

**Senate Standing Committee on Education Employment and Workplace
Relations**

**QUESTIONS ON NOTICE
Budget Estimates 2011-2012**

Outcome 4 - Employment & Participation Policy

DEEWR Question No.EW0377_12

Senator Fifield asked on 31/05/2011, Hansard page 88.

Question

Newstart - Indexation

Senator FIFIELD: How the indexation of Newstart is determined, what the sort of cost of living measure is, CPI? Ms Milliken: It is us. Senator FIFIELD: It is you? Ms Milliken: Yes. Senator FIFIELD: Is it CPI? Ms Milliken: It is CPI, yes, and I could take on notice describing for you the relevant quarters that apply to the indexation. Indexation of Newstart occurs on, with effect, 20 March and 20 September each year.

Answer

Indexation provisions for Newstart Allowance are set out in the Social Security Act 1991. Newstart Allowance is indexed on 20 March and 20 September of each year. The Australian Bureau of Statistics measure used for Newstart Allowance is the Consumer Price Index.

Indexation compares the change in the Consumer Price Index between reference and base quarters.

- For the March increase, the reference quarter is the most recent December quarter and the base quarter is the highest previous June or December quarter (from June quarter 1979).
- For the September increase, the reference quarter is the most recent June quarter and the base quarter is the highest previous December or June quarter (from June quarter 1979).

The reference quarter is divided by the relevant base quarter to give the indexation factor at a given indexation event. The 'old' rate of payment is then multiplied by the indexation factor to give the provisional (unrounded) rate. The provisional rate is then rounded to a multiple of 10 cents and becomes the new rate of payment.