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Media release

Stimulus needed to prevent underclass

Despite Australia avoiding a recession, thanks largely to the Government's stimulus packages, there remains a real risk of entrenching an underclass of unemployed, according to The Australia Institute.

In its submission to the Senate Economics References Committee, the Institute highlights how unemployed adults not only missed out on the $900 stimulus cash hand-outs, but again over the weekend when the age pension and disability support payments were boosted.

"Newstart Allowance has been steadily declining relative to average incomes and the age pension for some time. This has resulted in a growing divide between the deserving and the 'undeserving' poor in the Australian social security system. It is neither efficient nor equitable for the Rudd Government to continue to overlook the needs of Australia's poorest families," said Executive Director Dr Richard Denniss.

"While the economy may have averted an economic crisis, a robust recovery is still a way off given there are an additional 180,000 people now unemployed compared to 12 months ago. It is premature for some to be talking about winding back the stimulus when there are hundreds of thousands of people trying to live on $228 per week."

The Institute recommends increasing the Newstart Allowance by $80 per week for singles and $74 for couples to bring their payments in line with the base rate for age and disability pensions.

"The inadequacy of the Newstart Allowance causes a disastrous knock-on effect, whereby people have to spend their savings, sell assets or borrow money to make ends meet. All of these strategies make it harder for people to recover. In keeping benefits so low we run a real risk of entrenching an underclass of unemployed," concluded Dr Denniss.

ENDS

Notes for Editors
• Dr Richard Denniss will appear before the Senate Economics References Committee at 1.45pm today.

For media enquiries, please contact: **Serena Rogers 0421 759 262**

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