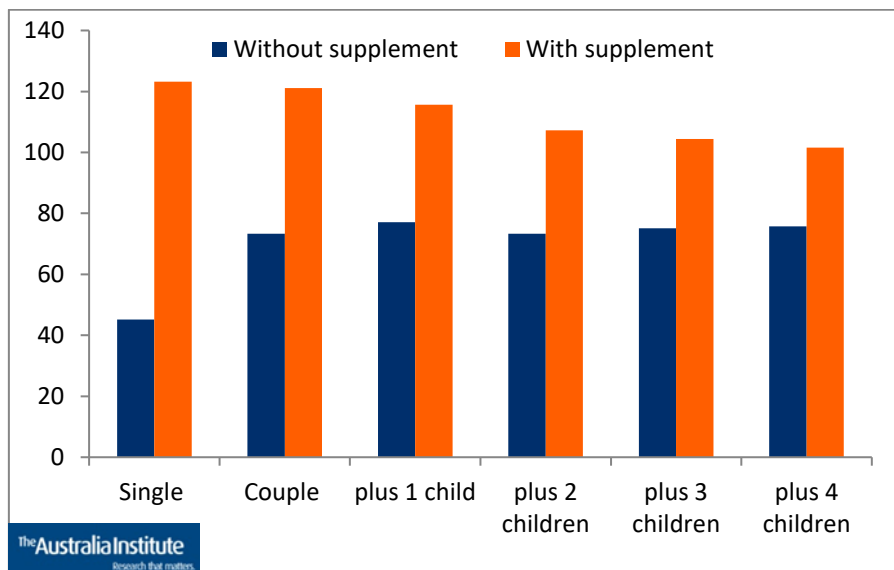
**March 2020**

On Sunday 22 March the Prime Minister, Scott Morrison, and Treasurer, Josh Frydenberg, announced a package of measures as part of their Economic Response to the Coronavirus (ERC). That response included a new Coronavirus Supplement to the Jobseeker Payment (formerly Newstart) to be paid at \$550 per fortnight. Mr Morrison said:

The government is announcing the doubling of the Jobseeker Allowance, formerly known as Newstart, through the introduction of a temporary coronavirus supplement... The coronavirus supplement will provide an additional \$550 a fortnight on top of the existing jobseeker or Newstart payment... effectively doubling the jobseeker allowance (Morrison 2020).

This is a significant and unprecedented increase in Newstart, and it is true that it virtually doubles the basic rate of payment. However, things are more complicated when we look at the different family types. In Figure 1 below we provide estimates of where Newstart is now and how it will look after the Coronavirus Supplement for different family types. We present the figures as a percentage of the Henderson Poverty Line, as we expect it to be in the June quarter 2020. It is assumed that each family type gets maximum rent assistance as well as family tax benefits as appropriate.

**Figure 1: Newstart payments for different family types expressed as a percentage of the Henderson Poverty Line**

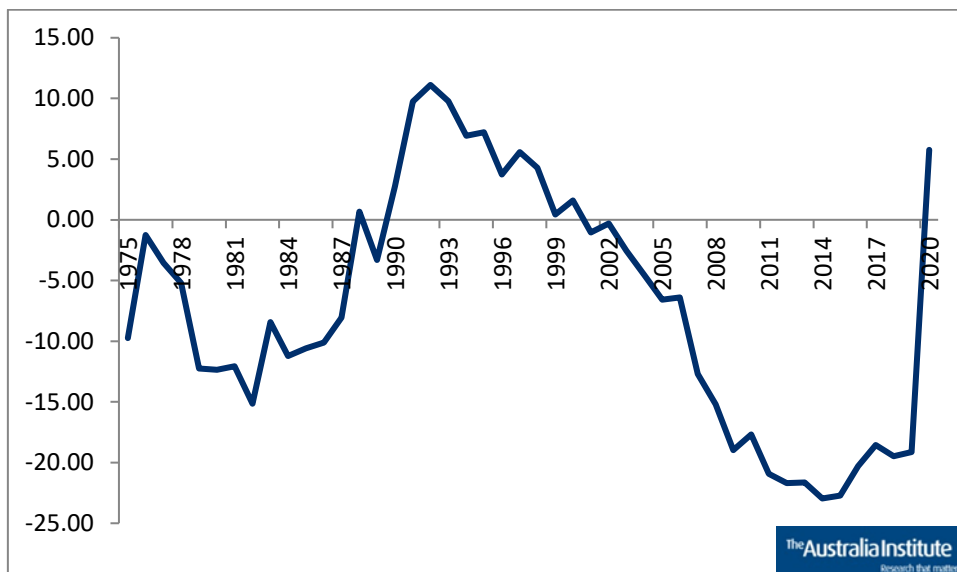


Source: The Australia Institute calculations.

Figure 1 shows that both the proportionate increases in the payment and the excess over the poverty line both decline as the family size increases. That is simply because the supplement is less as a proportion of an unemployed family’s income as the size of the family increases. Doubling the basic payment was the simple answer but other reforms may have been better targeted towards larger families.

We now turn to examine how this new supplement affects the income of a particular family type. For that purpose, we use the example of a four-person household comprised of two adults and two children: the same family as represented as the fourth family type in Figure 1. Figure 2 shows how the Coronavirus Supplement compares with the history of Newstart payments. The graph in Figure 2 shows the Jobseeker Payment and its predecessors (unemployment benefits and Newstart) relative to the Henderson Poverty Line. Hence, from the graph, we can see that in 1975 unemployment benefits for this type of family were 10 per cent below the poverty line.

**Figure 2: Family of four: Newstart compared with the Henderson Poverty Line (% gap)**



Source: The Australia Institute calculations

The graph in Figure 2 is remarkable in a number of ways. However, for present purposes the right-hand side of the graph is most interesting. As might be expected given the earlier data, the Coronavirus Supplement takes the family of four from almost 20 per cent below the poverty line to almost 7 per cent above the line – or at least it will by the time the increases are rolled out sometime from 27 April.

There is no doubt this is a major improvement for that family type. However, it would be farfetched to suggest that the new rate is in any way unprecedented. The family still falls short of the peak in the early 1990s (when Bob Hawke promised that no child need live in poverty) and is now about where it was in the early years of the Howard Government.<sup>1</sup>

## Reference

Morrison S (2020) 'Transcript', *Press conference - Australian Parliament House, ACT, 22 March*, <https://www.pm.gov.au/media/press-conference-australian-parliament-house-act-22march>

<sup>1</sup> These predictions could be upset by future developments. In particular the present economic outlook might indicate a fall in average household living standards which in turn would affect the calculation of the Henderson Poverty Line and make it appear even more favourable to the family represented in Figure 2.