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TITLE: Tackling poverty should be a budget priority

AUTHOR: Molly Johnson

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In 1987 Prime Minister Bob Hawke promised that by 1990 no child would live in poverty. While those words have haunted him ever since, a new analysis by The Australia Institute reveals that his government did more to tackle poverty than all subsequent governments.

Under the Hawke government, poverty rates dropped when welfare benefits rose above the poverty line. Yet, in Australia today, one in eight people and one in six children live in poverty. At present people on the Newstart Allowance are required to live on \$35 a day, or around 40 per cent of the minimum wage. Under the current payments an unemployed couple with two dependent children is more than 20 per cent below the poverty line.

Australia's unemployment benefits are low by international standards. OECD data shows that Australia has the lowest unemployment benefits in the developed world. For example, as a percentage of an average worker's income an unemployed family with two children in Germany receive 88 per cent, whilst in Australia they receive 57 per cent.

With one in twenty Australians unemployed, the adequacy of Newstart should be considered an important political and budgetary issue. In recent times a broad range of groups across the community have called for an increase to Newstart by \$50 per week. This has included calls from welfare organisations, the OECD, unions and business groups, including the Business Council of Australia. The most recent of these was an open letter to the government released this week signed by more than forty leading heads of charities and other organisations.

The government and others advocating to maintain the status quo claim that Newstart is a short term payment designed to encourage people to work. However, the reality is that often the opposite occurs and the low payment can entrench people in poverty and create a barrier to seeking work.

Recent figures released by the Department of Education, Employment and Workplace Relations show that the number of long term Newstart recipients, those who have received unemployment benefits for more than 12 months, is increasing at a higher rate than the number of short term job seekers. In the year to March 2013 long term job seekers increased by 20 per cent, whilst short term job seekers increased by 10 per cent. These figures suggest that more people are struggling to find work and as a consequence are relying on unemployment benefits

over the longer term. This makes an increase to Newstart even more imperative to ensure these people are not living below the poverty line for extended periods.

Figures released this week by the Australian Bureau of Statistics highlight that the adequacy of unemployment benefits and the issue of poverty is becoming even more urgent. Since June 2008, the number of jobless families with dependent children has increased by 22 per cent, from 258, 400 families to 315, 300 families. Over the same period the number of jobless single-parent families with dependents increased from 183, 100 to 223, 100 families, a rise of 21.9 per cent.

Unemployment not only affects the individuals who are out of work but also the children who rely on them. In total there are now 528, 900 children under the age of 14 who live in jobless families and a further 109, 500 dependent students aged 15 to 19 in jobless families.

With the so-called “grave” budget situation that Prime Minister Julia Gillard announced this week the question everyone is asking is can we afford an increase to Newstart? Though the gut reaction of many people may be no, the reality is that the cost of increasing Newstart by \$50 per week is only 0.5 per cent of the Commonwealth budget, or \$1.8 billion per year. To place this \$1.8 billion in perspective, this is less than half the cost of the \$4 billion subsidies we give the mining industry each year and less than one third of the lifetime costs of a submarine.

The question is not whether we can afford to increase Newstart, instead it is a question of budget priorities. Do we choose to support the booming mining industry which is 83 per cent foreign owned or do we choose to support the one in twenty Australians who are out of work and at risk of living below the poverty line?

*Molly Johnson is a research assistant at The Australia Institute, a Canberra based think tank.
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