

## ADEQUATE INCOME POSITION STATEMENT

The Anglicare Australia network believes that Australia should be a country where all who live here can have a decent quality of life regardless of their level of income.

An equitable society is underpinned by a guaranteed and adequate income, access to safe and secure housing, high quality education and health care. Having access to an adequate income is a fundamental component to being able to meet the need and capacity for well-being, health and participation.

Our affluent society has a civic and moral responsibility to ensure all people have access to an adequate income.

### **Where are we now?**

It is increasingly difficult for Australians earning a low income to meet their daily needs, and the lack of an adequate income is a significant barrier to community participation. Inadequate income makes it difficult to find work, remain engaged in education, and maintain a sense of connection and belonging. All of these things then impact on a person's long term wealth, health and independence.

The Anglicare network's research into food insecurity showed that people living on the lowest incomes do not eat well and many regularly go without meals.<sup>1</sup> For many people trying to maintain some attachment to the workforce, dealing with inflexible and often unexpected housing, transport, health, education and utilities costs, food becomes the only discretionary expenditure. The impact of food insecurity on people's everyday life can be profound and include the loss of social connection, a sense of shame, increased anxiety and physical ill health.

Similarly, NATSEM's *Going Without: Financial Hardship* report, commissioned by Anglicare Australia and the Major Church Providers, found that households reliant on unemployment benefits are more than five times likely to be in poverty than the national average.<sup>2</sup> This means that half of these households continuously live with housing stress, and one in seven cannot afford to heat their home.<sup>3</sup> Once these households have covered the basic expenditure of food, rent and transport, they have on average \$22 a day to cover relative necessities and discretionary items.<sup>4</sup>

School students experiencing poverty and disadvantage are at greatest risk of missing out on a quality educational experience, as research clearly shows that students' school performance has less to do with the school they go to than their socio-economic status.<sup>5</sup>

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<sup>1</sup> Anglicare Australia (2012) State of the Families report 2012 ['When there is not enough to eat: A national study of food insecurity among Emergency Relief clients'](#)

<sup>2</sup> NATSEM (2012) [Going Without: Financial hardship in Australia](#), Anglicare Australia, Catholic Social Services, the Salvation Army and UnitingCare Australia, Canberra NATSEM. 2012.

<sup>3</sup> Ibid

<sup>4</sup> Ibid.

<sup>5</sup> The Age (2014), [Fourth study this year confirms private school no better than public](#), accessed on 28 Jan 2016. See also, Mahuteau, S. and Mavromaras, K. (2013), [An Analysis of the Impact of Socioeconomic Disadvantage and School Quality on the Probability of School Dropout](#), National Institute of Labour Studies, Flinders University, Australia and IZA, Bonn, Germany.

### Rising inequality

The level of inequality in Australian society is too high and getting higher. Households on lower incomes will increasingly be left behind in terms of their quality of life over the next decade.<sup>6</sup> Since 2004, households with the top 20% income enjoyed almost double the growth in living standards compared to the bottom 20%.<sup>7</sup> Projecting forward, the living standards of the bottom quintile are likely to fall 4.5% in the next 10 years, compared to a 5.9% growth predicted for the top group.<sup>8</sup>

It is our experience that those living with the lowest incomes are overrepresented by single parents, people experiencing homelessness, the long term unemployed, young people, families living with disability or mental illness, care leavers, Aboriginal and Torres Strait Islander communities, and those on bridging visas (particularly those without work rights) living in our communities. These groups are often locked out of an adequate income.

When considering this growing inequality, it is vital that we also consider the lived experience for people in the second income quintile, as their income level is not high enough to free them from some form of financial stress, and they are at intermittent financial risk depending on governments' social policy and social security agendas.

### Inadequacy of income support and the national minimum wage

Government resources should be targeted to where they are most needed and effective in order to address poverty and ensure economic, social and cultural participation. Maintaining Australia's social safety net is a key way to ensure that households living on low incomes can meet their needs and participate in society.

Anglicare Australia has consistently argued that pensions and allowances are simply too low. Research by the Australia Institute indicates that there is an "unprecedented gap" between the amount of government assistance received by unemployed households and the Henderson poverty line.<sup>9</sup> Income support payments are woefully inadequate to meet the basic necessities of life much less seek work or sustain themselves – and often a family – through prolonged education or training.<sup>10</sup>

It is estimated that people on Newstart Allowance or job seeker Youth Allowance spend on average 21% in excess of their income, with up to 64% of their total income spent on basics including housing.<sup>11</sup> The Anglicare network's annual *Rental Affordability Snapshot* series shows clear evidence that households relying on Newstart, Parenting payment, Youth Allowance, the Age Pension, and the Disability Support Pension are effectively shut out of the housing market.<sup>12</sup>

