



Policy costing request—during the caretaker period for a general election

Name of policy:	Reducing income inequality
Person requesting costing:	Senator Richard di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	27 June
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	Announced by Australian Greens Senators Richard di Natale and Rachel Siewert: http://rachel-siewert.greensmps.org.au/content/media-releases/everyone-deserves-fair-access-social-services-0 ; greens.org.au/inequality .
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	The policy includes: <ul style="list-style-type: none">• Increases to income support payments, and reversals of earlier cuts• A range of policies to strengthen the social safety net. Please see appendix to this document for list of commitments under the initiative.
What is the purpose or intention of the policy?	To reduce poverty and inequality in Australia.
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	Reinstating the energy supplement interacts with other costings including compensation for the introduction of a carbon price. While increases to Commonwealth Rent Assistance were announced in conjunction with this policy, these will be included in a separate housing policy costing.

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<p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>	<p>Increases to payments and other income support changes are demand driven.</p> <p>The National Anti-Poverty Strategy is a capped amount.</p> <p>Funding for community based employment initiatives is capped at the extent of savings from removing the Work for the Dole program.</p> <p>Additional funding amounts for community services (\$504m in total) are capped amounts, including administration costs.</p> <p>Funding for the Equality Commission is as needed to establish the Commission based on the parameters specified below.</p>
<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>Income support payments are to be administered by the Commonwealth.</p> <p>Developing an anti-poverty strategy will involve consultation with state and territory governments and community organisations.</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>Savings associated with the removal of the Work for the Dole program.</p>
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>Yes – reversing a number of cuts introduced in budget measures, as set out below.</p>
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>-</p>
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>CPI indexation for the National Anti-Poverty Strategy.</p> <p>Changes to Newstart and Youth Allowance will involve indexation by the higher of CPI, MTAWA or PBCLI.</p>

Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices)^(a)				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)				
Fiscal balance (\$m)	-2513	-3118	-3266	-3416
(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?				
Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	No			
What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?	To improve the quality and cost of living for many Australians and improve economic performance by reducing income inequality.			
Administration of policy:				
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?	Commonwealth Government unless otherwise specified.			
Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).	-			
Intended date of implementation:	1 September 2016 unless otherwise specified.			
Intended duration of policy:	Increases to income support are ongoing. Capped amounts are over the forwards.			

Are there transitional arrangements associated with policy implementation?	-
List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).	-
Are there any other assumptions that need to be considered?	-
<p>NOTE:</p> <p><i>Please note that:</i></p> <p><i>The costing will be on the basis of information provided in this costing request.</i></p> <p><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	

Commitments under the inequality package

Lifting payments

- Increase the single rates of Newstart Allowance and independent Youth Allowance by \$55 a week from 1 September 2016
 - Change the indexation arrangements for all rates of Newstart and Youth Allowance from the Consumer Price Index (CPI) to the higher of the CPI, Male Total Average Weekly Earnings (MTAWE) or Pensioner and Beneficiary Cost of Living Index (PBCLI)
 - Decrease the eligibility age to access Newstart Allowance from 25 years to 22 years of age.
- Change the Parenting Payment Single from 1 September 2016 to
 - Increase the qualifying age of the youngest dependent child from 8 to 16 years, and
 - Remove the pause in the income threshold indexation
- Reversing relevant components of the following budget measures, in order to increase income support
 - No longer require a one-week waiting period: Reverse *Apply the One-Week Ordinary Waiting Period* (Budget 2014-15 and Budget 2015-16 measures)
 - No longer require a four week waiting period for young people: Reverse the relevant aspects of *Growing jobs and small business – youth employment strategy – revised waiting period for youth income support*
 - Re-index eligibility thresholds: Reverse *Maintain eligibility thresholds for Australian Government payments for three years*
 - Ensure people are able to continue receive appropriate income support including in psychiatric confinement: Reverse *Cessation of social security benefits for certain people confined in a psychiatric institution*

Strengthening our social safety net

- Provide funding of \$12m over three years (2016-17 to 2018-19; indexed by the CPI) to develop a national anti-poverty plan involving establishing an expert group, developing a national, combined Commonwealth state and territory anti-poverty strategy, and developing anti-poverty targets to be reported annually.
- Abolishing Work for the Dole. Savings are to be redirected to community based initiatives (no bottom line cost to the budget).
- Improve access to community services by:
 - Providing an additional capped amount of \$200m over four years
 - Provide \$304m (capped funding) over four years to offset the reduced funding from [2014-15 Budget measure](#) *Discretionary Grant Programme Reform*
 - Providing funding through to 2019-20 for a taskforce to prepare a national access plan which would include the mapping community service needs, identifying unmet need and community consultation: \$10.1m over the forward estimates, capped.
- Establishing an ongoing Equality Commission with approximately 30-36 staff, from 1 September 2016. Staff would progressively join the organisation, resulting in a half year impact on average in 2016-17.
 - Each year the Commission would receive submissions from community organisations, peak bodies, and other interested parties, and also commission expert analysis. The Commission would provide public advice to Government and the Parliament on living costs for various groups and household types – in particular, for income support recipients.