

Mental Health Australia

Submission to Senate inquiry into the adequacy of Newstart

Senate Community Affairs References Committee inquiry: Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia

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The Australian Government has stated mental health, and in particular reducing the devastating incidence of suicide, is a key priority.¹ There is clear evidence for the need to address the social determinants of mental health in order to reduce the impact of mental illness.² A fair and equitable income support system is fundamental in keeping people out of poverty and supporting the economic participation and social inclusion of all Australians. People with mental illness are one of the more vulnerable groups who experience economic disadvantage, high levels of unemployment and income insecurity at disproportionate levels.

Mental Health Australia is the peak independent, national representative body of the mental health sector in Australia. Our interest in this inquiry comes from a deep concern the Newstart payment is now fundamentally inadequate to sustain reasonable and necessary costs of living. The payment is so far below the basic cost of living that people experiencing vulnerability are becoming more unwell, socially isolated and impoverished, rather than able to move towards independence, participation and recovery.

Mental Health Australia urges the Committee to recommend Newstart and other income support payments be set independently at a level to meet reasonable costs of living to support economic and social participation.

Mental Health Australia is pleased to contribute to the Senate Community Affairs References Committee's inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia. This submission highlights the importance of financial security for mental health and wellbeing, and the impact of the inadequacy of the current rate of Newstart.

¹ The Hon Scott Morrison MP, Prime Minister Media Release, 8 July 2019, [Making Suicide Prevention a National Priority](#)

² World Health Organization and Calouste Gulbenkian Foundation (2014) Social determinants of mental health. Geneva, World Health Organization



Mental health, financial security and income support

Income support is particularly significant in reducing the impacts of mental illness, as there is such a strong association between experiences of mental ill-health and low income and unemployment. Australians receiving Newstart and other income support payments are more likely to be living with a mental health condition than other Australians.³

Recent analysis of the National Health Survey found 49% of people receiving Newstart reported “mental or behavioural problems” compared to 21% of the employed population.⁴

An increasing number of people with severe mental illness are also likely to be reliant on the Newstart payment, since eligibility for the higher Disability Support Pension (DSP) has been gradually narrowed over the past two decades.

Psychosocial disability is the most common primary disability for people receiving DSP, with 34% of recipients as of December 2018 reporting a primary psychosocial disability.⁵ Successive governments have increasingly restricted access to DSP, meaning more people with significant impairment are now reliant on Newstart and subject to activity testing and mutual obligations. This is reflected in the number of Newstart recipients who have been deemed to have a “partial capacity to work”, with data over the last five years showing an increase from 21% to 28% in December 2018, of over 45,000 people.⁶

There is strong interdependence between financial insecurity and experience of mental ill-health. Australian research shows people who have recently experienced financial hardship are 22% more likely to experience decreased mental health in the next year, and people experiencing severe psychological distress are 89% more likely to experience financial hardship in the next year.⁷

Similarly, the relationship between mental illness and unemployment is complex and bi-directional. Experience of mental illness can make it more difficult for people to find and maintain work due to discrimination, lack of appropriate employment opportunities and functional impairments associated with mental illness. Conversely, experience of unemployment is also strongly associated with decreased mental health and wellbeing. People experiencing mental illness have double the unemployment rate (6%) of people without mental illness (3%).⁸

A high functioning welfare system that effectively supports mental health consumers and carers, assisting people to work as and when they are able, would reduce overall government expenditure on income support, social services and health services, increase personal income tax revenue, and increase community participation.⁹

³ Butterworth P, Burgess PM, Whiteford H. Examining welfare receipt and mental disorders after a decade of reform and prosperity: analysis of the 2007 National Survey of Mental Health and Wellbeing. *Aust N Z J Psychiatry*. 2011;45(1):54-62

⁴ Collie, A., Sheehan, L. & Mcallister, A. (2019) The Health of Disability Support Pension and Newstart Allowance Recipients. Monash Public Health & Preventative Medicine.

⁵ Department of Social Services, DSS Payment Demographic Data, Dec 2018, <https://data.gov.au/>

⁶ Department of Social Services, DSS Payment Demographic Data, Dec 2018 and Dec 2014, <https://data.gov.au/>

⁷ Trajectories Project, Australian Housing and Urban Research Institute and Mind Australia, Conference presentation, Unpublished research, AHURI Conference 2019

⁸ Department of Health (2013), [National Mental Health Report 2013: Indicator 1a: Participation rates by people with mental illness of working age in employment: general population](#)

⁹ See Mental Health Council of Australia and National Mental Health Consumer & Carer Forum (2014), [Making the Welfare System Work for Mental Health Consumers & Carers: Submission to the interim report by the reference group on welfare reform. Appendix A](#)



Newstart is inadequate

There has been no real increase to the Newstart payment over the past 25 years. As a consequence, the rate of payment has not kept pace with increasing costs of living and is now so far below the poverty line that many recipients are focused on survival rather than seeking work.

Recent research from the Social Policy Research Centre shows that the combined rate of Newstart allowance and Commonwealth Rental Assistance for a single adult falls short of average minimum basic essential living costs by \$96 a week.¹⁰ A recent survey of 489 people receiving Newstart or Youth Allowance found the vast majority were making difficult decisions about how to survive on a very limited budget, with 84% skipping meals in order to afford other costs. Respondents also commonly reported foregoing healthcare, not using heating or cooling, and not going out socially as they could not afford it.¹¹ This is extremely concerning and likely to exacerbate mental illness, as social isolation and loneliness are strongly associated with negative mental and physical health outcomes.¹²

Further, many people are reliant on this inadequate income for a significant period of time. As of December 2018, the average length of time spent on Newstart was three years, with 49% of recipients (353,370) having been on the payment for more than two years.¹³ Living on a low-income for an extended period of time has a compounding effect, such that is harder and harder to maintain financial security, health and wellbeing.

Financial insecurity is closely related with housing stress and homelessness. Housing costs normally make up the single largest expenditure area for people living on a low income. The current rate of Newstart and Commonwealth Rental Assistance subsidy are inadequate to meet reasonable housing costs and prevent recipients from falling into housing or financial stress. Of the 489 Newstart or Youth Allowance recipients surveyed by the Australian Council of Social Services in 2019,¹⁴ 59% had less than \$100 a week left over after paying housing costs, and 39% had \$50 or less. Anglicare Australia's 2019 Rental Affordability Snapshot found only two properties available for rent across the entire country in May 2019 that were affordable for someone living on Newstart and Commonwealth Rental Assistance without putting them in rental stress.¹⁵

There is a strong association between housing stress, homelessness and mental illness. Evidence shows the long-term benefits of investing in early intervention to provide secure housing (a housing first model) for young people who have a diagnosed mental illness and are at risk of or experiencing homelessness.¹⁶ Stable, affordable housing is fundamental to economic and social participation, and has been shown to improve chances of recovery from mental illness.¹⁷

¹⁰ Saunders P & Bedford M (2017). [New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians](#). Social Policy Research Centre, UNSW Australia.

¹¹ Australian Council of Social Services (2019), ["I regularly don't eat at all": Trying to get by on Newstart](#)

¹² Malcolm, M., Frost, H. & Cowie, J. (2019). Loneliness and social isolation causal association with health-related lifestyle risk in older adults: a systematic review and meta-analysis protocol. *Systematic Reviews*, 8:48.

¹³ Department of Social Services Payment Demographic Data, [DSS Demographics December 2018](#)

¹⁴ Australian Council of Social Services (2019), ["I regularly don't eat at all": Trying to get by on Newstart](#)

¹⁵ Anglicare Australia (2019). [Rental Affordability Snapshot](#)

¹⁶ KPMG and Mental Health Australia. (2018) [Investing to Save: The economic benefits for Australia of investment in mental health reform](#)

¹⁷ Mental Health Council of Australia, Home Truths: Mental Health, Housing and Homelessness in Australia, MHCA, Canberra, 2009, p.29



The inadequate rate of Newstart also constrains the choices people can make regarding their health and wellbeing. The cost of access to appropriate health care for people living with mental illness can be extremely prohibitive, especially for those living on low-income. The freezing of the Medicare Benefits Schedule payments in primary health care has resulted in increasing gap payments for primary mental health care services, which further exacerbates poorer health outcomes for people with mental illness.