It is not only households that are reliant on income support payments that are living on low incomes. Households relying on the minimum wage or whose wages are set according to a modern award are also increasingly finding it difficult to meet the cost of living. Approximately 2% of all employees, or 157,100 people, are paid the national minimum wage rate, and a further 18.8% of all employees, or 1.86 million

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<sup>6</sup> NATSEM (2015), *Living Standard Trends in Australia: Report for Anglicare Australia*, National Centre for Social and Economic Modelling, University of Canberra, Canberra.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> The Australia Institute (2016) 'Australia fails to hold the poverty line' <http://www.tai.org.au/content/australia-fails-hold-poverty-line>

<sup>10</sup> Information about the payment rates for pensions and allowances can be found in *A guide to Australian Government payments* <https://www.humanservices.gov.au/corporate/publications-and-resources/guide-australian-government-payments>

<sup>11</sup> NATSEM (2012) *Going Without: Financial hardship in Australia*, Anglicare Australia, Catholic Social Services, the Salvation Army and UnitingCare Australia, Canberra

<sup>12</sup> Anglicare Australia's *Rental Affordability Snapshot* research series can be found at <http://www.anglicare.asn.au/research-reports/the-rental-affordability-snapshot>

people, are paid wages set on the basis of a modern award.<sup>13</sup> On 31 May 2016 the Fair Work Commission announced a 2.4% increase to the minimum wage, which will be \$672.70 per 38 hour week before tax effective from 1 July 2016. This level of income also makes it difficult for minimum wage earners to adequately save for their retirement through the superannuation system.

Anglicare Australia strongly believes that the national minimum wage must be designed to provide a decent standard of living to its recipients. This would support the dignity and self-determination of minimum wage earners, and have a ripple affect across the entire industrial relations system.

### **What should we do?**

Families living on low incomes have become vulnerable to the expectation that they shoulder the burden associated with the government's quest for a balanced Budget. It is vital that the needs of these households should be considered first by policy makers, and attempts to balance the Budget must not come at the expense of the most disadvantaged families in our society.

Anglicare Australia calls on the Australian Government to:

1. Establish of an arms-length commission or tribunal – much like the Fair Pay or Remuneration commissions – that could properly consider the cost of living people on pensions and allowances, and set them accordingly.<sup>14</sup>
2. Increase Newstart and related allowances immediately to ensure that recipients of government payments are living above the Henderson poverty line.
3. Index the minimum wage to ensure it keeps up with the rising cost of living.
4. Structure benefits and taper tax rates to encourage (rather than penalise) work, given the modern reality of people moving in and out of work and retirement.
5. Simplify Australia's welfare system, without jeopardising the living standards of the recipients of the welfare system's payments and benefits.
6. Adopt a coherent approach to tax allowances and concessions that deliver benefits to the society as a whole; assists those who are working for the public interest or benefit; and maximises the benefit for low income earners. This should include reforming negative gearing, ending overly generous tax concessions on superannuation, reviewing the Fringe Benefits Tax arrangements, and ensuring that tax avoidance strategies are minimised.
7. Ensure government and community planning processes reflect the needs and voices of people living on low incomes by designing and building public infrastructure (such as housing, public transport, public Wi-Fi etc.) in ways that are accessible to people living on low incomes, and ensure that consultation processes explicitly consider how best to reach communities of people likely to be living on low incomes.

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<sup>13</sup> Fair Work Commission (2016), [Wage Review Decision 2016](#)

<sup>14</sup> Anglicare Australia has twice used a national survey to test public support for such an approach. On both occasions, around 60% of respondents, across all population groups, were in favour of an independent body setting payment levels, and about 20% favoured the government.

## Resources

Anglicare Australia. 2015. [‘Common wealth’](#). Submission in response to Re:think Better tax, better Australia discussion paper

Anglicare Australia. 2015. [‘Addressing Inequity: Submission on retirement income to Tax White Paper Taskforce’](#).

Anglicare Australia. 2014. [‘Inequality, hardship and social change’](#) Submission to the senate Community Affairs References Committee inquiry into the extent of income inequality in Australia’

Anglicare Australia. 2014. [‘Pathways to participation’](#) Submission to Social Security Budget Measures Inquiry of Community Affairs Legislation Committee

Anglicare Australia. 2012. State of the Families report 2012 [‘When there is not enough to eat: A national study of food insecurity among Emergency Relief clients’](#)

Glasson, M. 2015. ‘Many Roads to Recovery’ in Anglicare Australia (ed) [2015 State of the Family Report: Who is being left behind?](#)

King, S. Kemp, B. Bellamy, J. 2015, ‘The Risk of Deep and Persistent Disadvantage’ in Anglicare Australia (ed) [2015 State of the Family Report: Who is being left behind?](#)

NATSEM. 2015. [Living Standards Trends in Australia](#) (Commissioned by Anglicare Australia)

NATSEM. 2012. [Going Without: Financial Hardship in Australia](#) (Commissioned by Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia)