


# Struggling on the Newstart unemployment benefit in Australia: The experience of a neoliberal form of employment assistance

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## Abstract

The low level of the Newstart (unemployment benefit) payment has become a major source of concern about Australia's willingness and ability to protect unemployed Australians from poverty. Despite this disquiet, there has been little scholarly examination of the implications of living on Newstart. In this article, through the use of a survey and in-depth interviews, we examine features of everyday life for Newstart recipients in the Sydney area, experiences that reveal the scarring potential of low benefits. The article illustrates that for a majority of interview participants, the most basic items were difficult to purchase and many of the interviewees were living in inadequate and even unsafe situations owing to an inability to afford satisfactory accommodation. For some, their lack of disposable income had severe health implications. Social isolation was a common phenomenon, and many of the interviewees found that the low payment made finding employment a lot more challenging.

**JEL Codes:** I38, J64

## Keywords

Deprivation, health impacts, housing, Newstart, scarring, social isolation, social security, unemployment

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## Introduction

Australia's unemployment allowance (called Newstart since 1991) has achieved international distinction for its low payment rate (OECD, 2011) and has been subject to widespread criticism for its meanness (Australian Council of Social Service (ACOSS), 2012; Carney, 2008; Whiteford, 2010). Drawing on interviews with 20 Newstart recipients and a survey questionnaire, this study provides further evidence for these criticisms. The qualitative component of this study builds on research that has poignantly described the lives of Australians who depend on welfare (Murphy et al., 2011; Peel, 2003).

The article outlines the features of Newstart and then discusses its policy evolution. We then briefly discuss the diminishing adequacy of Newstart over time and in comparison with similar payments in other countries, and assess welfare-to-work measures attached to Newstart. After a brief discussion of methods and sampling, the findings from the research are presented. The goal is to illustrate through interview and survey data the impact of an inadequate Newstart payment rate on recipients' lives, revealing what some researchers call the 'scarring' effects of unemployment (Gangl, 2006; Layard et al., 2005; Morsy, 2012). In the terms defined by economists, scarring involves the relative loss of income and employment access caused by unemployment (Gangl, 2006: 987), and, in sociological terms, scarring involves wider losses of social esteem and networks (Wilson, 1996). The article concludes by highlighting the contradictory consequences of Australia's approach both to the Newstart allowance and to employment assistance.

The framework in this article is inspired by the critical social policy tradition in that it recognises the alignment of policy reforms with dominant political and economic interests and affirms the importance of evaluating policy by considering how policy reform affects the most disadvantaged.

## The key features of Newstart

Newstart is a federal government programme for people who are officially unemployed and aged 22 years or above (younger recipients receive Youth Allowance). Newstart recipients are entitled to draw benefits until they are re-employed or reach the age of 65 years when they can transition to the more generous age pension. Prospective Newstart recipients must 'enter into an Employment Pathway Plan' and satisfy its 'activity test requirements' (Australian Government, 2013). As the Newstart website makes clear to recipients, these 'activity test requirements usually mean you need to apply for jobs, train or study, or work part-time' (Australian Government, 2013). These activation requirements are premised on the notion that designated activities enhance recipient job chances. Recipients who do not keep an appointment for a job interview or specified training, for example, can be 'breached' (deemed to have breached eligibility conditions) and penalised, which involves a reduction in payments. Recipients who persistently avoid their obligations can have their Newstart allowance withdrawn for a maximum of 8 weeks.

The Newstart payment at AUD255.25 per week for a single person (March 2014) is well below the poverty line even when government rent assistance is included. The poverty line for a single person was estimated at AUD408.98 a week in September 2013 including housing (Melbourne Institute, 2013). Indeed, Newstart payments have

been steadily declining relative to the Disability Support Pension (DSP) and the Age Pension that are both AUD421.40 per week.<sup>1</sup> In mid-2008, the Newstart benefit for a single person was '80% of the rate for a single pension; by late 2010 it was only 68% of a single pension' (Murphy et al., 2011: 26), and by September 2013, it had fallen to just 61% of a single age pension. This decline can be traced to a decision to link age and disability pensions to full-time average weekly earnings (FTAWE) of male workers (see Whiteford, 2012: 25), while Newstart adjustments remain linked to the generally slower-moving Consumer Prices Index (CPI). To illustrate the difference, in the year to December 2012, the CPI grew by 2.2%, whereas the FTAWE grew by 5.5% (Martin, 2013).

Newstart payments are managed by Centrelink, a government entity responsible for the administration and payment of social security payments. Centrelink works with 'Job Services Australia', which is the employment service programme for the Australian government. Job Services Australia is constituted by private operators (for-profit and not-for-profit) who are contracted by the government to provide job seekers with assistance in finding employment.

## **Situating Newstart in the political economy of work and welfare**

Australia's unemployment protection system, characterised by indefinite flat-rate payments, was a product of efforts by mid-20th century Labor governments, led by Curtin and Chifley, to build a modern welfare state. These efforts were modest by western European standards (Macintyre, 1986: 7). Also modest was Australia's official commitment to full employment (Macintyre, 1986). Nevertheless, something approximating full employment was evident until the recessionary 1970s. De-industrialisation that began in the mid-1970s wiped out swathes of manufacturing-related jobs (Gaston, 1998; Murphy and Watson, 1995). By the late 1970s, Keynesian economic policies had also lost favour, and were replaced steadily by neoliberal policies, especially in the Anglosphere (Harvey, 2007). Initially implemented in the United Kingdom by Thatcher's government after 1979, and in the United States by the Reagan administration (1981–1989), neoliberalism has since gone global: '[it] has in effect swept across the world like a vast tidal wave of institutional reform and discursive adjustment' (Harvey, 2007: 23). As is now well understood, neoliberal reforms reduce government's *social* intervention in markets, particularly the labour market.

By the late 1980s, a new approach to employment assistance and 'activation' of the unemployed had emerged in Australia – in line with an emerging framework consistent with such neoliberal thinking. This trend involved the promotion of the concept of 'mutual obligation' or workfare in policy debates and policy statements. Advocates of 'market paternalism' located unemployment in the sphere of personal responsibility, and identified government's role as being to compel respondents to make greater individual efforts to find work. The intellectual force behind 'new paternalism' was Lawrence Mead, who influenced US workfare reforms in the 1990s. As Mead (1989) put it at the time,

Government has had to embark on policies and programs aimed specifically at raising work levels among the poor. Of these, much the most important is workfare, ... that employable welfare recipients work or prepare for work in return for support. (p. 157)

A common thread to both neoliberal employment policy and new paternalism is the view that unemployment is (or should be, in free labour markets) a short-term phenomenon and that activation policies be put in place to facilitate reentry into work as soon as possible. Underlying this approach is the argument that much unemployment is 'voluntary' (Lucas, 1987) and the argument that the work ethic is disappearing among the unemployed (Long, 2010).

Australia's unemployed were hence subjected to greater supervision, and benefits were increasingly conditional on recipients meeting requirements aimed at enhancing rapid return to work (Davidson, 2011: 58). After 1996, the conservative Coalition government, led by John Howard, radically consolidated the shift towards enforced activation of the unemployed that had been started under Labor (Carney, 2008: 3). By 1997, young unemployed people were obliged to participate in 'Work for the Dole' programmes as a condition of assistance. This requirement was extended to older unemployed clients in 2001. In 2006, sole parents who were recipients of the relatively more generous Parenting Payment<sup>2</sup> were brought within Newstart's ambit, moving to Newstart once their youngest children turned 8 (Davidson and Whiteford, 2012: 37). People with a disability who were able to work between 15 and 30 hours were also placed on Newstart rather than the more generous DSP (Carney, 2008: 4; Coad et al., 2006: 3–4).

Labor's return to government in 2007 did not bring about enlightened social security reforms in this area as many had hoped. The government refused over the course of its 6-year tenure to increase what had become a severely inadequate Newstart payment. This failure was attacked by some unions, by the welfare peak body, the ACOSS, and even by business figures and economists normally sympathetic to neoliberal policy. In fact, by 2013, Labor had extended work obligations to an even wider range of single parents and people with disabilities. At the time of writing, the new Coalition government elected in September 2013 was reviewing how it could place more people with a disability on Newstart (Karvelas, 2013) and even merge income support for people with disability and the unemployed.

Moves to increase conditionality of benefits for the unemployed were certainly not confined to the Anglosphere. By the beginning of the 2000s, almost all European Union countries were 'making established welfare rights more conditional on job seeking effort' (Clasen and Clegg, 2006: 528). Indeed, new comparative evidence suggests that social assistance in European countries (i.e. benefits outside social insurance) is an inadequate shelter from poverty for the unemployed (Nelson, 2013: 397). The latter study points to a statistically significant link between *declining* social assistance benefit adequacy and *increasing* expenditure on Active Labour Market Programs. The research suggests, in other words, a positive association between increasing expenditure on 'activation' and cuts to benefits.

## Assessing Newstart and welfare-to-work assistance: overview of evidence

Considerations of space allow us to discuss only briefly the evidence about two related features of Australia's welfare-to-work reforms. The first part of this section addresses the adequacy of the Newstart Allowance payment, where, particularly, comparative evidence provides important context for discussion. The second part of this section looks to evidence of the success of welfare-to-work measures that combine mandatory participation and private services in activating job seekers.

### *The growing inadequacy of Newstart: comparisons between benefits, regimes and over time*

The evidence about the inadequacy of Newstart payment, especially for singles, is now well established. Saunders and Wong's innovative study of deprivation among welfare groups uses survey-based judgements of everyday items and services judged essential by most of the community to assess benefit inadequacy. Of the disadvantaged constituencies studied, the authors found that Newstart recipients were least likely to obtain access to the goods and services deemed necessary and essential by community standards (Saunders, 2011: 97).

Further evidence of Newstart's inadequacy is presented in Table 1, which allows for comparative assessment. The Organisation for Economic Co-operation and Development (OECD) data contained therein compares *initial* benefit replacement rates<sup>3</sup> (i.e. the payment level at the beginning of unemployment) across welfare clusters and also at the 60th month of unemployment. The latter comparison (60 months) indicates how the long-term unemployed fare across the same welfare clusters. We note that in some countries, social insurance payments have either ceased by that time (i.e. in the United States altogether) or have reverted to leaner government payments (i.e. many European countries). The data make cross-cluster comparisons of the adequacy of payments for *single* unemployed people (without children) and *one selected family type*: a two-child family with an unemployed breadwinner in a couple relationship. The point of comparison is benefit generosity for unemployed people previously employed at an *average* wage.<sup>4</sup>

The Newstart rate of payment stands out as comparatively meagre in the short term both for single persons and for families. It is dramatically below the mean replacement rate for singles in the OECD countries selected. The single Newstart rate in 2011 represented just 28% of the average wage. In the seven conservative (or 'continental') welfare states reported by the OECD, the average net replacement rate was much higher at 64%. At the 60-month mark, Newstart performs better in comparative terms, only because social insurance-based payments have generally ceased – the long-term unemployed in those countries then receive less generous public entitlements more comparable to Newstart. Still, for both singles and our selected family type, Australia's benefits are below the average replacement rate for all welfare state clusters except the Southern European states (Greece, Spain and Portugal).

**Table 1.** Net replacement rate of Australia's unemployment benefit compared, 2011 (%).

	Initial phase of unemployment		Long-term unemployment (60th month)	
	Single, no children (100% AW)	Two children (1 earner couple at 100% AW)	Single, no children (100% AW)	Two children (1 earner couple at 100% AW)
Australia	<b>28</b>	<b>58</b>	<b>28</b>	<b>58</b>
English (5)	47	70	31	62
Conservative (7)	64	74	45	62
Southern (3)	56	65	27	41
Nordic (4)	56	76	45	69
East Asia (2)	50	62	30	62
<b>OECD Median</b>	<b>57</b>	<b>72</b>	<b>32</b>	<b>58</b>

Source: OECD 2011 *Benefits and Wages* (Excel files). Online: <http://www.oecd.org/els/benefitsandwagesstatistics.htm>.

AW: average wage; OECD: Organisation for Economic Co-operation and Development.

Net replacement rates are defined in footnote 4. Calculations based on data, including housing and other social benefits; 100% of AW data used in all comparisons. English welfare states = Canada, Ireland, New Zealand, United Kingdom and United States. Conservative welfare states = Austria, Belgium, France, Germany, Italy, The Netherlands and Switzerland. Nordic welfare states = Denmark, Finland, Norway and Sweden. Southern welfare states: Greece, Portugal and Spain. East Asia welfare states = Korea and Japan. Some figures for Greece and Italy use 2 children, 2-earner data reports.

### *Australian welfare-to-work transitions: evidence of success?*

Australia is a world leader in the privatisation and marketisation of employment assistance (Meagher and Wilson, 2014). Australia's declining unemployment rates (particularly long-term unemployment) during the middle-2000s and stronger job placement outcomes would seem to be reasonable indicators of the success of this approach. The story, however, proves more complex: first, to improvements in employment rates. A substantial 'design flaw' of workfare programmes is their pro-cyclical performance: they appear to work well when they are least needed and worst when they are needed the most. Handler (2009), in his assessment of the US workfare experience, concluded that the strong US economy was central to declining numbers of welfare claimants (p. 77). Overlooking Australia's performance in job placement, Davidson (2011) comments that government assessments of improved employment assistance performance do not 'account for the counterfactual' of 'an improving labour market over this period' (p. 66).

Second, the apparent success of the privatized model of employment assistance also proves more complex. The OECD has been particularly impressed with Australia's approach, saying it offers 'valuable lessons for other countries' and credits the model with employment success (OECD, 2012a, 2012b). Davidson's (2011) review of the mix of official and independent research on Australia's activation programs since 1997 notes that most programs have had 'modest' success, but that these results are more or less consistent with outcomes in 'other OECD countries' (Davidson, 2011: 72). In her account, Fowkes also notes that available evaluation data identifies small,

net improvements in job placements ‘over what would have occurred anyway’ (Fowkes, 2011: 9–10). But she adds further that, in funding employment services, governments have been obsessed with cost-minimisation and with maximising client participation (Fowkes 2011: 7–8). Not surprisingly, this focus has led to risk-aversion among job providers who avoid taking on hard-to-place clients (often the long-term unemployed).

These fairly modest evaluations are put in further context when recent data from the Senate Reference Committee’s 2012 inquiry into the adequacy of Newstart are considered. According to joint-departmental data provided to this committee, just 21% of Newstart recipients are in full-time employment after 3 months on Newstart (Australian Government, 2012b: 71), and a total of 48% of all Newstart recipients find work (of any kind) in this initial period (Davidson, 2011). The majority remain unemployed or, indeed, exit from the labour market (Australian Government, 2012b: 71). Even when people find work, in many instances, it is not the end of their experience of welfare dependence, particularly if clients are ‘churning’ between Newstart and unstable, presumably precarious, employment. Indeed, the data suggest that job placements from Newstart are concentrated at the lower end of the occupational range and, not surprisingly, are less likely to be full time than is the case for other types of job seekers (Australian Government, 2012b: 73). Over time, though, the same government data indicate that some former Newstart recipients eventually move onto higher-skilled and better-paying jobs (Australian Government, 2012b: 74). But experiences of transition to work remain stratified: Newstart recipients assessed as having partial work capacity due to disability fare poorly (Australian Government, 2012b: 72–73).

The evidence above suggests highly stratified experiences of Newstart, depending on variables such as disability and skill. How employment services add to or detract from these unequal transitions is an important further consideration; indeed, this fact was highlighted in Labor’s 2009 reforms to the old Jobs Network. Here, we cite one recent (and relatively rare) qualitative study of client experiences of the employment services currently offered by Job Services Australia organisations. In her 2013 study, Koop (2013) notes, ‘the long-term unemployed and those who had previously worked in skilled occupations thought the support provided was poorly suited to their individual needs’ (p. 51). One particular activity programme, Work for the Dole, was particularly unpopular according to Koop’s (2013: 43) data; this programme was assessed independently as a failure on several criteria set out for successful employment interventions (Borland and Tseng’s study cited in Davidson, 2011: 72) but may again play a larger role in the Abbott government’s employment policies.

One further observation concludes this section. Newstart now serves more generalised function within Australia’s social security system that has been redesigned to move welfare clients from higher-paying benefits (DSP, Parenting Payments). In 2013, problems attributable to this redesign were highlighted by the situation of approximately 84,000 single parents who were moved from the Parenting Payment onto Newstart, with benefit losses estimated at AUD80 to AUD100 a week (Peatling, 2013). A letter from the United Nation’s (UN’s) Special Rapporteur on extreme poverty and human rights and a (UN) working group on discrimination against women had voiced ‘serious concerns’ about this policy change, and stated that this shift ‘would impede the enjoyment of



human rights of those sole parents dependent on social security payments' (*The Australian*, 2013). At the time of writing, the Abbott government's welfare agenda was not clear but further radical reforms to benefits including Newstart were signaled in pre-budget speculation in 2014 (Karvelas, 2014).

## Empirical research and methodology

The experience of attempting to live on Newstart remains under-researched in general terms; indeed, the impetus for conducting further empirical research is to know more about the impact of the declining Newstart payment on poverty and to better understand how high-pressure job search under paternalistic benefit conditions may be contributing to scarring experiences among the jobless. Our mixed-methods study of Newstart recipients in inner-Sydney, conducted in late 2012, helps fill this gap without exhausting the need for extensive and detailed further research. Our endeavours were assisted by student-researchers in an upper-level undergraduate social research unit at the University of New South Wales.<sup>5</sup> Our research involved Newstart and Youth Allowance clients<sup>6</sup> of the Inner West Skills Centre (IWSC), an employment services provider located at three Sydney suburbs where clients are consulted. The study involved semi-structured interviews with their clientele ( $n = 20$ ), who asked questions about the financial, social and bureaucratic impacts on Newstart. The interviews focused on the following themes: financial and housing stress; the consequences of living on Newstart, including the impact on physical and emotional health and social isolation; interaction with Centrelink and job agencies; the impact of activation programmes; and general perceptions of Newstart.<sup>7</sup> The study also involved a self-completion survey questionnaire, which asked for attitudinal responses about a range of topics (including the Newstart benefit, Centrelink, employment services and deprivation of essential items) as well as about previous work and education experiences, housing status and demographic information (overall sample size was  $n = 54$ ). Our report of the data combines both quantitative and qualitative responses.

## Newstart recipients and financial stress

In our survey data, just 20% of Newstart recipients agreed or strongly agreed that the Newstart benefit was 'enough to live on', and just under two-thirds of the sample thought it should be increased.<sup>8</sup> Table 2 contrasts this finding with Australian Survey of Social Attitudes (2011), which found that only 29% of respondents felt that the Newstart allowance should be increased.

Not surprisingly, the survey data and interviews indicated that financial stress was very prevalent, consistent with other research findings (Murphy et al., 2011; Peel, 2003; Saunders, 2011). Saunders (2011) found that Age pension recipients 'are deprived of about one essential item on average, and low-wage workers are deprived of around two items' (pp. 147–148). However, Newstart recipients are deprived of more than four essential items on average (Saunders, 2011: 148). Our data add further dimensions to these findings. Longer term Newstart recipients tended to be more financially stressed: 61% of those on Newstart for 1 year or more had approached a charity for assistance



**Table 2.** Client and public perceptions of Newstart adequacy (%).

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
<i>Newstart client survey (n =54)</i>					
Newstart benefit is enough to live on	4	16	14	35	31
Newstart allowance should be increased	36	28	20	4	2
<i>Australian Survey of Social Attitudes 2011 (n = 1866)</i>					
Newstart allowance is ...#	Much too mean	Too mean	About right	Too generous	Much too generous
	3	26	52	14	4

Source: University of New South Wales (UNSW) Newstart Study (n = 54); # Australian Survey of Social Attitudes 2011 (n = 1866).

compared with 38% for shorter term recipients. Disturbingly, 25% of long-term recipients surveyed had also approached ‘people on the street’ for help (versus 4% reporting this among shorter term recipients).

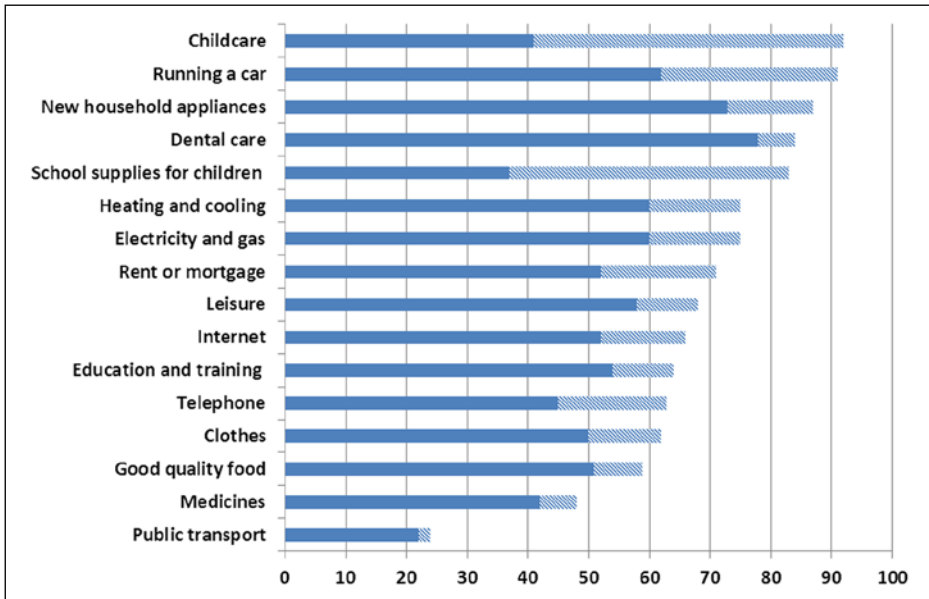
The interviews painted a grim view of life on Newstart. One recipient, Gary (all names used are pseudonyms), in his 50s, commented, ‘I have to survive, which is all it is. It’s not living. It’s survival ... I cut back on everything’. Jeff said that, despite watching every cent, running out of money was not unusual:

I’d like to think that I manage my money well and sometimes come to the end of the week and I just don’t have ... I got no money. No money whatsoever but I do have something in the pantry, something in my fridge ... to get me through that next weekend and to get paid on the Monday.

Interviewees told us how their lives had become severely circumscribed:

It’s very hard. Well, I mean, unless you have some of your own savings, which run out quickly, you, you, you don’t have a life. You don’t. You survive on, on the bare minimal ... It’s something that’s meant to tie you over. I suppose that’s what, that’s what it is ... Newstart is not money to live on. It gets you by. (Sally)

Many items considered necessities by the public were unaffordable for our respondents. In the survey questionnaire, they were asked, ‘do you have enough money for ...’, and then presented with a list of items (results are reported in Figure 1). Respondents indicated that they did not have money for the most basic items. Over 40% stated that they could not afford medicines, and just over half said that they could not afford new clothes. Importantly, three-quarters of respondents did not have money to replace household appliances and almost 80% said that they could not afford dental care. Mindful of the limits and risks of comparing two small, non-random samples, we merely note that our data indicate ‘deprivation’ levels worse than those reported in Saunders et al. (2007). The latter report that 25% of respondents say that they could not afford medicines (42% in our sample). For



**Figure 1.** Measures of deprivation among Newstart clients (%), 2012. Total responses include the proportion of responses where respondents chose ‘not applicable’ (indicated by the striped component of the bar).

Sources: University of New South Wales (UNSW) Newstart Study (n = 54).

dental care, 46% of the Saunders et al. sample said they could not go for ‘dental treatment’. This figure was 78% in our sample. These large differences might reflect sampling error or, more substantively, the particular disadvantage of our inner-Sydney cohort.

### Newstart recipients and housing stress

Low benefit rates are made worse by high housing costs in capital cities (Morris, 2010; Yates and Bradbury, 2010) and limited social housing (Jacobs et al., 2010). A study of housing costs by the Productivity Commission found that even with Commonwealth Rent Assistance, in June 2011, 26.8% of Newstart recipients were using more than 50% of their income to pay the rent (National Welfare Rights Network, 2012). In our sample, 52% of respondents said that they ‘did not have enough money for rent or mortgage’. But this figure is reduced by the inclusion of a high number of respondents (19%) who chose ‘NA’ (Not Applicable) for this item. Removing these responses from the calculations indicates high housing stress in the remaining sample: 81% indicated they did not have enough money for housing. The sample also revealed characteristics of severe housing stress and its attendant compromises; one indicator was the high incidence of shared housing and boarding house occupancy. As indicated in Table 3, just under a third of

respondents were living in shared housing, boarding houses or rooms in pubs, and one interviewee was living in a backpackers' hostel.

The accommodation crisis is challenging, with clear impacts on mental and physical health. Residents have to live with strangers in equally dire circumstances:

Like for me, I live in a boarding house with, you know, there are ten people in this boarding house. (Rod)

Paul had to move out of his apartment into a room above a pub:

I was living in ... like nice accommodation ... There's no way I would've been able to or afford to stay where I was living before. I mean I'm not living extravagantly ... but if I was living at the rent they have to pay which is medium ... I would've had to move out. So I'm currently paying, to afford [accommodation] ... I live in a pub. I just rent a room; share a kitchen; share a bathroom.

The interviewee who was living in a backpackers' hostel considered himself fortunate:

I am very lucky because I'm staying at a backpacker's hostel which is the cheapest I can get ... You need an overseas passport to be able to be at a backpacker's hostel. Because I am able to speak [foreign language] ... they think I am a tourist. (Jim)

Leanne was forced to vacate her comfortable apartment and move into a boarding house where she felt unsafe and uncomfortable:

The apartment that I was living [in], the rent went up which made it even more difficult ... I had to leave where I was which was a nice apartment, and I had to move into a share place [boarding house] ... Not something I really like being in, trust me. I don't like it at all ... but I can't afford anything [else].

Some recipients had been able to continue staying by themselves in the private rental market, but the accommodation was invariably substandard. The case of Gary, who said that he could not afford to move, was particularly grim:

From the outside it looks like quite a healthy building but the inside, I have no electricity. I have no fridge. I have no hot water to shower. I have a unit the size of this room, 35 square metres, that after the roof collapsed because of water pouring in from above still has not been repaired after four and a half years ... The place, if it was inspected, [would] be declared uninhabitable ... but I can't afford to move out. I have no cash for anything and so I am stuck there.

Interviewees who were resident in public housing were generally in a much better situation because the rent was affordable. However, for Sally, moving into public housing had been very difficult:

I lost everything and now I live in housing commission which is another huge impact on me. Where I come from, it exacerbates my, my sense of worthlessness and it's created additional

**Table 3.** Sample characteristics.

	<i>n</i>	%
Sex		
Male	33	65
Female	18	35
Age		
Under 35 years of age	22	45
35 years of age and over	27	55
Unemployment period (current)		
Unemployed < 1 year	24	48
1 year or more	26	52
Highest education: year 12 or less	19	26
English not first language	21	40
Housing		
Homeowner/mortgage	5	11
Private rent	17	36
Public housing	8	17
Share/board housing	15	32
NFA	2	4
Total		100

Source: University of New South Wales (UNSW) Newstart Study (*n* = 47).

NFA: New Future Alliance.

problems in my life, because I now live in the lowest economic area ... and I'm struggling to cope with that ...

## The health impacts of living on Newstart

Unemployed people are more likely to be in poor health (Australian Institute of Health and Welfare (AIHW), 2012; Bambra and Eikemo 2009; Queensland Government, 2004). In a study of this relationship, Bambra and Eikemo (2009) used two waves (2002 and 2004) of the European Social Survey, analysing data from 37,499 individuals in 23 countries. They found that, in all 23 countries, unemployed respondents report worse health on average than the employed. However, the links between 'welfare regime' (and level of social protection) and self-reported health status were somewhat complex. Not surprisingly, the relative health inequalities between employed and unemployed were largest in Anglo-Saxon welfare regimes (both men and women were affected). However, they were also large in the 'Bismarckian' welfare states (but men only) and in Scandinavian welfare states (this time, women only). An Australian study found that only 42% of unemployed people rated their health as very good or excellent compared to 67% of professionals/managers and 67% of clerical/administrative workers (AIHW, 2012).

In our study, interviewees told of how they were forced into unhealthy lifestyles and found it difficult to look after themselves. Bob stated,

Sometimes, some people are reluctant to see a doctor because the doctors are so expensive ... It's hard to get requirements for a healthy diet and without a healthy diet you get sick more often. Plus, in some cases, the environment can also be counterproductive to the health.

Gary gave a startling account of how he felt that living on the Newstart Allowance had affected his health:

There are many occasions where my electricity has been cut off. It's led to increased health problems. Last year with no heating, and no electricity, no lighting, no cooking, I got pneumonia. This led to a virus, which caused the bone to collapse under my eye ... Now I need open facial cranial surgery ... That is a major \$20,000 operation for which I'm in a queue that may never eventuate. And of course, because of the poor food ... I have major dental problems ... Because of ... my diet quality ... I now have Type II Diabetes; and high blood pressure ... that's [at] near death level. I'm on expensive tablets, which I can't afford, and which I often don't take ... This non-employment situation is killing me. I can't afford these tablets all the time. [After rent], I'm only on \$19 a day.

The financial situation of respondents also generated much psychological distress:

It kind of creates stress, not having enough money ... It's really hard. It is kind of anxious [sic], because you don't really know what's going to happen, and then on top of that your payments just get cut for random reasons. (Chris)

Recipients spoke of the anxiety generated by constantly weighing up their purchasing decisions:

You tend to live from pay to pay and that is not really a good way to live ... Newstart people, include myself tend to be living from pay to pay and then there is that anxiety. If I want to out to buy something I can't now because I have to pay the bills ... It is restrictive. (Bob)

Bob felt stigmatised by being on Newstart and thought that people viewed him negatively:

There's also the stigma of being on the dole or whatever they want to call it, Newstart in this case. There is always a stigma behind it because you will be provided government assistance, so people tend to look on that negatively.

Some of the interviewees had a psychiatric disability. Their reports to us suggested that Newstart intensified their disability:

I'm a bit of a sad story. I had personal trauma a few years back ... I've had, unfortunately, suffered from depression for several years and because of that, you keep losing ... So, there is many, many barriers people are confronted with. It's not a lack of, [I] don't consider myself stupid or incapable. I have all the capabilities there but how do I get there [back into the job market]? It's very, very frustrating ... It's difficult. I can only do so much 'cause I'm running out of steam. Does that make sense? (Sally)

## Social isolation

Research has shown that in advanced economies, the lack of financial resources and the anxiety generated by their situation makes it difficult for unemployed people to maintain social ties (Gallie et al., 2003). Many of the interviewees said that their social activity had been severely curtailed:

You look and think you can't do what I normally used to do ... I can't do what I'd like to do. You can't go out ... Like I haven't been to a movie in years because that costs a lot. (Leanne)

Chris framed his analysis of leisure in a similar fashion:

Like you can't go ... socialising really ... I know how much it costs. You know what I mean? ... When you're on Newstart, you do the maths ... You'd think twice for a night out, wouldn't you? ... That's just how it is. Money is everything.

He told of how he often could not afford public transport:

Oh, it's not nice. It's not great at all not having enough money to go out. Sometimes I haven't even got money for a bus ticket, then you have to like, train jump or something ... It is hard.

Time with family and friends has to be restricted:

You ... can't really do anything that much because you can't go out ... For example ... friends and family ... [I] get to see them once a month just because you don't have the financial resources. (Jeff)

Sam could socialise only on the day he was paid:

Monday you get paid. You go to the pub with other guys and have a couple beers but that is it for the week. I mean, you are finished. Can't afford any more.

Stigma arising from unemployment is also a problem in maintaining friendships and social networks:

When it comes to meeting friends ... once people find out that you are unemployed and for this long, basically they just don't want to know you ... It is very hard for people to understand the causality of the whole situation. (Jim)

Gary painted a dramatic picture of Newstart's impact on his social life, drawing out how poverty had subtly reshaped his everyday connectedness:

It's [being dependent on Newstart] destroyed my social networks. I can't afford to go and have a cup of coffee with someone. I can't afford to call someone. And they don't want to call me because I don't want to be embarrassed to say, 'Will you pay for my lunch?' 'Will you pay for my coffee?' 'No I can't come to the movies. I don't have any money to go the movies ... and I

don't want to spend another \$2.50 on getting a bus into town'. And so it increases the anxiety, stress and medical problems – exacerbates current medical problems, and it causes new ones ... and it also alienates people and anti-socialises them ... By that I mean they become fringe-dwellers, on the periphery of society. They're not incorporated. The social networks are so important ... but if all those social networks drop out, you then become either a prisoner in your own home or simply someone that's not in society ...

For single people on Newstart, it was difficult to envisage having an intimate relationship. Often, accommodation was too sparse, and respondents simply did not have the money to 'date':

I'm single. I don't go out and I don't ... Why don't I have a girlfriend? ... You need to show that you can pay for yourself ... You don't want to look like you've got no money and you know ... As I said, I'm single but I'm not bothering. I'm not bothering to go out and look because I don't have money and I'm not really trying ... I can't pay for you or you know what I mean, so nah, I won't worry about it now ... (Jeff)

### **Newstart's impact on the ability to find work**

Finding work after a period of unemployment is difficult, and extremely so as the period of unemployment lengthens (Wilson, 1996). Interviewees told of how the activities they were required to engage in by their employment service were not always useful. The scarring impact of long-term unemployment was certainly evident. Insufficient income contributed to stress, and it added to circumstances in which interviewees struggled to maintain their confidence in a job interview (if they even reached that point). Physical appearance particularly suffered; interviewees told of how difficult it was to keep themselves groomed, appropriately attired and motivated. Gary sums this up as follows:

And so ... \$260 a week,... is completely insufficient financially to live a normal healthy existence *and* look for work. By that I mean maintain interview clothes ... appearance and health that is going to be acceptable at an interview situation; pay for transport, rent, electricity, phone, food for example. There's simply not enough money. ... Putting someone on a drip feed of \$20 a week is not going to do anything for them. Whereas if I could have continued on [a decent income] I would have found another job within months. Really fast. With the same levels of support that I was used to and could cope with ... Sometimes I've had to walk to interviews, like kilometres, without a cent in my pocket, and hungry. This is a system that is unfortunately, so self-perpetuating ...

Long-term unemployed interviewees also described how difficult it was to compete on the job market:

Self-esteem [is] a big issue, especially when you go for interviews. Yeah, you don't feel that fantastic, at all ... See where anyone who's been unemployed ... See the longer you remain on it the harder it is to do an interview; to pull off an interview confidently. You really got to psyche yourself up. (Paul)



Not surprising was the rejection in the survey group of the central premise of neoliberal assistance – that low payments encourage job search and labour market attachment. Our survey indicated that just 20% of respondents agreed or strongly agreed that increasing Newstart would make people less likely to look for a job. Gary vehemently rejected the argument that the Newstart benefit recipients are ‘bludgers’ who are uninterested in finding work:

[The argument] that because I’m unemployed I don’t want to find work ... is completely wrong. Work is one of the things that gives structure to people’s lives and therefore gives meaning to people’s lives. It is crucial. People like to work. No one just likes sitting around doing nothing at all, having no money, not meeting anybody.

The argument that a minimal Newstart allowance will compel recipients back into the workforce is also premised on the availability of jobs. For many of the interviewees, such availability was not their experience:

Your main focus is meant to be looking for work but you can’t look for work 24/7. It drives you nuts. Plus, in the interim you have to cope with disappointments. Not getting a job ... There isn’t really anything to apply for. You know, suitable, you know what I mean ... (Sally)

Several interviewees, in their desperation to work, grabbed whatever came up and found themselves in dangerous and exploitative situations:

You’ve got to learn to get by, and then take what you can as far as work goes. The last job that I was referred to via here ... I was sent to a steelworks ... went out there, and um met the owner, who got me to start. I got there early. I was meant to start at 8, I got there at 7, so he basically started me straight away ... and then my supervisor said, ‘What time did you start?’, and I said, ‘He started me at 7’, and he said, ‘No, no you started at 8’ ... So there was an argument that ensued there, and that was day one. A few days later there was an accident on site, where my supposed supervisor dropped all his load off the forklift, nearly on me, and then there was another incident on the hoist trolley where all the steel girders came flying off ... (David)

## Discussion and conclusion

Despite limitations of sample size, our study provides new insight into the hardships experienced on Newstart of a particularly disadvantaged cohort of inner-Sydney job seekers. The data presented here confirm much of what the welfare sector told the Senate Committee in 2012 about the exceptional difficulties of living on Newstart. It illustrates in particular how the limited financial resources of benefit recipients produce complex, overlapping impacts – financial stress, poor accommodation, compromised physical and mental health, greater social isolation and real difficulties getting back into decent work. In the community of poor Australians encountered in this study, deprivation was a multidimensional and constant feature.

The policy model underpinning Newstart reflects the unreality of the neoclassical labour market. It is premised on temporary job search and rapid reentry into a well-functioning free labour market, and it assumes that a very low unemployment benefit

motivates, and does not hamper, workforce participation. These premises do not match the experiences for the cohort under investigation. Instead, we found clear and widespread anecdotal evidence of the ‘scarring’ impacts of unemployment described by economists; indeed, this interview material has helped us explore the sociological character of that scarring in ways that deserve further elaboration and research. The data show how scarring manifests: they resort to substandard accommodation, defective and self-harming coping strategies, withdrawal from social life, and the haphazard, draining experience of looking for unavailable or unsuitable work.

These experiences give substance to what are the contradictory consequences of neo-liberal reforms – scarring limits return to work and adds to exclusion via long-term unemployment. Still, we were confronted by valiant efforts at self-preservation among our interviewees who made frequent reference to the time and effort required to ‘keep body and soul’ together – a coherent sense of self. This study adds evidence to arguments in favour of substantially increasing Newstart, to questions about the adequacy of employment assistance for the long-term unemployed especially and to calls for greater job creation. Rather than adding needlessly to public expenditures, reforms that promote social justice for Australia’s unemployed will add to participation, productivity and social inclusion.

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### **Notes**

1. The Disability Support Pension (DSP) is available to persons over 16 years who have a physical, intellectual or psychiatric condition that prevents employment for 15 hours or more per week. Persons are eligible for the Age Pension when they turn 65 years. Both benefits are subject to assets and income testing.
2. Parenting Payments are for single parents who care for at least one child under the age of 8 or couple families with at least one child under 6. They are means tested.
3. The mean replacement rate is the proportion that the benefit represents of the full-time average male wage.
4. This wage comparison is not relevant for the Australian system, but it matters in social insurance systems where prior income determines benefit levels for a set period of time.
5. Student-researchers were trained in class in interviewing techniques and collaborated with Morris and Wilson in developing both the interview schedule and survey questionnaire. Students were supervised at the research sites by Morris and Wilson. Students performed much of the work of transcription as part of their course requirements. Wilson and Morris also directly interviewed some of the research subjects and ensured data quality throughout the conduct of fieldwork.

6. Our sample includes several respondents ( $n = 7$ ) aged under 22 years, the current age of eligibility for Newstart. We have assumed that these participants were on Youth Allowance, effectively a Newstart payment for younger Australians albeit with different eligibility and payment rates.
7. The interviews were undertaken in September 2012, and interviewees were recruited through availability sampling using poster advertising onsite. Interviewing was shared with research students who we trained and supervised during the interviews. Initial efforts to obtain a stratified random sample for the survey were unsuccessful, with a low response rate likely due to over-surveying in this population and low trust among the sample frame. We used availability sampling for the survey as well, based on advertisement of the survey at the participating employment provider. Non-random sampling methods prevent us from making population-level inferences.
8. By contrast, the Australian Survey of Social Attitudes in 2012 found that only 29% of Australians believed that Newstart was 'too mean' (combined total).

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