Members of the National Social Security Rights Network report people living with mental illness and dependent on income support are often unable to afford essential medication, seek appropriate treatment, or obtain reports from specialists such as clinical psychologists or psychiatrists.¹⁸ Timely access to services is particularly important for people with mental illness. If people are not able to access early intervention and prevention services, their conditions can worsen to a level of crisis where they enter the mental health system through much more expensive clinical pathways like acute hospital care.¹⁹

Foregoing appropriate health care due to budget constraints can severely impact on a person's wellbeing and recovery. Access to health care is particularly important for people living with mental illness, as four out of every five people with mental illness have a co-existing physical illness.²⁰ These high rates of co-morbidity mean there is a far shorter life expectancy for people living with mental illness than the general population (estimates are up to 30% shorter).²¹ As outlined in the Equally Well Consensus Statement, "The interactions between physical and mental illness raise total health care costs by at least 45% for each person living with both mental illness and a long-term physical health condition. Much of this cost is avoidable. Effective mental health care, alongside quality physical health care, provided early, reduces avoidable hospital and emergency department admissions and takes pressure off the whole health system."²²

While ideally every person would have the opportunity to participate in, and enjoy the benefits of meaningful employment, the reality is far from this aspiration. For those people who are not employed it seems counterintuitive, even punitive, to provide a rate of Newstart that is so far below current costs of living it reduces their ability to meaningfully participate in society by increasing the likelihood of personal hardship and mental health problems.

¹⁸ National Social Security Rights Network (2019) [Submission to the Productivity Commission's Inquiry into Mental Health](#)

¹⁹ Urbis (2015) Invest now, save later The economics of promotion, prevention and early intervention in mental health

²⁰ National Mental Health Commission (2016). [Equally Well Consensus Statement: Improving the physical health and wellbeing of people living with mental illness in Australia](#).

²¹ As cited by Royal Australian and New Zealand College of Psychiatrists (2015). [Keeping Body and Mind Together: Improving the physical health and life expectancy of people with serious mental illness](#).

²² National Mental Health Commission (2016). [Equally Well Consensus Statement: Improving the physical health and wellbeing of people living with mental illness in Australia](#). p12



Accountability in setting income support rates

A responsible and viable income support system will have measures to ensure recipients are being paid fairly, with payment rates based on current need not ad hoc policy arrangements.

Recommendation 1: *There should be a mechanism to determine, and provide independent and transparent advice to government on, what constitutes adequate payments to meet reasonable and necessary costs of living.*

This includes the costs of economic and social participation, such as costs associated with job search and access to health care.

This mechanism should involve the development of a benchmark informed by a public inquiry into minimum socially acceptable living costs, conducted by independent experts appointed by Government for that purpose.

Recommendation 2: *Provide immediate relief for Newstart recipients with a stop-gap increase to the payment while the review is conducted.*

Given the widespread agreement the Newstart payment is fundamentally inadequate, and the urgency of the destitution which many Newstart recipients find themselves in, Mental Health Australia urges the Committee to recommend an immediate temporary increase to the rate of Newstart while this review is conducted.

Recommendation 3: *Appropriate mechanisms should be established to ensure the rate of Newstart and related payments remain proportionate to the cost of living. As recommended by the 2013 Government-commissioned review of Australia's welfare system, this includes automatic indexation adjustments and regular expert reviews.*

Once the current adequate payment rate for Newstart and related payments are determined, Mental Health Australia supports the approach recommended by the Government-commissioned independent review of Australia's welfare system (the McClure review) to ensure these payments are kept proportionate to costs of living.²³ This review recommended a two-part process. The first is an automatic adjustment in line with cost of living changes every six months, based on a pre-determined index. The review advised that further work is needed to determine the most appropriate index, as there are limitations to both the Consumer Price Index and Pensioner and Beneficiary Living Cost Index. The same index should be used across all payment types.

Secondly, a periodic review should be conducted at least every four years by a panel of experts to review community living standards and determine whether payment levels remain appropriate relative to these standards. These reviews should be open, transparent and published.

²³ Department of Social Services (2015). [A New System for Better Employment and Social Outcomes: Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services](#)



Conclusion

The rate of Newstart is fundamentally inadequate to sustain reasonable and necessary costs of living. As outlined in this submission, the pressures for Australians of surviving on a budget far below the recognised poverty rate exacerbates experiences of mental illness and is counter-active to recovery and independence. This review is a crucial opportunity to act on community consensus the rate of Newstart must be increased, and to ensure ongoing adequate income support for people living with mental illness and other vulnerabilities.

Mental Health Australia urges Government to establish mechanisms to ensure the rate of Newstart and related payments are corrected and continually adjusted to meet accepted minimum costs of living, including economic and social participation. The alternative is an increasing debt trap that ensures more and more vulnerable people are further marginalised making society all the worse by failing to act.

Mental Health Australia



Mentally healthy people,
mentally healthy communities

Mental Health Australia is the peak independent, national representative body of the mental health sector in Australia.

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