



Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *A Living Wage for Artists* (letter of 30 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

20 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	A Living Wage for Artists
Summary of proposal:	<p>This proposal has two components.</p> <p><u>Component 1: Centrelink mutual obligation requirement</u></p> <p>This component would allow artistic activities that provide community benefit to be eligible for Centrelink mutual obligation requirements.</p> <p><u>Component 2: Low-income artist superannuation supplement</u></p> <p>Where a working artist meets the eligibility criteria for the Low Income Superannuation Tax Offset (LISTO) announced in the 2016-17 Budget, this component would also make them eligible to receive an additional annual government superannuation payment of \$500.</p> <p>The proposal would have effect from 1 July 2017.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	8 June 2016 http://www.adamandt.com/160608
Date costing request received:	30 June 2016
Date costing completed:	30 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to decrease the fiscal balance by \$74 million and decrease the underlying cash balance by \$64 million over the 2016-17 Budget forward estimates period. This reflects an increase in expenses over this period.

The fiscal and underlying cash balance impacts differ due to the timing profile of the superannuation supplement. For Government superannuation contributions, the fiscal balance impact typically occurs in the year in which a person qualifies for the supplement. The underlying cash balance impact occurs when the Australian Taxation Office (ATO) is able to consolidate taxpayer information and pay the supplement, which generally happens within two years after qualifying for the payment.

Detailed financial implications of the proposal are provided at [Attachment A](#).

This proposal is expected to have ongoing impacts beyond the 2016-17 Budget forward estimates period. The mutual obligation component would change with payments. The impact of the superannuation supplement would be expected to decrease as incomes grow, reducing the number of people below the non-indexed LISTO income eligibility threshold.

Departmental expenses were estimated to be around \$9 million over the 2016-17 Budget forward estimates period. This would enable the Department of Human Services (DHS) to assess eligibility and process claims and enable the ATO to implement the superannuation supplement.

This costing is considered to have low to medium reliability. The estimates are sensitive to changes in population and income growth, payment increases, claim probability and any changes in behaviour that result from the proposed policy.

Table 1: Financial implications^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-28.0	-23.0	-23.0	-74.0
Underlying cash balance	-	-18.0	-23.0	-23.0	-64.0

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates a nil value.

Key assumptions

- A proportion of low-income artists are assumed to already receive income support payments from Centrelink.
- It is assumed that the artist population in each age group increased at the same rate as overall population growth in each age group between 2011 and 2015.
- It is assumed that there would be no behavioural change in response to the introduction of a new superannuation supplement for artists.

- It is assumed that payments of the low-income artist superannuation supplement would have the same timing profile as similar Government superannuation payments.
- The superannuation supplement is assumed to be non-taxable.

Methodology

- To calculate the mutual obligation component, data on the number of artists in Australia by age and income was obtained from the Australian Bureau of Statistics (ABS). The cost of this component of the proposal for each year is calculated by multiplying the estimated number of new recipients that would become eligible under this proposal by their estimated average social security payment consistent with the parameters in the 2016-17 Budget.
 - The definition of artist is taken from the *Australian and New Zealand Standard Classification of Occupations* and includes all occupations defined as Arts Professionals and some occupations defined as Media Professionals (authors, directors, art directors and directors of photography).
 - The amount and type of payments to eligible artists are estimated using data from the Department of Social Services (DSS) and the Department of Employment (DoE) about their age, income, marital/de-facto status, whether or not they have children and whether or not they are a job-seeker or full-time student.
 - Departmental expenses are calculated by multiplying the expected number of new recipients of each payment type by their respective unit cost as specified by the DHS.
 - Estimates of Centrelink payments are rounded to the nearest \$5 million. Estimates of departmental expenses are rounded to the nearest \$1 million.
- For the low-income artist superannuation supplement, individuals who are eligible for the LISTO and whose primary occupation is artist are identified using a 16 per cent sample of 2012-13 personal income tax and superannuation returns. Multiplying the number of eligible recipients by the dollar amount of the new superannuation supplement provides estimates of the total increase in government funded superannuation payments as a result of this proposal.
 - Estimates of the cumulative increases in superannuation funds under management for each year are then used to estimate the increase in superannuation earnings tax (which is rounded to zero).
 - Estimates of superannuation supplement payments are rounded to the nearest \$5 million. Estimates of departmental expenses are rounded to the nearest \$1 million.

Data sources

- ABS, Employment in Culture, Australia, 2011 (Cat 6273.0).
- ABS, Australian Demographic Statistics, September 2015 (Cat 3101.0).
- Data on marital/de-facto status, dependent children and living arrangements was obtained from the DSS and the DoE.
- Data on the proportions of individuals receiving study-related social security payments was obtained from the DSS.
- 2016-17 Budget.
- DHS unit pricing data as of the 2016-17 Budget.
- De-identified 16 per cent samples of personal income tax and superannuation returns for 2012-13 were provided by the ATO.

Attachment A: A living wage for artists— financial implications

Table A1: A living wage for artists—Fiscal balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Revenue	-	-
Administered Expenses	-	-25.0	-20.0	-20.0	-65.0
<i>Centrelink mutual obligation</i>	-	-15.0	-15.0	-15.0	-45.0
<i>Superannuation supplement</i>	-	-10.0	-5.0	-5.0	-20.0
Departmental Expenses	-	-3.0	-3.0	-3.0	-9.0
Total	-	-28.0	-23.0	-23.0	-74.0

(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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates a nil value.

.. Indicates the value is not zero but rounded to zero.

Table A2: A living wage for artists —Underlying cash balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Receipts	-	-
Administered Outlays	-	-15.0	-20.0	-20.0	-55.0
<i>Centrelink mutual obligation</i>	-	-15.0	-15.0	-15.0	-45.0
<i>Superannuation supplement</i>	-	-	-5.0	-5.0	-10.0
Departmental Outlays	-	-3.0	-3.0	-3.0	-9.0
Total	-	-18.0	-23.0	-23.0	-64.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates a nil value.

.. Indicates the value is not zero but rounded to zero.

Table A3: Component 1: Centrelink mutual obligation requirement—Financial implications (outturn prices)^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Expense	-	-17.0	-17.0	-17.0	-51.0
<i>Administered</i>	-	-15.0	-15.0	-15.0	-45.0
<i>Departmental</i>	-	-2.0	-2.0	-2.0	-6.0
Total	-	-17.0	-17.0	-17.0	-51.0

(a) A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms. The impacts on fiscal and underlying cash balances are equal.

(b) Figures may not sum to total due to rounding.

- Indicates a nil value.

Table A4: Component 2: Low-income artist superannuation supplement—Financial implications^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal balance					
Revenue	-	-
Expense	-	-11.0	-6.0	-6.0	-23.0
<i>Administered</i>	-	-10.0	-5.0	-5.0	-20.0
<i>Departmental</i>	-	-1.0	-1.0	-1.0	-3.0
Total	-	-11.0	-6.0	-6.0	-23.0
Underlying cash balance					
Receipts	-	-
Outlays	-	-1.0	-6.0	-6.0	-13.0
<i>Administered</i>	-	-	-5.0	-5.0	-10.0
<i>Departmental</i>	-	-1.0	-1.0	-1.0	-3.0
Total	-	-1.0	-6.0	-6.0	-13.0

(a) A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates a nil value.

.. Indicates the value is not zero but rounded to zero.