

**TITLE: Payrise for dole makes sense**

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**How much support would you need if you lost your job next week? Imagine you were out of work for three months, how long could you make your mortgage payments and keep food on the table?**

Last week, CSR closed a Sydney factory and made 150 people redundant. This was not caused by the carbon price, the mining tax or our industrial relations laws. The simple fact is that the high exchange rate that accompanies our mining boom has made many manufacturers uncompetitive.

How much income support should they receive? How much is enough to raise a family on when you are between jobs? While the superannuation industry is fond of saying that it takes \$50,000 tax-free a year to retire comfortably, at present in Australia the unemployed are expected to live on the annual equivalent of just \$12,800, possibly augmented by some rent assistance to a maximum of \$3146 per annum.

This week, Senator Doug Cameron mirrored calls from ACOSS, other welfare groups, such as the National Welfare Rights Network and business groups for an increase in the unemployment benefit of \$50 a week.

While such calls stand in stark contest to Community Services Minister Jenny Macklin's claim she could live on the dole, such an increase would still see the unemployed trying to pay rent, buy food and put petrol in their cars on only \$246.30 a week.

Employment and Workplace Relations Minister Bill Shorten recently conceded he would find it difficult to live on such a meagre amount and the Greens' Rachel Siewert and Adam Bandt found it impossibly hard.

Research by the Australia Institute last year found that most Australians both support the need to increase unemployment benefits and admit that they could not themselves live on the existing Newstart Allowance. On average Australians believe that \$454 a week is required to meet the

cost of living, an amount which is 187 per cent of the Newstart Allowance and approximately three-quarters of the minimum wage.

Given that most people do not believe they could live on the existing unemployment benefit the survey respondents were then asked what they would have to do without in order to survive. Concerningly, 45 per cent said they would avoid going to the doctor, 47 per cent said they would reduce participation in education and training and 65 per cent said they would eat less fresh food. Why then, if most people agree that existing benefits are inadequate and support an increase aren't the government and opposition stepping in to solve a simple problem? There are three stock answers to this question.

The first is that the major parties rarely talk about the needs of those who lose their jobs through no fault of their own, preferring instead to blow the dog whistle of feigned concern with "welfare dependency". That is, rather than help the public imagine what it feels like to become retrenched all of a sudden our public debate is instead designed to ensure that the majority with jobs feels little sympathy for the minority who do not.

The second "reason" that is commonly advanced for systematically impoverishing those without work is the rather bizarre claim that higher unemployment benefits might encourage people to remain poor. That is, many politicians seem to believe that if the unemployment benefit inched closer to the minimum wage then those who lose well-paid jobs in manufacturing might prefer to stay poor and on the dole rather than search for a job that can actually cover their mortgage payments.

The third stock answer is that the Commonwealth budget just can't stretch to fund this important priority. While there is no doubt that paying more generous benefits will cost more money, there is also no doubt that in the scheme of the Commonwealth's \$380 billion in annual outlays, such costs are small beer.

If the government or opposition wanted to fund an increase in Newstart they could do so with ease. This week ACOSS released a list of equitable funding options including cracking down on family trusts, reducing poorly targeted spending programs and tax breaks, reducing tax avoidance by international companies and reforming the taxation of capital gains. ACOSS estimates that such reforms could generate \$5.75 billion in revenue.

Perhaps the most damning proof that the government simply does not want to spend more money helping those who become retrenched is that the budget papers currently forecast that, by 2015, we will be spending an extra \$15 billion a year in tax concessions for super. That is, the Treasury itself forecasts that the \$32 billion cost of tax concessions for those with superannuation will blow out to \$47 billion, per year, by 2015.

Senator Cameron suggested an alternative approach, calling for a new 'Medicare-style levy' to be introduced. While such a levy would be equitable, in that those who earn more would contribute more, given the egregious inequity in the loopholes that currently exist in the tax system it would seem that the case for closing those is more pressing.

But the question of how we should fund a small increase in one of our smallest welfare benefits is secondary to the question of whether we want to fund it. Australia has very low unemployment by both international and historical standards, but low unemployment does not mean no unemployment.

The job of the Reserve Bank is to keep inflation low and, if it can, keep unemployment low, but in Australia we still "fight inflation first". If the unemployment rate fell from its currently low 5.4 per cent to a very low 3 or 4 per cent the RBA would almost certainly increase interest rates to "rein the economy in".

There is no chance that the Australian economy will ever have enough jobs to employ everyone who wants one as the RBA would 'put on the brakes' well before that ever happened.

The unemployed will, therefore, always be with us. Sometimes they will be concentrated in towns where factories have just closed down, sometimes they will be concentrated among people with skills the market no longer needs. And sometimes they will be concentrated in regions where employers just don't want to set up.

Australia has avoided recession for more than 20 years, but avoiding recession does not mean avoiding factory closures, droughts or the off-shoring of service sector work. The important question is not why some people are unemployed but how poor do we want those people to be?

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