



**Australian Government**  
**Department of Social Services**

**Shane Bennett**  
Group Manager  
Participation Payments  
and Families

Jeanette Radcliffe  
Committee Secretary  
Senate Standing Committees on Community Affairs  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Ms Radcliffe

**SUBMISSION TO SENATE COMMUNITY AFFAIRS REFERENCES COMMITTEE**

Please find attached a submission to the inquiry into the adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia.

This submission is a multi-agency submission led by the Department of Social Services and developed with:

- Attorney-General's Department
- Department of Education
- Department of Employment, Skills, Small and Family Business
- Department of Health
- Department of the Treasury
- Services Australia
- National Indigenous Australians Agency.

Yours sincerely

Shane Bennett  
Group Manager, Participation Payments and Families

30 September 2019



**Australian Government**  
**Department of Social Services**

# Multi-agency Government Submission

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



## List of contributing agencies to this submission

- Attorney-General's Department
- Department of Education
- Department of Employment, Skills, Small and Family Business
- Department of Health
- Department of the Treasury
- Department of Social Services
- Services Australia
- National Indigenous Australians Agency

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## Executive Summary

- A growing economy has contributed to a period of low unemployment and declining numbers of Newstart Allowance recipients.
- Newstart Allowance is part of a broader welfare system comprising payments, services, concessions, child care, housing and employment services and associated programs.
- The social security system, complemented by a range of employment services and programs, is designed to support people of working age by creating pathways to employment and incentivising people to take up work as it is available.
- Australia's social security system is different to the majority of OECD countries as it is taxpayer funded and highly targeted to those most in need.
- The majority of individuals entering Newstart Allowance leave the payment within a year, but some groups face challenges finding employment and new initiatives are underway to improve support for these groups.

## Introduction

Australia's income support system is part of a wide-ranging welfare system that assists people through provision of a range of cash payments, services and support programs.

The welfare system operates as a safety net within the context of government social and economic policy, which is designed to encourage growth and create jobs, and promote investment in education, skills, and health.

This submission presents the current economic and labour market context, the principles and policy settings that underpin Newstart Allowance and other related payments and how Australia's system compares internationally. It also provides an outline of working age payment qualification and eligibility criteria, including supplementary payments available to assist recipients with additional expenses.

The submission outlines the range of employment services and programs available to job seekers, and the mutual obligations and compliance framework that supports and incentivises participation in paid work. It also presents the main demographics of the Newstart Allowance and Youth Allowance (other) population, and the incentives built into the payment architecture that encourage recipients to work.

A range of other services that support vulnerable job seekers are outlined in the submission, including support through Services Australia, subsidies for child care and investments to improve affordable housing.

## Section 1: Environmental Scan

### **Economic growth remains positive**

The Australian economy grew by 0.5 per cent in the June quarter 2019 to be 1.4 per cent higher through the year.

While growth momentum has slowed since the first half of 2018, the economy is faring well considering headwinds such as adverse weather conditions affecting the rural sector, the housing market downturn and the global trade slowdown. Growth continues to be broad-based with contributions from net exports, public final demand and household consumption in the June quarter.

The 2019-20 Budget forecast real GDP growth to be 2¾ per cent in 2019-20 and 2020-21 – these forecasts will be updated in the 2019-20 Mid-Year Economic and Fiscal Outlook.

### **The labour market remains solid**

Total employment increased by 2.5 per cent over the year to 12.9 million in August 2019, well above the annual average growth rate of 1.8 per cent over the past 10 years and more than twice the OECD average of 1.1 per cent.

Stronger labour market conditions are encouraging more people to enter the labour market with the participation rate increasing to a record high of 66.2 per cent and compares to a 10-year average of 65.2 per cent.

Against this backdrop, Australia's unemployment rate has declined to 5.3 per cent in August 2019 and is below the 10-year average of 5.5 per cent.

The 2019-20 Budget forecast employment growth to be solid over the next few years, though the rate of growth is expected to moderate to 1¾ per cent in 2019-20 and 2020-21. Recent job vacancy data also points to a moderation in employment growth going forward, consistent with the 2019-20 Budget forecasts.

### **Wages growth remains modest**

In Australia, as in other advanced economies, the response of wage growth to improving labour market conditions has been more modest than in past cycles. This is partly explained by lower inflation expectations and spare capacity, as indicated by broader measures of labour market underutilisation. Strong employment growth has also drawn people into the labour market who were not previously looking for work.

In Australia, slower wage growth also reflects adjustments associated with the unwinding of the terms of trade boom. As growth in the economy picks up and spare capacity in the labour market continues to be absorbed, wage growth and inflation are expected to rise.

The Wage Price Index increased by 2.3 per cent through the year to the June quarter 2019, while headline inflation was 1.6 per cent through the year to the June quarter 2019.

### **The future of work**

Factors such as technology, globalisation, urbanisation, and demographic change will continue to affect the Australian labour market. While automation is altering the

way we work, early estimates of potential job losses were inflated. Most current reports agree around 10 per cent of jobs are at high risk of automation, but most jobs will change significantly.<sup>1</sup>

Jobs are increasingly likely to rely on knowledge and cognition rather than manual labour. Both manual and cognitive jobs are becoming less procedural as routine tasks are automated. Promoting adaptation within jobs is important in managing the impacts of technology. The jobs that have changed the least over the last five years have the highest rates of redundancy and business failure.<sup>2</sup> While some jobs may be lost to automation, a key challenge for current and future workers is to be flexible and able to acquire new skills as tasks within jobs change.

### **The importance of a well-skilled workforce**

A well-skilled, flexible workforce is needed to keep pace with technological advances and ongoing business innovation.

Education and skills are an important part of Australia's future prosperity and productivity growth. The 2019-20 Budget contained a \$525.3 million Skills Package over 5 years from 2018-19 as part of the Government's response to the Hon Steven Joyce's review into the Vocational Education and Training (VET) sector. This investment will support individuals to develop the skills they need to succeed in Australia's modern workplace, whilst providing employers with the workers they need to grow the economy.

The Skills Package includes an investment of \$62.4 million in a new language, literacy, numeracy and digital program, including four pilot programs in remote Indigenous communities.

The skill development of job seekers is supported through specific programs such as Employability Skills Training and Career Transition Assistance, as well as investment through the Employment Fund. This support ranges from the development of soft skills through to supporting the attainment of formal qualifications (see **section 3 – Employment Services**).

To ensure employment services remain effective in an environment where rapid technological change is creating new jobs and industries, a new employment services model was announced in March 2019. It will provide a more personalised service to better target job seeker needs, invest more in disadvantaged job seekers and make greater use of digital technology.

### **Setting the national minimum wage**

In Australia, the independent Fair Work Commission annually reviews and sets the national minimum wage and industry and occupation specific award wages for employees in the national system. The national minimum wage is currently \$19.49 an hour (or \$740.80 per week or \$38,521.60 per year). The Fair Work Commission also sets special minimum wages for apprentices, trainees, employees with disability and juniors.

The Fair Work Commission's Annual Wage Review is conducted by an Expert Panel each financial year, with the decision coming into effect on 1 July of the following

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<sup>1</sup> OECD 2019, *OECD Employment Outlook 2019: The Future of Work*, OECD Publishing, Paris.

<sup>2</sup> AlphaBeta 2018, *Mapping Australian Workforce Change*, AlphaBeta, Sydney.

year. The Expert Panel comprises seven people; the President of the Fair Work Commission, three full-time members and three part-time members with expertise in areas such as economics, social policy, business or workplace relations.

In conducting the Annual Wage Review, the Expert Panel must take into account a number of considerations under the *Fair Work Act 2009*, such as promoting social inclusion through increased workforce participation, relative living standards and the needs of the low paid, and the performance and competitiveness of the national economy.

Most developed countries set minimum wages, with at least three quarters of all OECD countries having a national or statutory minimum wage.<sup>3</sup> Like Australia, many other countries also review the minimum wage annually either as a legal requirement or part of common practice, albeit with differences in the process and wage setting authority. In Australia, Mexico and Turkey, a specialised body independently sets minimum wages. In other developed countries, such as the United Kingdom and New Zealand, the national government sets the minimum wage, often after receiving a recommendation from a specialised body (often comprised of union and employer representatives) or after consulting relevant stakeholders.

## Challenges

While overall Australian labour market conditions continue to be solid, a number of groups including youth, long-term unemployed people, mature aged people, Indigenous Australians, people with disability, those who are lower skilled and those from regional areas, can experience weaker outcomes in the labour market compared with the national average.

Capital cities in Australia tend to exhibit stronger labour market conditions than their non-metropolitan counterparts. For example, the unemployment rate in the capital cities was 5.0 per cent in June 2019, below the 5.3 per cent recorded in the rest of state areas. The participation rate was 67.3 per cent in the capital cities, well above the 62.4 per cent recorded in the rest of state areas.

Differentiation in labour market performance at the regional level can be attributed to a number of factors, such as industry base, transport networks and infrastructure, degree of natural amenity, population size and growth, accessibility to more dynamic labour markets and the skill level of the labour force, including a region's access to higher education.

## A focus on creating jobs – why jobs matter

The Government has outlined a focus on creating job opportunities and improving services that help people get and keep a job.

The benefits of employment go beyond financial rewards into other areas such as health, social mobility and psychological wellbeing.

Employment supports living standards and provides financial security for the individual or household, allowing people to invest in long-term assets such as housing and superannuation, leading to greater financial security into the future.

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<sup>3</sup> OECD 2018, *Real Minimum Wages*, <https://stats.oecd.org/Index.aspx?DataSetCode=RMW>.



Research suggests that, aside from the direct impact on financial living standards, one of strongest negative impacts of unemployment is on psychological wellbeing and 'life satisfaction'.<sup>4</sup>

There are also intergenerational benefits, as many of the benefits of employment (or negative effects of unemployment) are passed on from parents to children. Children who spend significant time in households where one or more people are employed generally have better outcomes in terms of social, emotional, physical development and learning.

Analysis from the Priority Investment Approach<sup>5</sup> shows that people with employment earnings who receive a working age payment, like Newstart Allowance, Youth Allowance (other) or Sickness Allowance, are around 1.5 times more likely to leave that category of payment and around two times more likely to leave the payment system than those without any employment earnings.

Further, people who have no earnings have a higher expected average lifetime cost<sup>6</sup> than those who do have earnings. For example, 20 to 25 year olds receiving a working age payment in 2016-17 who did not have any earnings during that year had an average future lifetime cost 16 per cent higher than those who did.

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<sup>4</sup> Ambrey, CL & Flemming, CM 2014, 'Life Satisfaction in Australia: Evidence from Ten Years of the HILDA Survey', *Social Indicators Research*, vol. 115, pp. 691-714; and

Carroll, N 2005, 'Unemployment and Psychological Wellbeing', *Research Discussion Paper No. 492*, Centre for Economic Policy, RISSS Economics Program, ANU.

<sup>5</sup> The Priority Investment Approach (PIA) to Welfare is a major initiative that applies actuarial methods and data analysis to provide a long-term evidence-based view of the social welfare system. PIA uses a combination of longitudinal social security administrative data and survey data collected over the past 17 years; in particular, the Australian Census of Population and Housing and the Household, Income and Labour Dynamics in Australia (HILDA) Survey. By looking at pathways in and out of the welfare system over the longer term, PIA allows the identification of particular cohorts at risk of long-term benefit receipt.

<sup>6</sup> Average lifetime cost represents the per person net present value of all future welfare payments made to a group of people over the remainder of their natural lifetimes, as modelled under the Priority Investment Approach.

## Section 2: The welfare system

### Overview of Australia's welfare system

Australia has a wide-ranging welfare system that assists people through a range of cash payments, services and support programs.

Australian Government expenditure on social security and welfare was more than \$172 billion in 2018-19, representing 35 per cent of all Government spending.<sup>7</sup> Of this expenditure, \$111.4 billion relates to social security payments administered by the Department of Social Services and paid to eligible individuals and families.<sup>8</sup>

In addition to direct financial assistance, people receiving income support payments can usually access goods or services, such as discounted prescription medicines or financial counselling, or receive government subsidies, like the Child Care Subsidy, at a higher rate. State, territory and local governments and some organisations also have support services and information that may be available to income support recipients. This ranges from discounted fees and charges, such as licences and registration through to access to subsidised public transport.

Considerations about the appropriate levels of support should include consideration of the value and availability of other government assistance such as supplementary payments, concessions, subsidies, and programs.

### Australia's income support system

Australia has a highly-targeted income support system, based on need, and funded from general revenue, including taxes collected from individuals and business. The primary purpose of the income support system is to ensure a minimum standard of living for those unable to support themselves through work, savings or other means.

Australians are expected to use their own resources before calling on the support of the general community for assistance. Australia's income support system uses means testing to help ensure payments are targeted to those most in need by reducing assistance as a person's income and assets increase.

Levels of support are balanced with the need to maintain incentives to work and the need to maintain the fiscal sustainability of the system. The amount of income support a person receives is based on circumstances, including payment type, age, residence status, relationship status, housing tenure, whether they have dependent children, and their level of income and assets.

Payment rates and indexation provisions are set according to social security legislation.

Newstart Allowance is indexed regularly. Rates are indexed in March and September to increases in the Consumer Price Index (CPI). This has been the long-standing policy of successive governments. Youth Allowance is also indexed annually by CPI in January.

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<sup>7</sup> Commonwealth of Australia 2019, Estimated actual expenditure for the Social Security and Welfare function, 2019-20 Budget Paper No. 1, p. 5-22.

<sup>8</sup> Department of Social Services 2019, Portfolio Budget Statements 2019-20, p. 21.

The CPI is a widely used approach to ensuring that payment rates maintain their value in real terms. For example, Canada, the United Kingdom, and the United States generally adjust social security benefits according to changes in the CPI for a preceding period.<sup>9</sup>

Income testing arrangements reflect a balance between targeting support to those in need and providing incentives for self-reliance. More information about income testing and the incentives to work is provided in section 2 – Income Testing.

Where recipients have additional costs, such as renting in the private market or caring for children, supplementary payments and concessions are available. Recipients with mutual obligation requirements are also assisted through employment services to build their capacity and find a job. For more information about the assistance provided to job seekers, see **section 3 – Employment Services**.

### **Sustainability of Payments**

Australia targets a higher proportion of its social security spending to low income households compared to other countries in the OECD.<sup>10</sup> Comparisons of total social security spending as a proportion of Gross Domestic Product (GDP) need to be considered in terms of a range of factors including taxation policies. As social security represents a sizeable proportion of Australian Government spending, it is important to ensure costs are sustainable into the future.

The Australian Government is committed to ensuring taxpayer-funded income support payments, such as Newstart Allowance, are directed to those individuals and families most in need while keeping the system that underpins this support fiscally sustainable. Demographic changes related to an ageing population will add to fiscal pressures over time.

The Government's medium-term fiscal strategy is to achieve budget surpluses, on average, over the course of the economic cycle. This outlines how the Government will set medium-term fiscal policy while allowing for flexibility in response to changing economic conditions.

The Government's budget repair strategy is designed to deliver sustainable budget surpluses building to at least 1 per cent of GDP as soon as possible, consistent with the medium-term fiscal strategy.

As the Budget returns to surplus in 2019-20, and with surpluses projected over the medium term, the Government will focus on strengthening the balance sheet and reducing debt. Maintaining debt at prudent levels is an important element of improving the strength and sustainability of the Government's financial position.

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<sup>9</sup> The United States undertakes cost of living adjustments for Social Security and Supplemental Security Income by CPI.

The United Kingdom has used CPI as the default inflation measure since 2011. For 2016-17 to 2019-20, the UK has paused indexation for most working age benefits. Benefits for people with disability and carers continue to be indexed.

Canada indexes the Old Age Security pension by CPI.

<https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/oas-price.html>

The basic rate for calculating Employment Insurance benefits is 55 per cent of average insurable weekly earnings, up to a maximum amount.

<sup>10</sup> OECD Income Distribution Database – discussed below.

## **A comparison to international standards**

The Australian social security system differs markedly from the social insurance approaches of most OECD countries. Unlike Australia, almost all developed nations require contributions from employers and employees, and assistance is generally based on prior earnings and time-limited for working age recipients.

Australia does not provide income replacement or universal (non-means tested) income support payments. Income support payments in Australia are set at flat rates so the same maximum rate applies for all recipients in similar circumstances, irrespective of previous earnings or taxes paid. Assistance is paid for as long as the recipient meets the eligibility criteria. The focus on income replacement in other countries means these systems cost considerably more than the safety net approach used in Australia.

Income support in Australia is not supplemented with mandatory social security contributions. Australia and New Zealand are unique among developed nations in not applying a social security levy on employers and employees (although the social security contribution in Denmark is very small).

The OECD has categorised welfare systems into four main types, based on the combination of the payment and funding mechanisms used, and the outcomes achieved.<sup>11</sup>

- A Nordic model characterised by large and mostly universal cash transfers, a high level of spending on in-kind services and a tax mix that promotes redistribution (all Nordic countries and Belgium are in this group).
- A Continental European model characterised by large cash transfers with the majority for old-age pensions – i.e. redistributing income mostly over the lifecycle instead of across individuals – and a tax mix which does not promote redistribution across individuals, reflecting a small role for personal income tax (Austria, France and Germany are representative).
- An Anglo-Saxon model, characterised by small cash transfers, and a tax mix that promotes income redistribution. This model can be divided in two sub-groups: those countries with transfers highly targeted to low income groups (Australia and New Zealand are the key examples) and those countries characterised by little progressivity of cash transfers which are largely spent on old-age pensions (Japan and the United States are in this sub-group).
- A lower income group, where the welfare system is not well developed. Spending on transfers and the level of taxation are considerably below the OECD average, with a heavy reliance on consumption taxes (Chile and Turkey are in this group).

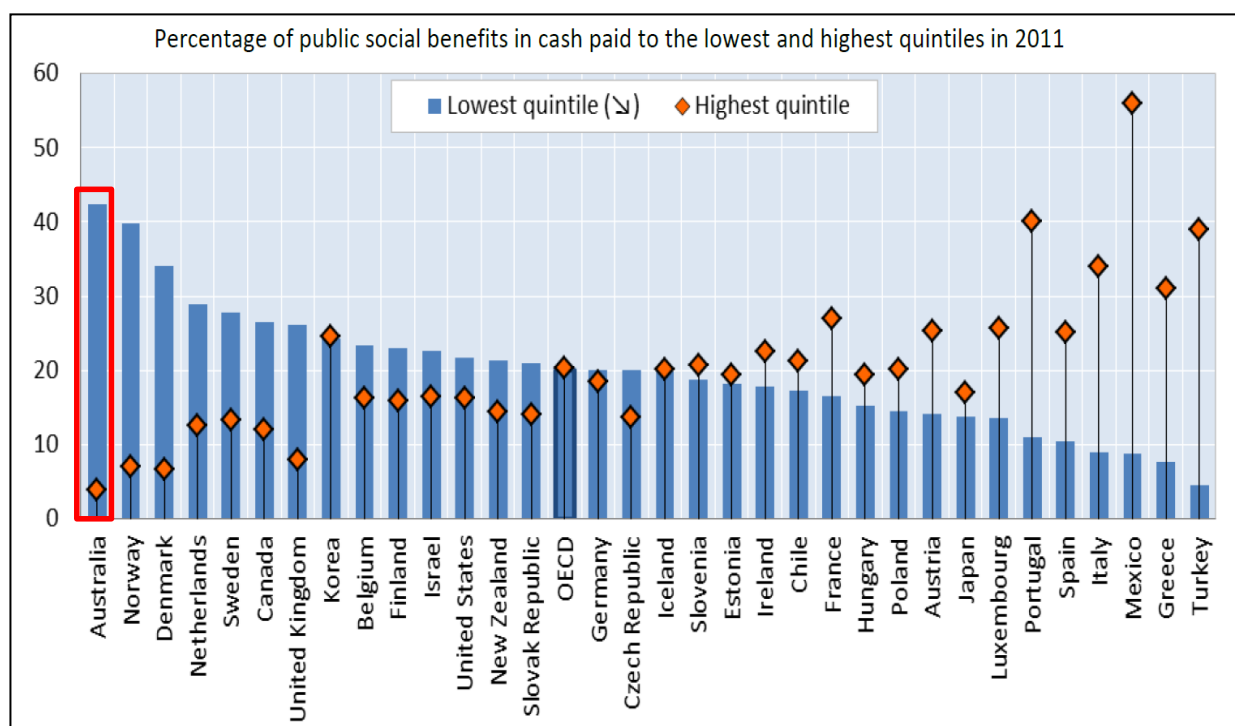
The combination of mechanisms used in each country has a significant bearing on the cost of the system. Total social spending in Australia is below the OECD average because of its reliance on providing targeted support. Australia's reliance on targeting means that more assistance goes to those in the lowest income quintiles.

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<sup>11</sup> OECD 2013, *OECD Journal: Economic Studies*, vol. 2012, pp.39-40, OECD Publishing, Paris.

A significant proportion of cash benefits in Australia are means tested. Means testing is an effective approach to containing the cost of social security because it directs assistance to those most in need by reducing assistance as private means increase.

**Figure 2: Social Benefits in cash paid to lowest and highest quintile**

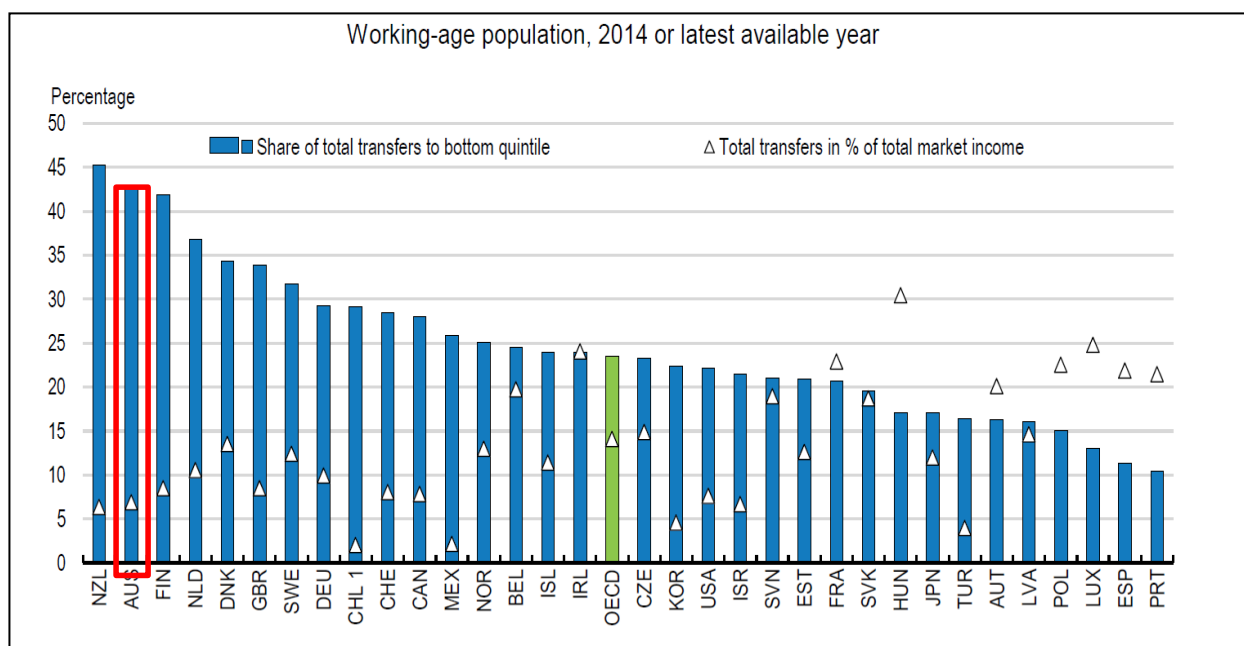


Source: OECD Income Distribution Database

The proportion of cash transfers across all age groups going to people in the lowest income quintiles depends on the objectives of each social security system.

Australia's strong focus on targeting assistance to those households with fewest financial resources means that in 2011, more than 40 per cent of cash transfers were directed to those in the bottom 20 per cent of the income distribution, twice as much as the OECD average. Less than 5 per cent of cash transfers in Australia went to those in the top 20 per cent of the income distribution.

**Figure 3: Share of transfers for lowest quintile**



Source: OECD Income Distribution Database

Data refers to 2012 for Japan; 2015 for Chile, Finland, Israel, Korea, the Netherlands, the United Kingdom and the United States; and 2014 for the rest.

Figure 3 (above) shows how effectively Australia targets income support to those in the bottom income quintile of the *working age population*, as opposed to the poorest households overall (including all age groups) as in Figure 2.

## Working Age Allowance Payments

Working age allowance payments such as Newstart Allowance are designed to provide a safety net for people who require financial assistance, while maintaining incentives for people to join or return to the workforce where they are able.

In addition to income support payments, people may also be able to access a range of additional supplementary payments and other supports and services. These are discussed further below.

From 20 March 2020, the **JobSeeker Payment**<sup>12</sup> will become the main working age payment in the Australian income support system for people aged over 22 years. The JobSeeker Payment will replace seven existing payments that will be consolidated or closed from this date.

## Newstart Allowance

Newstart Allowance is the main income support payment for working age unemployed people while they look for work. Newstart Allowance recipients may continue to receive payment as long as they meet the eligibility criteria.

<sup>12</sup> Further information about the JobSeeker Payment is provided at Appendix 3.

To be eligible for Newstart Allowance an individual must:

- be unemployed, or regarded as unemployed
- be aged 22 to Age Pension age
- participate in or be willing to participate in job search and/or approved activities, unless exempt from mutual obligation requirements, and
- be prepared to enter into or comply with a job plan to fulfil mutual obligation requirements.

Residence requirements also apply:

- they must be an Australian resident,
- the payment is available to newly arrived migrants, after 208 weeks in Australia as an Australian resident (some exceptions may apply)<sup>13</sup>, and
- the payment may be paid for up to six weeks of a temporary absence from Australia in certain limited circumstances.

For Newstart Allowance purposes, unemployed includes people who have some work but are not earning enough to preclude them from payment, such as those working part-time.

This rule exists because Newstart Allowance is a payment that is specifically designed to assist people who are actively seeking work in Australia.

## **Rates**

There are several different rates of Newstart Allowance depending on individual circumstances such as differing capacity or expectations for individuals to support themselves through paid work.

For example, the higher single allowance rate was extended to long-term income support recipients aged 60 and over without dependent children in 1990 in recognition that older unemployed people had relatively limited prospects of finding full-time work compared to younger age groups.

Single principal carers granted an exemption from participation requirements due to foster caring, home schooling, distance education or having four or more dependent children receive a rate aligned to the Parenting Payment Single rate (\$780.70).

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<sup>13</sup> Payment may be available in some circumstances for a limited period of up to six months to certain New Zealand citizens

**Table 1: Adult allowances - maximum fortnightly rates at September 2019\***

Category	Maximum Basic Rate
Single, no children	\$559.00
Single, with a dependent child or children	\$604.70
Single, aged 60 or over, after nine continuous months on payment	\$604.70
Single principal carer granted an exemption from mutual obligation requirements	\$780.70
Partnered (each)	\$504.70

*\*Energy Supplement is also payable. Other supplements may be payable depending on individual circumstances. These are discussed further below.*

Newstart Allowance is indexed twice a year to increases in the Consumer Price Index (CPI), in March and September.

The Australian income support system recognises that single recipients generally need more income to have a similar standard of living to couples. Couples gain economies of scale and advantages from living together, like the ability to pool resources to meet their needs. Not all single people have the ability to share all costs with another person, and when they do share, the economies achieved are not as great. This includes for costs like electricity, telephone, transport, heating and house maintenance.

Similarly, the income and assets of each member of a couple is assessed for the purposes of the social security income test. It is consistent with societal norms and expectations that couples pool their resources, and for a member of a couple to seek support from their partner prior to seeking assistance from the government. This is to ensure the system is fair and properly targeted to those most in need.

### Youth Allowance – jobseekers

Youth Allowance (other) is a means-tested payment that provides assistance for job seekers aged under 22 years.

To be eligible for Youth Allowance as a job seeker an individual must:

- be aged 16 to 21,
- looking for full time work or doing approved activities, or
- temporarily unable to work.



Residence requirements also apply.<sup>14</sup>

- they must be an Australian resident,
- the payment is available to newly arrived migrants, after 208 weeks in Australia as an Australian resident (some exceptions may apply) <sup>15</sup>, and
- they payment may be paid for up to six weeks of a temporary absence from Australia in certain limited circumstances.

There are independence criteria to determine whether to apply parental means testing. Once a person turns 22 years of age they are automatically considered to be independent.

## **Rates**

The Youth Allowance rate structure for recipients without a dependent child consists of 'at home' and 'away from home' rates. Higher rates for those living away from home recognise the additional costs faced by this group. At home rates are paid to young people who either live at home or who are not approved to live away from home, with a higher rate paid to those aged 18 and over. The away from home rate is paid to singles approved to live away from home. The partnered rate is aligned with the away from home rate.

Rates for Youth Allowance recipients with dependent children broadly align with adult allowance rates.

Youth Allowance recipients with a partial capacity to work may also receive Youth Disability Supplement (YDS) as part of their maximum rate of payment. The total rate payable (youth allowance basic rate plus YDS) cannot exceed the maximum adult Newstart Allowance rate.

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<sup>14</sup> Payment may be available in some circumstances for a limited period of up to six months to certain New Zealand Citizens

<sup>15</sup> Payment may be available in some circumstances for a limited period of up to six months to certain New Zealand citizens

**Table 2: Youth Allowance – maximum fortnightly rates at 1 January 2019\***

Category	Maximum Basic Rate
Single, no children, aged under 18, living at home	\$249.20
Single, no children, aged under 18, living away from home	\$455.20
Single, no children, aged 18 or older, living at home	\$299.80
Single, no children, aged 18 or older, living away from home	\$455.20
Single, with dependent child or children	\$596.50
Single principal carer granted an exemption from mutual obligation requirements	\$780.70
Partnered, no dependent children	\$455.20
Partnered, with dependent children	\$499.90

*\*Energy Supplement is also payable. Other supplements may be payable depending on individual circumstances, these are discussed further below.*

Youth Allowance is indexed annually on 1 January to increases in the CPI. The Youth Allowance rate for single principal carers with an exemption from mutual obligation requirements and is linked to the Newstart Allowance rate for single principal carers with an exemption from mutual obligation requirements.

## Supplementary Payments

Income support recipients, including Newstart Allowance and Youth Allowance (other) recipients, may be paid additional assistance (supplementary payments) in certain circumstances.

### Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is paid fortnightly to people who are paying private rent, including community housing rent, above specified amounts.

CRA, combined with family assistance and income support, assists in reducing the cost of rental housing and the incidence of rental stress, and contributes to a minimum standard of living. CRA is not designed to cover the total costs of renting.

The Australian Government expects to provide an estimated \$4.6 billion in CRA in 2019-20 to more than 1.3 million individuals and families who are renting in the private rental market or living in community housing.

This makes private and community housing rent more affordable for people on eligible income support, family assistance or veterans' payments.

The number of recipients paying 30 per cent or more of their income on rent is reduced by around 40 per cent as a result of CRA.

To receive CRA, a person must pay or be liable to pay rent above a minimum level, called the rent threshold. CRA is paid at the rate of 75 cents for each dollar of rent above the threshold up to a maximum rate. The amount of CRA paid is also dependent on the person's family situation (single, couple, how many children, if any, and for single people whether they are sharing accommodation) reflecting that people in different circumstances will have different costs.

CRA for families with children is usually paid with their Family Tax Benefit Part A. The below table provides the maximum rates of CRA available to Family Tax Benefit Part A recipients as at September 2019, as well as the respective rent threshold and rent ceiling amounts.

**Table 3: Commonwealth Rent Assistance – rates with children**

<b>Family situation</b>	<b>No payment unless fortnightly rent is more than</b>	<b>Maximum payment if fortnightly rent is at least</b>	<b>Maximum payment per fortnight</b>
<i>Single</i>			
One or two children	\$161.56	\$377.72	\$162.12
Three or more children	\$161.56	\$405.72	\$183.12
<i>Couple</i>			
One or two children	\$239.12	\$455.28	\$162.12
Three or more children	\$239.12	\$483.28	\$183.12

CRA for people without children is paid with their income support payment. Relationship status, whether sharing with another person and the amount of rent available determines the rate. The below table provides the maximum rates of CRA paid to income support recipients without children as at September 2019.

**Table 4: Commonwealth Rent Assistance – rates without children**

<b>Family situation</b>	<b>No payment unless fortnightly rent is more than</b>	<b>Maximum payment if fortnightly rent is at least</b>	<b>Maximum payment per fortnight</b>
<i>Single</i>			
No dependent children	\$123.20	\$307.20	\$138.00
No dependent children, sharer	\$123.20	\$245.87	\$92.00
<i>Couple, no dependent children</i>			
Couple, no dependent children	\$199.40	\$372.73	\$130.00
One of a couple who is separated due to illness/respite/prison	\$123.20	\$307.20	\$138.00
One of a couple who is temporarily separated	\$123.20	\$296.53	\$130.00

Nationally, at March 2019, the median CRA payment was \$137.20 per fortnight, which is around \$3,567 a year. Median rent paid by recipients was \$460 a fortnight. Around 78 per cent of individuals and families receiving CRA were eligible for the maximum CRA payment rate.

The maximum rate of CRA and the CRA rent thresholds are indexed to increases in the CPI in March and September each year.

### **Family Tax Benefit**

The Australian Government provides a range of family assistance payments that are targeted through income testing, particularly for children in low and middle income families.

Family Tax Benefit Part A assists low and middle income families with the costs of raising dependent children. Payment is assessed on the combined income of a family, and is paid for each eligible child. This ensures families receive enough support to help meet the needs of their children regardless of family size.

Family Tax Benefit Part A consists of a 'higher' maximum rate and a 'lower' base rate of payment. Each rate is subject to separate income tests on family income, with the higher of the two rates produced being paid. The maximum rate is also subject to a separate Maintenance Income Test on child support income received above specified amounts.

The rate of Family Tax Benefit Part A is reduced when a family's income reaches certain limits. The maximum rate of Family Tax Benefit Part A is currently payable until a family's income reaches \$54,677. This limit is indexed by CPI on 1 July each year.

Parents who receive income support payments, such as Newstart Allowance, are generally also eligible to receive the maximum rates of Family Tax Benefit Part A to assist with the costs of raising their children.

**Table 5: Maximum rates of Family Tax Benefit Part A**

For each child aged	Fortnight	Annual*
0 to 12 years of age	\$186.20	\$5,621.00
13–15 years of age	\$242.20	\$7,081.00
16–19 years of age secondary student, or exempt from requirement	\$242.20	\$7,081.00
0–19 years in an approved care organisation	\$59.78	\$1,558.55

\*The Family Tax Benefit Part A maximum annual amount (except for approved care organisations) includes the end of year supplement of \$766.50 per child. The supplement is paid after the end of the financial year if the family has a combined income less than or equal to \$80,000 and once certain other conditions have been met.

**Table 6: Base rate of Family Tax Benefit Part A**

For each child aged	Fortnight	Annual*
0–19 years of age	\$59.78	\$2,325.05

\*The Family Tax Benefit Part A base rate annual amount includes the end of year supplement of \$766.50 per child. The supplement is paid after the end of the financial year if the family has a combined income less than or equal to \$80,000 and once certain conditions have been met.

**Note:** the base rate of Family Tax Benefit A is paid at the same rate for all age groups.

Family Tax Benefit Part B provides additional assistance per family. The payment provides additional assistance for single parents, and for some two-parent families where one parent chooses to stay at home to care for the children or to balance some paid work with their caring responsibilities. The payment takes into account that some parents and non-parent carers have differing abilities to engage with the workforce based on their particular circumstances and the age of their youngest child.

Family Tax Benefit Part B is available to families where the primary earner's adjusted taxable income is \$100,000 a year or less. For couple families, Family Tax Benefit Part B is also subject to an income test on the adjusted taxable income (including any income support received) of the lower earner.

Single parents who receive income support payments attract the maximum rate of Family Tax Benefit Part B.

**Table 7: Maximum rate of Family Tax Benefit Part B paid per family based on the age of the youngest child**

Age of youngest child	Fortnight	Annual
Under 5 years of age	\$158.34	\$4,500.45
5–15 years of age (must be a full-time secondary student if aged 16–18)	\$110.60	\$3,255.80

**Note:** payment per year figures include the Family Tax Benefit Part B supplement (\$372.30 per family) but the fortnightly figures do not. The supplement can only be paid after the end of the financial year.

### Other Supplementary Payments

**Energy Supplement** is paid fortnightly to people receiving Newstart Allowance and Youth Allowance (other) to assist with household expenses, including energy costs.

As at September 2019, the rate of Energy Supplement for a Newstart Allowance recipient is \$8.80 per fortnight for a single person with no dependent children, \$9.50 per fortnight with dependent children and \$7.90 per fortnight for each eligible member of a couple.

**Pharmaceutical Allowance (PhA)** is paid fortnightly to assist with the cost of pharmaceutical prescriptions. To be paid PhA, a Newstart Allowance recipient must:

- have a partial capacity to work, or
- have a temporary incapacity, or
- be a single principal carer, or
- have turned 60 and received income support continuously for at least 9 months.

As at January 2019, the rate of PhA is \$6.20 per fortnight for a single person and \$3.10 per fortnight for each eligible member of a couple.

**Telephone Allowance (TAL)** is paid quarterly in March, July, September and December each year to eligible income support recipients who have a telephone line or mobile phone service connected in either their or their partner's name.

To be paid TAL, a Newstart Allowance recipient must:

- have a partial capacity to work, or
- be a single principal carer, or
- have turned 60 and received income support continuously for at least nine months, or
- be a partnered principal carer and partner receives Newstart Allowance or Sickness Allowance and has turned 60 and has received income support continuously for at least 9 months.

As at 20 September 2019, the rate of TAL is \$120.80 per year (\$30.20 per quarter)<sup>16</sup>. TAL is indexed by CPI in September each year.

In addition to the supplementary payments above, a range of additional supplementary payments are available. These are described at **Appendix 1**.

## Income Testing

Payment rate and income test settings play a vital role in ensuring work incentives for job seekers are maintained.

Income test parameters are set with the intention of ensuring recipients are always better off earning additional income than relying solely on income support. These settings also acknowledge the interaction between the social security and tax systems.

Under social security law, all income earned, derived, or received for a person's own use or benefit is counted under the income test. The only exceptions are those items specifically exempted under social security law. Under the income test, a person's gross income is used to assess eligibility for income support. This ensures all employees are treated in the same way when determining their need for income support.

Income test parameters include income test free areas (income levels above which the maximum rate of payment is reduced) and income test taper rates (the rate at which payment is withdrawn for each dollar above the income test free area) that allow recipients to keep some payment (and related concessions) when earning income to maintain financial incentives to work.

Recipients of allowance payments, such as Newstart Allowance, can earn up to \$104 per fortnight before their rate of payment is affected. Income above this amount gradually reduces the payment received by 50 cents in the dollar for income between \$104 and \$254 and by 60 cents in the dollar for income above \$254. Single principal carer parents on Newstart Allowance have their payment reduced by 40 cents in the dollar for income above \$104 per fortnight.

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<sup>16</sup> A higher rate of TAL of \$178.40 per year (\$44.60 per quarter) for home internet subscribers is payable to recipients of Disability Support Pension who are aged under 21 years without children if they or their partner also have a home internet connection.

For Youth Allowance (other), payment reduces by 50 cents in the dollar for income between \$143 and \$250 and by 60 cents in the dollar for income above \$250.

The social security income test uses the gross income of both partners, even if one of the partners does not receive a social security payment. This is based on the principle that couples are able to pool their resources for their mutual benefit.

FTB Part A is paid at the maximum rate for families with dependent children receiving Newstart Allowance or Youth Allowance (other). Once a family's entitlement to either of these payments reduces to zero, the family's entitlement to FTB Part A is based on their estimated annual income. It should be noted that a CRA entitlement is linked to FTB Part A where a family also receives Newstart Allowance or Youth Allowance (other).

Refer to **Appendix 4 - Cameos** for worked examples

**Table 8: Income cut-outs for Newstart Allowance (as at 1 July 2019)**

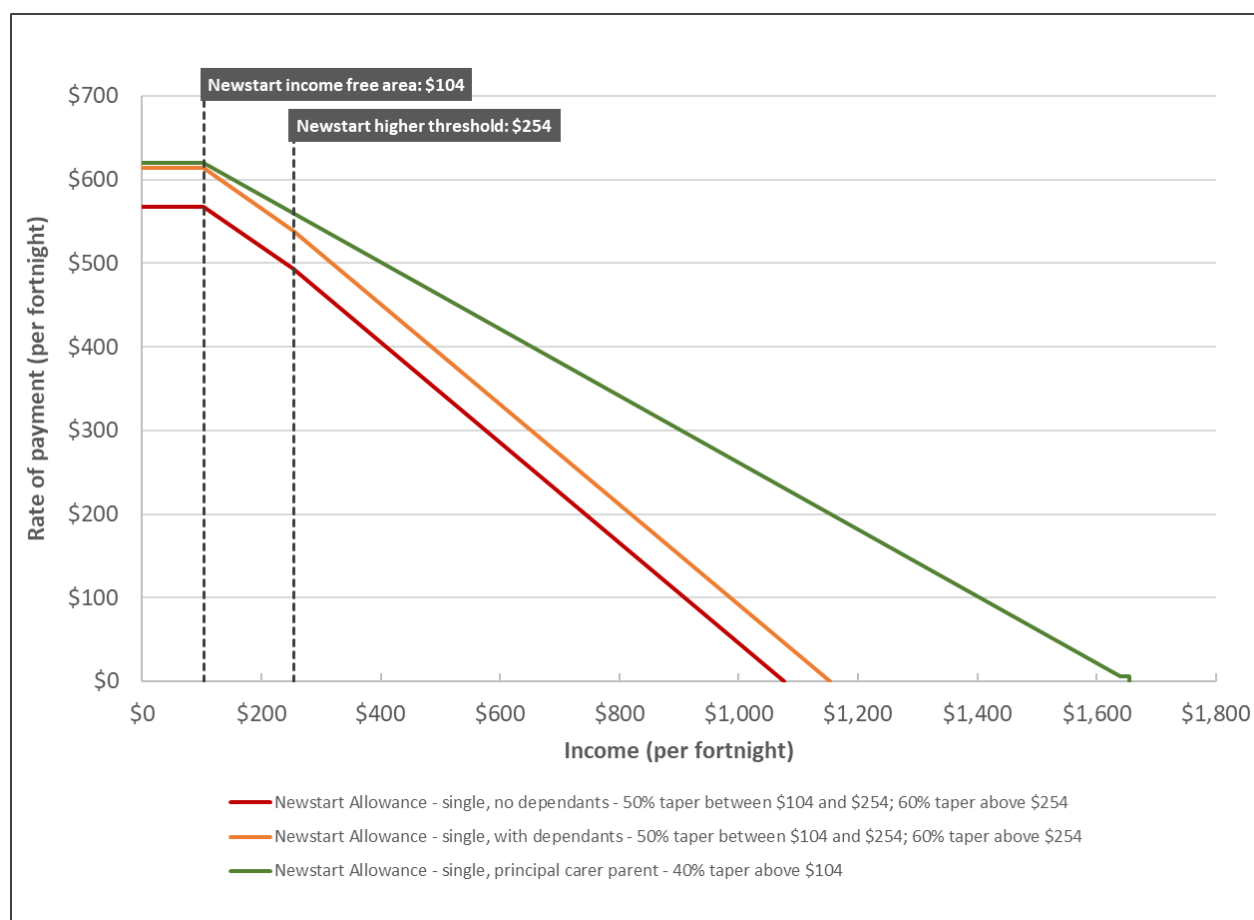
Family situation	Cut-out point (per fortnight)
Single, no children	\$1,075.34
Single, with dependent children	\$1,152.67
Single, principal carer with dependent children	\$1,655.00*
Single, principal carer of a dependent child granted an exemption from mutual obligation requirements for foster caring/non-parent relative caring under a court order/home schooling/distance education/large family	\$2,085.75*
Single, aged 60 years or over, after nine continuous months on payment	\$1,163.00*
Partnered (recipient income only)	\$983.34

Cut-outs may be higher if eligible for Rent Assistance or Pharmaceutical Allowance. Certain cut-outs above may also apply to Partner Allowance, Sickness Allowance and Widow Allowance. Different cut-outs apply to Youth Allowance (job seeker) recipients.

\*Includes Pharmaceutical Allowance, which is payable to all recipients of this rate.



**Figure 4: Rate and income test settings for single Newstart Allowance recipients**



## Working Credit

Allowance recipients also have access to the Working Credit, which is a financial incentive to take up paid work where they can, whether it is full-time, part-time or casual. Working Credit allow recipients to keep more of their income support payments when they first start working.

Working Credit incentivises employment by increasing returns from work, particularly for those undertaking periodic, casual or seasonal work. Working Credits can also provide continued access to income support in the period between taking up work until a person is first paid. It may also help to alleviate concerns recipients have about the impact that taking up work has on their payment.

When the person has income from work in excess of the income free area, their Working Credit is used to reduce the amount of employment income that is counted under the income test for that fortnight. This means a person can keep more of their income support, especially if they have irregular work or when they first start a job.

Recipients accrue credits over time, with each credit offsetting \$1 in income. Up to 48 credits accrue each fortnight. When a person then earns income from work above the income free area, the accumulated working credits are used to offset the amount of employment income that would otherwise have been counted under the income test for that fortnight. The maximum Working Credit balance for an eligible Youth Allowance recipient is \$3,500. For other working age payments, including Newstart Allowance, the limit is \$1,000.

The larger working credit balance for young people was announced as part of the *Building Australia's Future Workforce* package as part of the 2011-12 Budget. It was introduced to incentivise young people to remain in education and address the correlation between low educational attainment, extended periods of unemployment in young people's formative post school years, and a lifelong cycle of disadvantage and poverty.

### Reporting Income and Nil Rate Periods

Recipients are required to report with Services Australia any income that they have earned each fortnight. They are also required to advise of any event or circumstances that could affect their payment. Most recipients report online and the majority of the remaining recipients by phone. Any working credits available are applied to the amount of income reported. The reporting interaction also acts as a trigger to resolve any outstanding compliance actions prior to a recipient's regular payment day, providing time for a person to reconnect with their provider to allow their payments to recommence without experiencing a payment delay.

Recipients whose income exceeds the cut-off point (i.e. their payment is reduced to nil after any working credits are used) are placed in an employment income nil rate period.

The employment income nil rate period is designed to ensure recipients who leave payment to take up a job can return to payment easily if they subsequently cease employment within 12 weeks. Recipients also remain eligible for certain add-on benefits, such as a concession card, during the employment income nil rate period.

Where a person returns to payment within 12 months of their payment being cancelled, they may reclaim payment through an abridged claim if there are no significant changes in their circumstances since cancellation.

### Assets test for Newstart Allowance and related allowances

Assets test upper limits apply to allowances such as Newstart Allowance. Recipients with assessable assets above the upper limits are ineligible for payment. An asset is any property or possession that a person owns, with the exception of exempt assets, such as the person's home in which they live.

**Table 9: Assets test limits for allowances (as at 1 July 2019)**

Family situation	Homeowner	Non-homeowner
Single	\$263,250	\$473,750
Couple combined	\$394,500	\$605,000

### Waiting periods

People who claim and qualify for income support may have to serve a waiting or preclusion period before they can be paid. Waiting and preclusion periods are generally applied because recipients are expected to use their funds to support themselves, before calling on the community for income support.

Recipients of Newstart Allowance, Youth Allowance (other), Parenting Payment and Sickness Allowance are required to serve an Ordinary Waiting Period (OWP) (of one week), unless granted an exemption.<sup>17</sup> An OWP commences on the recipient's start date (usually the date of claim) or is served after other relevant waiting periods or preclusion periods have ended.

A **liquid assets test waiting period** is applied to claimants who have liquid assets, such as bank deposits, shares or financial investments, above the designated thresholds. If a person has liquid assets of more than \$5,000 for a single person without dependants, or \$10,000 for other claimants, at the time he or she becomes unemployed or claims payment, they may incur a liquid assets test waiting period of up to 13 weeks. The length of the waiting period is calculated by dividing the amount of liquid assets above these thresholds by \$500 or \$1,000 respectively.

A person can ask for a review of their liquid assets test waiting period if they are in financial hardship due to unavoidable or reasonable expenditure.

The **Income Maintenance Period (IMP)** is a period of time over which people who have received termination or redundancy payments have these amounts treated as ordinary income under the social security income test. Any termination payments received by a person or their partner are apportioned evenly across the period covered by the IMP. This income is then assessed under the relevant income test to determine the person's rate of payment. This means that a person with a termination payment will be treated as if they received the same amount as regular wages. The whole or part of the IMP can be waived if the person is in severe financial hardship because they have incurred unavoidable or reasonable expenditure, including the cost of living, while serving it.

For example, Michael has been made redundant from a company and on the day of leaving he receives a redundancy payment consisting of:

- 5 weeks annual leave
- 10.5 weeks long service leave
- 4 weeks payment in lieu of notice.

Michael's IMP will be calculated as follows:

- 5 weeks annual leave = 5 weeks IMP
- 10.5 weeks long service leave = 10.5 weeks IMP, and
- 4 weeks payment in lieu of notice = 4 weeks IMP.

The total IMP period will be 19.5 weeks. Michael's total redundancy payment will be apportioned as ordinary income over this 19.5 week period and assessed under the applicable income test.

The **seasonal work preclusion period (SWPP)** applies to claimants of most working age income support payments, including Newstart Allowance and Youth Allowance.

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<sup>17</sup> Exemptions may be applied where the claimant is in financial hardship or is reclaiming payment within 13 weeks of last receiving a social security benefit, or those undertaking an activity under Stream C employment services.

The SWPP aims to ensure people with higher than average earnings from seasonal and intermittent work do not immediately access income support in their “off season” or between contracts. A seasonal work preclusion period is applied if a claimant or their partner has engaged in seasonal work in the six months before lodging a claim. The SWPP can be waived if the person is in severe financial hardship and the hardship is a result of unavoidable or reasonable expenditure.

For example, if Megan works from 4 March to 13 May 2019 on a fishing trawler, earning \$25,873.00. She claims Newstart Allowance on 15 May 2019. Megan will serve an SWPP of 6 weeks commencing on 15 May 2019. The SWPP is calculated as follows, using the relevant Average Weekly Ordinary Time Earnings (AWOTE) of \$1,586.20 (May 2019):

Megan’s SWPP will be calculated as follows:

- AWOTE weeks: \$25,873.00 divided by \$1,586.20 = 16.31 weeks
- Seasonal work weeks: 4/03/2019 to 13/05/2019 = 71 days divided by 7 = 10.14 weeks
- Intervening weeks: 14/05/2019 to 15/05/2019 = 1 day divided by 7 = 0.14 weeks
- Self-supported weeks: 10.14 + 0.14 = 10.28 weeks
- SWPP: 16.31 AWOTE weeks minus 10.28 self-supported weeks = 6.03 weeks
- Apply rounding rules: 6 weeks SWPP to be served.

## Concessions and Other Supports

### Commonwealth Government Concession Cards

Recipients of Newstart Allowance are automatically entitled to a Commonwealth Government concession card, which may be either a Health Care Card (HCC) or a Pensioner Concession Card (PCC). Commonwealth concession cards are a component of the income support safety net that supports a basic, acceptable standard of living, particularly for those with few other resources.

Newstart Allowance recipients who are eligible for a PCC include:

- those assessed as having a partial capacity to work
- single principal carers of a dependent child
- those over 60 years of age, who have been on a qualifying income support payment continuously for nine months.

All other Newstart Allowance recipients, who are not qualified for a PCC, are issued with an HCC.

The HCC and PCC provide holders with access to a range of health concessions including bulk-billing (at the discretion of doctors), cheaper Pharmaceutical Benefits Scheme (PBS) prescription items and access to the lower thresholds of the Extended Medicare and PBS Safety Nets. The PCC also offers access to hearing services concessions.

Further information on PBS concessions are at **Appendix 2**.

The HCC and PCC can also be used by state, territory and local governments, and some private enterprises, to provide cardholders with discounts on public transport, utilities and council rates. These entities determine which concessions will be offered, and who can receive them. The Australian Government has no jurisdiction over the provision of these concessions.

### **Additional supports and services provided by Services Australia**

Services Australia provides a range of services to help people in challenging circumstances to manage their money. These include:

- Centrepay, which is a voluntary bill-paying service for Centrelink customers. Centrepay is used to pay regular bills and other ongoing expenses, such as rent, electricity and phone
- The Rent Deduction Scheme, where customers can opt to have public housing payments deducted from their income support payment
- The Tax Deduction Service, which allows customers with taxable Centrelink income support payments to have their tax withheld from their payments. The service is an easy and free way for customers to meet their tax obligations.

## **Housing Assistance**

Housing is fundamental to the welfare of all Australians, including those on Newstart Allowance and other payments.

While state and territory governments have primary responsibility for housing and homelessness, the Australian Government provides assistance through a number of programs and initiatives that benefit people receiving income support payments. This is in addition to support provided through the income support system and Commonwealth Rent Assistance (CRA).

For example, under the National Housing and Homelessness Agreement (NHHA), the Australian Government provides more than \$1.5 billion per year to states and territories to improve Australians' access to secure and affordable housing across the housing spectrum. Of this \$1.5 billion, \$125 million is set aside for homelessness services in 2019-20, which states and territories are required to match. This funding is tied to state and territory governments having publicly available housing and homelessness strategies and contributing to improved data collection and reporting.

The NHHA funding supports states and territories to maintain their public houses, which ensures tenants, including Newstart Allowance recipients, are not in rental stress.

The Australian Government will also provide \$298.6 million through the National Rental Affordability Scheme in 2019-20 to provide discounted rent to eligible low-to-moderate income households including those on Newstart Allowance and other payments.<sup>18</sup>

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<sup>18</sup> As at 30 April 2018, 18,216 occupants reported government pensions and allowances as their source of income, representing 45 per cent of survey respondents. *National Rental Affordability Scheme Tenant Demographic Report, as at 30 April 2018.*

On 30 March 2019, the Australian and Northern Territory Governments signed a new National Partnership for Remote Housing. Through this agreement, the Australian Government is investing \$550 million to improve remote housing outcomes. This is being matched by the Northern Territory Government to create a joint investment of \$1.1 billion over five years.

## Child Care Subsidy

The Government's child care package, introduced on 2 July 2018, provides the greatest rate of subsidy to families earning the least and more hours of subsidy to families who work the most.

The Child Care Subsidy supports a number of policy objectives, including workforce participation, children's learning and development needs and targeting child care fee assistance to those who need it the most, including disadvantaged and vulnerable families and children.

Newstart Allowance recipients with a mutual obligation requirement have an automatic entitlement to 36 hours of Child Care Subsidy per fortnight to support participation in their qualifying activities. Newstart Allowance recipients can access more hours of subsidised care if they participate in more than 16 hours of recognised activities per fortnight.

Newstart Allowance recipients may also qualify for the Additional Child Care Subsidy (ACCS) in some circumstances. ACCS is part of the Child Care Safety Net and is a top up payment to the Child Care Subsidy that provides targeted additional fee assistance to families and children facing barriers in accessing affordable child care. It provides extra support for children at risk of serious abuse and neglect, for grandparent principal carers on income support, for families experiencing temporary financial hardship and for parents transitioning to work from income support.

ACCS (transition to work) provides time-limited assistance to families who are transitioning to work from income support by engaging in work, study or training activities for at least eight hours a fortnight. ACCS (transition to work) provides a subsidy rate of 95 per cent of the actual fee charged up to 95 per cent of the hourly rate cap. The hours of assistance are determined by the activity test. Individuals may continue to receive the subsidy for a further 12 weeks if they gain employment and their income support payments cease.

### Case study:

Sara is a single parent and Newstart allowee. She enrolls in a six week training course, which requires her to attend classes for 10 hours per week. As Sara is engaging in 20 hours of activity per fortnight, she is entitled to up to 72 hours of subsidised care per fortnight. Sara enrolls her 9 year old child in vacation care, charging \$70 per day for six hours of care for three days per week. In addition to CCS, Sara applies for and is successful in receiving ACCS (transition to work), meaning that Sara will receive a subsidy of 95 per cent of the CCS hourly rate cap, for 36 hours of child care per fortnight.

This means that of Sara's \$420 child care costs per fortnight, \$399 will be subsidised by the Government with Sara paying the remaining \$21.

## Tax Concessions

Most income support payments, including Newstart Allowance and other working age allowance payments are included in taxable income for personal income tax purposes. A key policy principle is that recipients of Australian Government income support payments do not pay tax unless they have taxable income in addition to their pension or benefit. For many income support payments, this is achieved via the operation of the beneficiary tax offset (BTO).

The BTO ensures a person will not be subject to income tax if they receive the full amount of any of the qualifying income support payments (including Newstart Allowance) for the full year and have no other taxable income. If they have other taxable income, they may still be eligible for a partial offset.



## Section 3: Preparing for and accessing work

The welfare payments system has been designed to support pathways to employment and incentivise people to take up work as it is available. Paid work and unpaid work experience can build a job seeker's skills, improve their resume and contribute to improved employment outcomes.

### Participation

Participation requirements and associated compliance policies, in conjunction with supports and services, increase workforce participation and aim to ensure people receiving unemployment payments are doing all they can to improve their employment prospects and find work.

All recipients of activity-tested income support payments are generally required to look for work, attend appointments with their employment services provider and undertake activities to build their capacity to work. These are referred to as mutual obligation requirements.

Mutual obligation requirements vary across programs and according to job seekers' individual circumstances, including their age, caring responsibilities, the impact of any illness or disability, and the state of their local labour market.

Most job seekers with mutual obligation requirements will need to enter into a Job Plan. The Job Plan is a document that sets out the actions the job seeker will take to improve their employment prospects and find work. Under social security law, a job seeker must enter into and comply with the terms of a Job Plan to remain qualified for payment, unless granted an exemption.

Reforms to Australia's welfare system mean that more working age people who need income support, including principal carer parents and people with disability, receive activity-tested allowance payments and have mutual obligations.

### Employment Services Assessments

In most cases, job seekers will be referred to employment services by Services Australia following assessment of their eligibility. This assessment is conducted by the administration of the Job Seeker Classification Instrument (JSCI) or where needed, an Employment Services Assessment (ESAt).

The JSCI is an interview-based questionnaire, undertaken by Services Australia or employment service providers, which seeks to identify a job seeker's risk of becoming or remaining long-term unemployed. It does this by providing an objective measure of a job seeker's labour market disadvantage based on the job seeker's individual circumstances.

Where the JSCI indicates that a job seeker has multiple and complex issues, the job seeker may be referred for an ESAt.



ESAts are conducted to:

- determine the most appropriate employment services assistance based on identified barriers to employment; and
- assess a person's capacity to work (measured in hours per week) based on the functional impact of any long-term disability, illness or injury.

ESAts will also recommend any interventions/assistance that may be of benefit to improve a person's current work capacity.

Services Australia administers ESAts and Job Capacity Assessments (JCA), and employs health and allied health professionals to conduct the assessments. As part of the assessment process, assessors have access to relevant information about the job seeker, including current and past medical/disability status, and prior participation and employment history. Assessors can also liaise with treating doctors and relevant health professionals as required. A flow chart outlining the ESAt referral process is provided below (Figure 5).

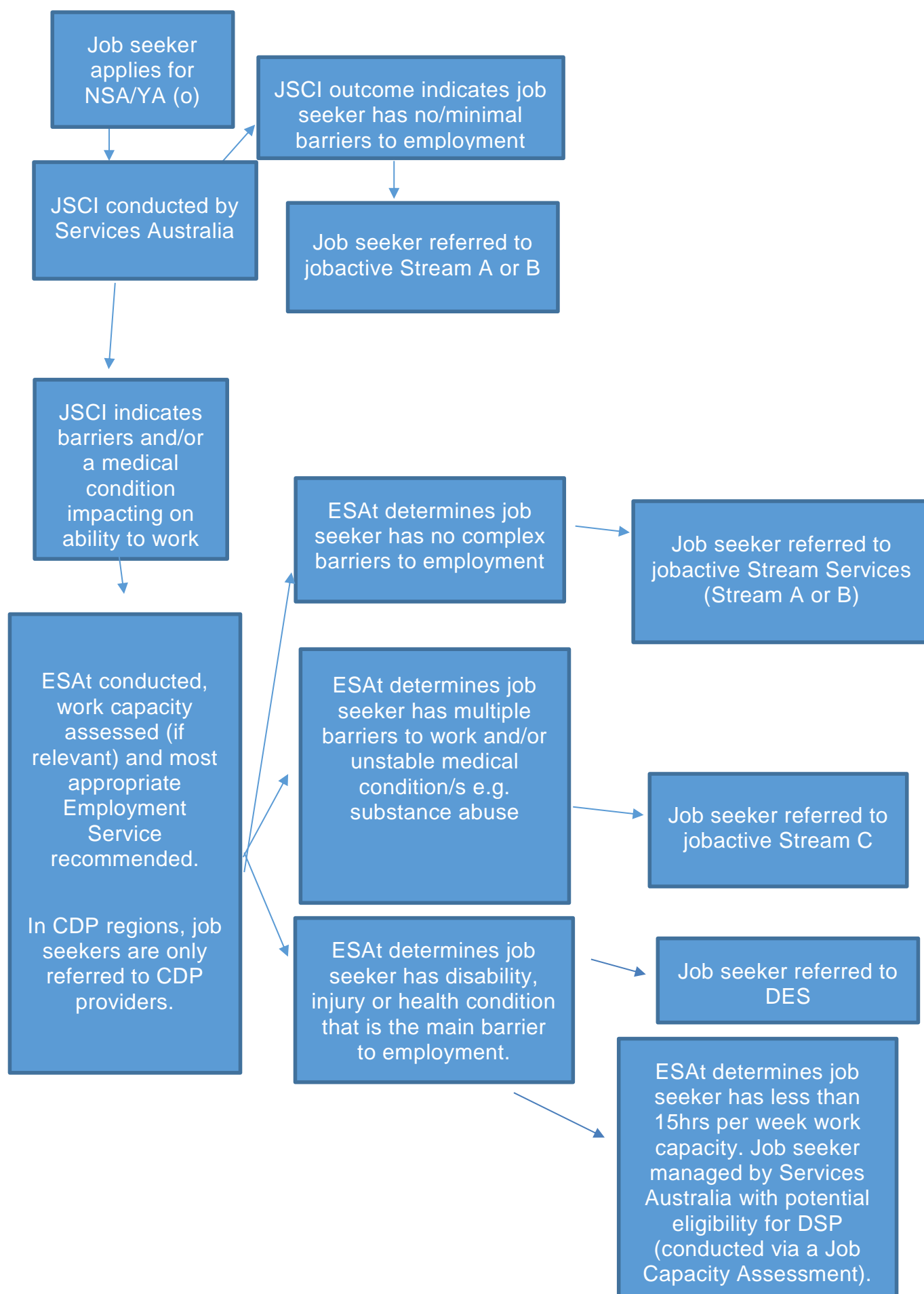
Separate to an ESAt, a JCA is a comprehensive assessment of an individual's level of functional impairment and work capacity. The assessment identifies:

- level of functional impairment resulting from any permanent medical conditions,
- current and future work capacity (in hour bandwidths), and
- barriers to finding and maintaining employment and any interventions/assistance that may be required to help improve their current work capacity.

JCAs are conducted by job capacity assessors who are health professionals engaged by Services Australia. As part of the assessment process, assessors have access to relevant information about the person, including details about current and past medical conditions and disabilities, and prior participation and employment history. Assessors can also liaise with treating doctors and other relevant health professionals as required.

A JCA will assess a person's eligibility for Disability Support Pension against the impairment tables based on medical conditions that are fully diagnosed, treated and stabilised.

**Figure 5: Employment Services Assessment Referral Process at claim**



## Welfare to Work Reforms

Welfare to Work (WTW) reforms were aimed to assist and encourage income support recipients to participate in the workforce commensurate with their capacity to work. The reforms had a focus on parents, people with disability, mature age job seekers and the very long-term unemployed and involved changes to Newstart Allowance to accommodate two new groups of recipients with part-time participation requirements, those with a partial capacity to work (PCW) and principal carer parents (PCP). The partial capacity to work (PCW) cohort was introduced from 1 July 2006.

### Partial Capacity to Work

A job seeker has a PCW if they have an ongoing physical, intellectual or psychiatric impairment that prevents them from working at least 30 hours per week at or above the relevant minimum wage independently of a program of support<sup>19</sup> within the next two years. Recipients who are assessed as having a PCW have access to the same general rate structure as other Newstart Allowance recipients (see section 2 – Working Age Allowance Payments), with the additional payment of Pharmaceutical Allowance and Telephone Allowance. Recipients assessed as having a PCW are eligible for a Pensioner Concession Card (PCC), instead of a Health Care Card (HCC).<sup>20</sup> Information on concession cards is provided in **section 2 – Concessions** and other supports.

Job seekers with a PCW have reduced participation requirements in line with their assessed work capacity.

A job seeker with an assessed capacity to work of zero to 14 hours a week can meet their mutual obligation requirements by attending a quarterly interview with Services Australia to discuss their participation and the terms of their Job Plan. This may include checking whether the job seeker's circumstances have changed, reviewing their circumstances using the Job Seeker Classification Instrument, discussing recommendations from previous assessment, or encouraging voluntary job search or participation with an employment service provider.

The job seeker can volunteer to accept a referral to a suitable program of assistance recommended by their employment ESAt or JCA, but is not penalised for not accepting a referral.

A job seeker with an assessed capacity to work of 15 to 29 hours per week can fully meet their mutual obligation requirements by undertaking 15 hours per week of paid work (including self-employment) or approved study (or a combination). If fully meeting their requirements, they are not required to simultaneously undertake any job search or meet any other additional requirements. If they are not fully meeting their requirements through sufficient participation in the above activities, they will be required to be connected with an employment services provider and to look for work of 15 to 29 hours a week depending on their work capacity.

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<sup>19</sup> A program of support is a program designed to help people to prepare for, find or maintain work.

<sup>20</sup> Youth Allowance (other) recipients with a PCW also receive the Youth Disability Supplement (YDS), and are not subject to parental means testing.

## **Principal Carer Parents**

A Principal Carer Parent (PCP) is a person who is legally responsible for the day-to-day care, welfare and development of a child under 16 years. Only one person at a time can be the principal carer of a particular child.

PCPs are required to meet their part-time participation requirements by looking for work of at least 15 hours per week or by undertaking any combination of part-time work, study or voluntary work (in limited circumstances) for 30 hours per fortnight. PCPs must meet their participation requirements to continue to receive payment unless they have been granted an exemption.

## **Exemptions from participation requirements**

Job seekers may qualify for an exemption from their mutual obligations or participation requirements when unforeseen or unavoidable personal circumstances make it unreasonable for them to meet any of those requirements for a specific period of time.

Some exemptions are automatic and others are assessed on a case-by-case basis, in accordance with social security law. For example, an exemption may be granted for a person who has a temporary illness or incapacity (as evidenced by a doctor's medical certificate) or is experiencing a family emergency that means they are unable to look for work or participate in any other requirements.

The types of exemptions that may be applied in certain circumstances include (but are not limited to) the following situations:

- temporary medical incapacity (up to 13 weeks),
- serious illness (up to 52 weeks),
- pre and post-natal (12 weeks, but with no job search requirement for 3 months before the date they are expected to give birth),
- children with disability or other special family circumstances (up to 12 months),
- domestic violence (up to 16 weeks), and
- other special circumstances (up to 13 weeks).

There are also a range of exemptions available to principal carer parents that are not available to other job seekers, for example, exemptions for large families (four or more children), home schooling, distance education and kinship carers.

## **Compliance**

A necessary feature of compulsory participation requirements is a system of consequences for non-compliance. Analysis of historic non-compliance behaviour shows that the majority of job seekers are generally compliant, only occasionally missing requirements, or missing requirements due to the impact of non-disclosed barriers to participation. Only a minority of job seekers persistently avoid their requirements.

For this reason, for most regions of Australia, the Targeted Compliance Framework (TCF) was introduced from 1 July 2018, targeting penalties only to those who are persistently non-compliant.<sup>21</sup> A key feature of the TCF is that it relies on payment suspension to secure re-engagement, rather than lasting penalties. Penalties are only applied for serious or persistent non-compliance.

Payment suspension means a job seeker's payment is restored and back paid once they meet their requirements, generally before the suspension has any actual impact on their payment. The TCF includes multiple checks to better identify previously undisclosed barriers to participation. With the exception of refusing suitable work or becoming voluntarily unemployed (which result in immediate loss of payment for four weeks unless the job seeker has a reasonable excuse), job seekers do not face financial penalty until their sixth failure in six months without a valid reason.

### **How the Targeted Compliance Framework (TCF) operates**

The TCF recognises that the majority of job seekers do the right thing and should not have payment reduced unless they are persistently non-compliant. All job seekers commence in the Green Zone, where failures result in payment suspension until re-engagement, but no actual penalty. If the job seeker commits a failure without reasonable excuse, they also incur a demerit and enter the Warning Zone, where failures result in payment suspension until re-engagement and, if there is no reasonable excuse, a further demerit, but no actual penalty.

To ensure genuine job seekers who are simply having difficulty meeting their requirements are not unfairly penalised, their provider will assess their capacity to meet their requirements, after their third demerit, and Services Australia will also do so, after their fifth. If it is found that they are not capable of meeting their requirements, they will return to the Green Zone with zero demerits.

If a job seeker accrues five demerits in six months they enter the Penalty Zone, where subsequent failures result in strong penalties:

- one week's payment for a first failure,
- two week's payment for a second failure, and
- payment cancellation for four weeks for a third failure.

These arrangements have resulted in increased compliance with requirements and a 90 per cent reduction in financial penalties.

## **Employment Services**

The Australian Government provides a range of employment services and supports to assist job seekers into work in a way that is tailored to their individual needs and circumstances. Employment Services assist job seekers to find work, to address their employment barriers, to better meet the needs of employers and encourage employers to employ disadvantaged job seekers.

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<sup>21</sup> For remote regions in Australia, income support recipients remain subject to the Job Seeker Compliance Framework. Under the Job Seeker Compliance Framework, job seekers can incur penalties or suspension of their income support if they do not actively look for work, or meet their other participation requirements, without a reasonable excuse. These participation requirements are designed to prepare job seekers for work and keep their skills and experience current – with the ultimate aim of getting them off welfare and into employment as quickly as possible. Participation requirements, penalties and suspensions are designed to encourage positive behaviour.

The Government has announced significant reforms to employment services, disability employment services and working age payments.

### **New Employment Services model**

In March 2019, the Australian Government announced a new employment services model (the Model) will be introduced from July 2022 to deliver better outcomes for job seekers and employers as part of the Australian Government's plan for a stronger economy. The new model will transform the way employment services are delivered.

Under the Model, all job seekers will receive more personalised support through a new digital platform. Those who are more job-ready will largely self-manage and self-direct, and employment services providers will deliver greater support to the more disadvantaged job seekers. By targeting resources more effectively, the Model aims to improve outcomes for job seekers and reduce the prevalence of long-term unemployment.

The Model has been informed by extensive consultation with stakeholders and incorporates recommendations from an independent Employment Services Expert Advisory Panel. Given the scale of reform, the Model is being initially trialled in two regions - Adelaide South and the Mid North Coast of New South Wales from July 2019 before being rolled out nationally from July 2022. The trial will test key elements of the Model, including:

- a new job seeker assessment framework,
- new digital service offerings for job-ready job seekers,
- intensive support for more disadvantaged job seekers who need vocational and non-vocational assistance to prepare for and get a job,
- a flexible, points-based mutual obligations system,
- new performance management and payment structures for providers, and
- employer engagement, including both online and face-to-face.

Trial implementation will be phased with new features progressively added and enhancements made through an ongoing co-design process with providers, peak organisations, and job seekers. Existing services will remain in place until the new model is introduced.

### **jobactive**

The Government's mainstream employment service, jobactive, commenced on 1 July 2015 and currently services around 630,000 Australians (at a cost of around \$1.3 billion a year).

jobactive providers have the flexibility to deliver services based on what each individual job seeker needs to become work-ready. jobactive providers work with job seekers to develop personalised strategies and innovative approaches to meet the needs of job seekers and employers.

Currently, job seekers participating in jobactive will generally be required to undertake up to 20 job searches per month and undertake an additional approved activity or combination of activities, such as Work for the Dole, paid or voluntary work, study or training, for six months of each year. This is referred to as the Annual Activity Requirement. A job seeker's Annual Activity Requirement can be up to 25 hours per week, depending on their age and assessed capacity to work, and whether they are a Principal Carer Parent.

For those with a full-time work capacity, Annual Activity Requirements are generally 25 hours per week for those aged under 50 years, 15 hours per week for those aged 50 to 59 years, and five hours per week for those aged 60 and over.

Participants can participate in more than one activity type. Some examples of the activities available include participating in part-time or casual employment, education, training, Work for the Dole, non-vocational assistance, work experience or a Youth Jobs PaTH Internship.

Since the commencement of jobactive, between 1 July 2015 and 30 June 2019, there have been:

- 1,394,382 job placements,
- 758,616 4-week outcomes,
- 652,740 12-week outcomes, and
- 426,181 26-week outcomes.

The **Employment Fund** is a flexible pool of funds that jobactive providers can use to assist eligible participants to get the skills and experience to get and keep a job. jobactive providers use the Employment Fund at their discretion and credits received for assisting one participant can be used for any participant on their caseload.

Using the Employment Fund, providers can purchase goods and services to help job seekers into work (such as, training, professional services, and interpreter services). They may provide assistance to help with costs associated with looking for work (such as clothing and presentation, transport and communication costs).

## Transition to Work

Transition to Work (TtW) currently supports around 16,000 young job seekers (at a cost of around \$138 million a year), with a strong focus on education and training.

There are 43 providers delivering TtW services to support young people towards employment. The service provides intensive, pre-employment support to improve the work readiness of young people and help them into work or education. Participants aged 15-21 years will generally receive up to 12 months of service in Transition to Work. From January 2020 the service will be expanded to support young people aged 15-24.

From the start of the service in February 2016 up to 30 June 2019, a total of 35,581 outcomes have been achieved; 17,011 (47.8 per cent) were 12-week employment outcomes, and 10,687 (30 per cent) were sustainability (i.e. 26 week) employment outcomes (see further information below).

## Other Employment Programs

In addition to jobactive and Transition to Work, the Department of Employment, Skills, Small and Family Business also administers a broad range of programs such as:

- **Work for the Dole:** places participants in a work-like environment where they can gain skills, experience and confidence to move from welfare to work, while giving back to their community.
- **National Work Experience Programme:** provides short-term unpaid work experience placements that help eligible participants to gain on-the-job vocational skills.
- **Wage Subsidies:** financial support of up to \$10,000 (GST inclusive) for employers that hire a disadvantaged job seeker.
- **Career Transition Assistance:** career advice and digital literacy training for mature age job seekers to help them increase their employability and become more competitive in the local labour market.
- **Harvest Labour Services (HLS):** fills harvest labour shortages for growers in 11 Harvest Areas. In the 2019-20 Budget, the Australian Government announced changes to HLS to encourage more Australian job seekers to take up seasonal work. These changes include expanding HLS to up to five new horticulture regions experiencing labour supply difficulties. This means that from 1 July 2020, HLS will be available in up to 16 regions across Australia.
- **The Relocation Assistance to Take Up a Job programme:** eligible job seekers are able to access up to \$6,000 (GST inclusive) if moving to regional areas to take up jobs or up to \$3,000 (GST inclusive) if they move to capital cities to take up jobs. Families with dependent children may be eligible for up to an extra \$3,000 (GST inclusive) to help cover the additional costs of relocation. Funding is flexible and can be used for a range of relocation-related purposes. Assistance may be used to pay for rent, rental bond, removalists, travel costs and some employment-related expenses. Payments can be made in advance where necessary.



- **New Business Assistance with NEIS<sup>22</sup>**: helps people not already in employment, education or training to start and run their own business. New Business Assistance provides accredited small business training and personalised mentoring and support from a NEIS provider in the first year of the new business. When they commence their NEIS Business, eligible participants may also receive NEIS Allowance for up to 39 weeks.

The Skills for Education and Employment program – provides language, literacy and numeracy training to eligible job seekers, to help them to participate more effectively in training or in the labour force. The program caters for job seeker groups with language, literacy and/or numeracy training needs, including Aboriginal and Torres Strait Islanders, youth, people with disability, mature aged people, and job seekers from culturally and linguistically diverse backgrounds.

**Foundation Skills for Your Future** – the Government has announced two new initiatives to support language, literacy and numeracy for Australians:

- The **remote community pilots measure**, 1 July 2019 to 30 June 2022, will contract Indigenous service providers to deliver four foundation skills training pilots in remote communities. The four pilots are to be located in the Northern Territory, Western Australia, South Australia and Northern Queensland. This initiative aims to develop a systemic approach to language, literacy, numeracy and digital (LLND) skills training delivery in remote communities and to inform future program delivery, new funding and/or changes to existing programs like the Skills for Education and Employment (SEE) program.
- The **Foundation Skills for Your Future Program**, 1 July 2019 to 30 June 2022, will support employed or recently unemployed individuals aged 15 to 44, to identify and address (LLND) skills deficits through appropriate accredited and non-accredited training. Participants will be able to access accredited training directly through contracted Registered Training Organisations (RTOs) or through projects linking employers and RTOs to deliver contextualised LLND training to employees.

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<sup>22</sup> New Enterprise Incentive Scheme

## Targeted Employment Services

### Mature Age Job Seekers

A range of measures have been implemented under the **More Choices for a Longer Life package**, which was announced in the 2018-19 Budget. Through the package, the Government is investing \$189.7 million (four years from 2018-19) in a range of jobs and skills measures to help mature age Australians find the right job, stay in the workforce and have flexibility in their later working years. These measures include:

- A **Skills and Training Incentive**, available from 1 January to 31 December 2020, encourages lifelong learning and help workers aged 45-70 years to gain new skills for future workforce opportunities. It complements the introduction of the **Skills Checkpoint for Older Workers** on 1 September 2018, which provides eligible Australians with advice and guidance on transitioning into new roles within their current industry or pathways to a new career.
- **Expanding the Career Transition Assistance (CTA) program** (announced in the 2017-18 Budget) nationally a year earlier so more mature aged Australians can benefit sooner from guidance and training to be competitive in their local jobs market. The national rollout from 1 July 2019 has extended eligibility to 45 to 49 year olds, beyond the previous age bracket of 50 years and over.
- A range of targeted assistance under the **Job Change initiatives** to support those facing retrenchment to find new jobs. These include:
  - a new online self-assessment tool (**Skills Match**) to assist workers to find jobs that match their skills and attributes. **Skills Match**, hosted on the Job Outlook website, was made available on 1 July 2019;
  - providing retrenched workers and their partners with **early access to employment services** from 1 July 2019; and
  - holding **Jobs Fairs** to connect job seekers and employers in regions undergoing structural change.
- Expanding the **Entrepreneurship Facilitators** program to 20 additional locations to further promote self-employment among older Australians.
- Working with industry, via a **Collaborative Partnership on Mature Age Employment**, to drive cultural change in hiring practices and combat age discrimination in workplaces.
- The **Restart Wage Subsidy**, which encourages employers to hire mature age job seekers. Job seekers aged 50 or older are eligible for wage subsidies of up to \$10,000 (GST inclusive) after six months on income support, with immediate access for Indigenous Australians.

## Youth

The **Youth Employment Package** announced in the 2016-17 Budget gives young people the employability skills and real work experience they need to get a job. \$888.3 million is being invested in the package over the four years from 2019-20.

The core of the package is the Youth Jobs PaTH (Prepare – Trial – Hire) for young job seekers, which includes Employability Skills Training, Internships and Youth Bonus Wage Subsidies. The package also includes measures to promote entrepreneurship and self-employment among young people, allowing them to create their own job.

- **Employability Skills Training (Prepare)** helps young jobactive participants understand employer expectations and become job ready. Training ranges from preparing for job interviews to learning workplace skills such as teamwork and computer skills. Since the start of the program on 1 April 2017, there have been 69,056 commencements into the training (up to 31 July 2019).
- **Internships (Trial)** of four to 12 weeks to give participants aged 17 to 24 in jobactive, TtW and DES a chance to show what they can do in a real workplace.
- **Youth Bonus wage subsidy (Hire)** to support the employment of young people. Since 1 January 2017, young job seekers (15 to 24) are eligible for wage subsidies of up to \$10,000 (GST inclusive) after six months in employment services, or immediately for Indigenous job seekers.

**PaTH Internships** provide young people with a chance to gain the experience needed through a structured work experience placement. Young job seekers in receipt of an eligible income support payment, participating in an Internship, receive a \$200 per fortnight incentive from the Australian Government on top of welfare payments. This does not reduce their rate of income support payment like other forms of income.

At the end of July 2019, almost 10,000 young people had voluntarily participated in an Internship placement with more than 4,500 businesses.

Post program monitoring shows that 70 per cent of young people who participated in a PaTH Internship between July 2017 and June 2018 were in employment when surveyed three months later. This result is substantially higher than the employment rate post participation in other work experience or training activities.

From 1 January 2020, **PaTH Industry Pilots** will provide young people with skills and on-the-job experience to help them find work. Facilitation services to the value of \$10 million will be purchased from industry. Training will be tailored to the needs of industry and employers, so that young people are better able to compete for positions with industries and employers that have growing workforce needs.

## Indigenous Job Seekers

Indigenous Australians experience low labour force participation and higher unemployment rates compared with non-Indigenous Australians. The Australian Government has implemented measures to help accelerate progress towards parity in employment outcomes between Indigenous and non-Indigenous Australians.

jobactive is the primary mainstream employment service for Indigenous Australians, with 72,525 Indigenous Australians participating in jobactive as at the end of July 2019. jobactive, for the first time, included specific targets for Indigenous employment outcomes for providers. Since December 2017, this approach has been strengthened with the Star Ratings methodology including Indigenous Outcome Incentives, which is used to assess sustained employment outcomes (12 and 26-week) for Indigenous job seekers.

The Australian Government through the \$55.7 million Closing the Gap – Employment Services package, announced in the 2017–18 Budget implemented a range of new programs and enhancements to jobactive to help accelerate progress towards achieving parity in employment. The package provided:

- more immediate access to wage subsidies and more culturally tailored support through jobactive, including access to mentoring
- a trial of employment service delivery by the Yarrabah community
- intensive support for Indigenous youth through the TtW program
- establishing the **Time to Work Employment Service** to better support to Indigenous prisoners to get into work upon their release from prison.

Up until 31 July 2019, jobactive had achieved over 134,585 job placements for Indigenous job seekers.

The new employment service arrangements to commence from July 2022 have been designed to deliver better employment outcomes for more disadvantaged job seekers, including Indigenous Australians. The new arrangements are being trialled in Adelaide and the Mid North Coast of New South Wales, with Indigenous Australians expected to positively benefit from the changes.

In addition to mainstream employment services, the Government also has a range of Indigenous specific employment and business initiatives aimed at improving employment outcomes for Aboriginal and Torres Strait Islander people. These include:

- Vocational Training and Employment Centres (VTEC), which support Indigenous job seekers through provision of job specific training, guaranteed job placement, and post placement, support for the first 26 weeks of employment.
- Tailored Assistance Employment Grants (TAEG) which has been designed to respond flexibly to local employment conditions, and has three streams targeting specific cohorts to maximise outcomes for current and future Indigenous job seekers:
  - TAEG – Employment: providing training and post-placement support for job seekers to reach 26 weeks sustainable employment.
  - TAEG – Cadetships: assisting students to complete their studies, while at the same time providing practical work experience.

- TAEG – School-based Traineeships: an educational and employment pathway, combining work-related training or employment as an apprentice or a trainee with vocational training and senior secondary school studies.
- The Employment Parity Initiative (EPI), which aims to increase the number of Indigenous employees working in Australian companies to at least 3 per cent, embed Indigenous recruitment and retention processes, and support the career advancement of Indigenous Australians.
- The Indigenous Procurement Policy applying to the Australian Government's domestic procurement. This will leverage the Commonwealth's annual multi-billion procurement spend to drive demand for Indigenous goods and services, stimulate Indigenous economic development and grow the Indigenous business sector and an Indigenous Entrepreneurs package with targeted support for small businesses.

### **Refugee Job Seekers**

As at end July 2019 there were 32,207 refugees participating in jobactive. Up until 31 July 2019, jobactive had achieved over 62,359 job placements for refugee job seekers.

In the last two Budgets, the Australian Government announced measures aimed at simplifying servicing for refugee job seekers (the Streamlining Services for Refugees measure, which commenced on 1 January 2019 and the Better Targeting of Support for Refugees measure, which is due to commence on 1 January 2020).

These measures delayed compulsory access to jobactive for refugees (but refugees can volunteer to participate earlier), to allow refugees to focus on adjusting to life in Australia and improving their English language proficiency through participating in Humanitarian Settlement Program and Adult Migrant English Program.

From 1 January 2020, refugees who volunteer in jobactive during the first 12 months will be able to access the full suite of jobactive assistance, compared to the Stream A (Volunteer) assistance that they are able to receive under current arrangements.

### **ParentsNext**

ParentsNext helps parents whose youngest child is under six to plan and prepare for the workforce. It currently has around 75,000 participants and costs around \$86 million a year.

ParentsNext is a pre-employment program that assists parents of young children to plan and prepare for employment by the time their children start school. ParentsNext is for parents and other carers of children aged under six who are in receipt of Parenting Payment, particularly those at risk of long-term welfare dependency. ParentsNext helps participants to identify their education and employment goals, develop a pathway to achieve those goals, and link them to activities and services in the local community.

ParentsNext began in April 2016 in ten locations and the program expanded nationally from 2 July 2018. 57 providers are delivering ParentsNext 2018-2021 in all non-remote parts of Australia.

As at 30 June 2019, 1,375 participants had achieved stable employment and exited the program. A further 25,006 participants had commenced education.

## Disability Employment Services

The Disability Employment Services (DES) program assists job seekers whose primary barrier to employment is their disability, injury or health condition, to find and retain employment in the open labour market. The DES program provides pre-employment support to address vocational and disability-related barriers to employment, assistance with finding employment, support for the participant and employer for the first 52 weeks of a placement, and ongoing support for as long as required by the participant to maintain their employment.

### Reforms

From 1 July 2018, the Australian Government introduced reforms to the DES program to better assist job seekers with disability find and retain employment in the open labour market.

Reforms to the DES program give participants greater choice and control over the services they receive, engender competition and contestability among DES providers, and provide better financial incentives to ensure all participants receive the support they need. The Australian Government is investing \$3 billion over the forward estimates from 2018-19 in the DES program. The reforms were based on extensive community and stakeholder consultations undertaken by a Disability Employment Taskforce from 2014, and were developed in close consultation with key stakeholders.

Key changes to the program included:

- Establishment of a Provider Panel allowing entry of new provider organisations and expansion of existing DES services.
- Removal of set market shares that guaranteed participant referrals, ensuring providers succeed or fail based on their ability to attract, retain and achieve outcomes for participants.
- Measures that allow participants to transfer providers upon request, access providers based in other locations and interact with providers using flexible delivery modes.
- Implementation of a risk-adjusted funding model that provides funding for each participant based on the likelihood of their achieving an employment outcome.

After the first year of operation to 30 June 2019, the number of participants receiving support increased by 23.2 per cent to 238,327 and the average monthly number of participants completing 26 weeks of an employment or education placement increased by 14.4 per cent to 3,282 under the new arrangements.

## Eligibility and Participation

DES is available to all eligible participants. Eligibility is determined by an independent Employment Services Assessment (ESAt) conducted by Services Australia (further information on ESAts provided in the section on Assessments). The program is available to Australian residents of working age with disability, injury or health condition who are assessed as being able to work at least eight hours per week in the open labour market within two years.

While eligible job seekers are able to volunteer to receive DES services, most DES participants are income support recipients who are referred to the program to look for work as part of their Mutual Obligation Requirements. These participants must have mandatory activities in the Job Plan that sets out the services to be provided, and are subject to action under the job seeker Targeted Compliance Framework.

During 2018-19, the proportion of DES participants with these participation requirements reduced due to a large increase in voluntary participants.<sup>23</sup> The increase in volunteer participants is due to a range of factors including by increased competition among DES providers following reforms to the DES program from 1 July 2018, prompting providers to encourage eligible people with disability to volunteer for DES services.

**Table 10: Disability Employment Services – participation requirements**

Participants	Number	Proportion	Number	Proportion	Change	% change
	<b>2017-18</b>		<b>2018-19</b>			
Mutual Obligation requirements	152,624	78.9%	179,092	75.1%	26,468	17.3%
Other participation requirements	4,642	2.4%	4,101	1.7%	-541	-11.7%
Volunteers	36,175	18.7%	55,134	23.1%	18,959	52.4%
<b>Total</b>	<b>193,441</b>	<b>100.0%</b>	<b>238,327</b>	<b>100.0%</b>	<b>44,886</b>	<b>23.2%</b>

DES participants are expected to look for and accept work at an intensity appropriate to their individual circumstances. Based on their ESAt assessment, successful outcomes may be achieved when a particular participant works 8, 15, 23 or 30 hours per week, and pathway outcomes are recognised for substantial progress towards these hours. Normal income support tapering rules apply to income derived by employment placements, and participants can continue to receive income support after achieving a DES employment outcome, where applicable.

<sup>23</sup> People not receiving income support can also volunteer for DES in certain circumstances.

DES participants who require continuing support in order to maintain their employment after the first 52 weeks of work can continue to receive support from their DES provider for as long as may be required.

## Community Development Program

The Community Development Program (CDP) is the Australian Government's remote employment and community development service. CDP applies to all job seekers in remote Australia on activity-tested income support payments. CDP is administered by the National Indigenous Australians Agency.

The CDP supports approximately 30,000 job seekers in remote Australia to build skills, address barriers and contribute to their communities through a range of flexible activities. It is designed specifically for remote Australia, to take into account its unique social and economic conditions where there are fewer work opportunities available.

CDP participants with activity requirements are expected to complete up to 20 hours per week of work-like activities that benefit their community. CDP participants do not have job search requirements, but are required to engage in work or work-like activities for 48 weeks per year. Since it began four years ago, the CDP has supported remote job seekers into more than 33,000 jobs and on more than 11,300 occasions, they have stayed in a job for more than six months.

The Australian Government made improvements to CDP in March 2019, including reducing mutual obligation hours, removing the requirement for job seekers to attend activities daily, and changing payment incentives for CDP providers.

The Government is subsidising 1,000 new jobs for CDP participants, to support economic development. These jobs are intended to grow the size and capacity of the remote labour market and support the development of more local businesses.

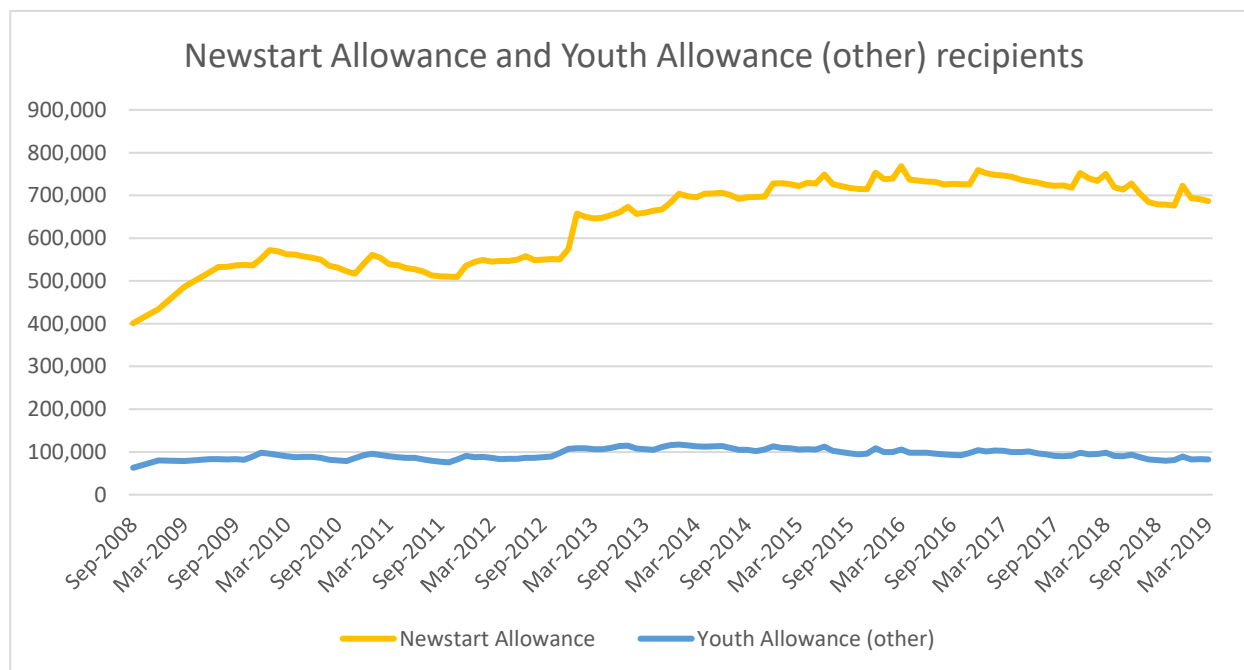


## Section 4: Data

As at March 2019, the total number of Newstart Allowance recipients was 686,328. The number of Newstart Allowance recipients has been in overall decline since March 2016 when it was 768,375.

Youth Allowance (other) recipient numbers peaked at 117,184 in January 2014 and have generally gradually declined since.

**Figure 6: Newstart Allowance and Youth Allowance (other) recipients 2008 – 2019**



Source: Services Australia administrative data (DSS extract)

**Table 11: Newstart Allowance Demographics**

Number of recipients (not including grandfathered CDEP participants <sup>24</sup> or zero rate <sup>25</sup> )		March 2019	686,328 (a 8.5% decrease from March 2018)
		March 2018	750,412
Demographics	Gender	Male	343,226 (50%)
		Female	343,102 (50%)
	Marital Status	Single	541,416 (79%)
		Partnered	144,912 (21%)
	Indigenous	Total	74,587 (10.9%)
		22-24	56,327 (8.2%)
		25-34	136,595 (19.9%)
		35-44	147,805 (21.5%)
		45-54	163,241 (23.8%)
		55-64	172,029 (25.1%)
		65 and over	10,331 (1.5%)
Principal carer recipients			104,450 (15.2%)
Recipients who had earnings			134,669 (19.6%)

Source: Service Australia administrative data (DSS extract)

<sup>24</sup> Community Development Employment Projects

<sup>25</sup> Zero rate (or nil rate) is a term used to describe recipients who are current and are paid a zero rate because they:

- are qualified for an employment income zero rate period because of ordinary income (either their own or their partner's), part of which is employment income, which makes their social security pension or benefit not payable, or
- are serving an income maintenance period, or
- have a direct (compensation) adjustment.

## Payment by rate

**Table 12: Newstart Allowance recipients by rate of payment March 2015 - March 2019**

Date	Full rate		Part rate		Undetermined at the time of data extraction		Total
Mar-15	540,164	74.8%	172,153	23.8%	9,571	1.3%	721,888
Mar-16	580,584	75.6%	179,130	23.3%	8,661	1.1%	768,375
Mar-17	563,913	75.5%	174,706	23.4%	8,062	1.1%	746,681
Mar-18	567,085	75.6%	175,505	23.4%	7,822	1.0%	750,412
Mar-19	524,776	76.5%	155,924	22.7%	5,628	0.8%	686,328

Source: Services Australia administrative data (DSS extract)

**Table 13: Newstart Allowance recipients by payment rate category**

Category	Recipients	% of Newstart Recipients
Newstart Allowance - Single - no children	380,450	55.4%
Newstart Allowance - Single - with children	103,432	15.1%
Newstart Allowance - Single - aged 60+ after 9 months continuous payment	53,783	7.8%
Newstart Allowance - Single - principal carer with exemption	3,751	0.5%
Newstart Allowance - Partnered	143,831	21.0%
Newstart Allowance - Partnered - separated because of illness	506	0.1%
Newstart Allowance - Partnered - separated because of imprisonment	575	0.1%
<b>Newstart Allowance - Total</b>	<b>686,328</b>	<b>100.0%</b>

Source: Services Australia administrative data (DSS extract)

**Table 14: Youth Allowance recipients by payment rate category**

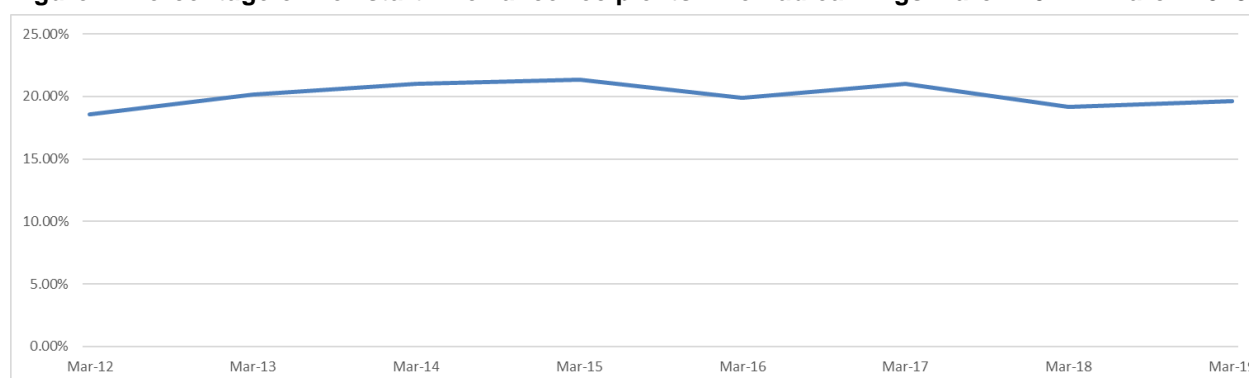
Category	Recipients	% of Newstart Recipients
Youth Allowance (other) - Single - aged under 18 - at home	3902	4.7%
Youth Allowance (other) - Single - aged under 18 - away from home	4165	5.0%
Youth Allowance (other) - Single - aged 18+ - at home	39,878	48.3%
Youth Allowance (other) - Single - aged 18+ - away from home	31,026	37.5%
Youth Allowance (other) - Single - with children	n.p.	n.p.
Youth Allowance (other) - Single - principal carer with exemption	<5	n.p.
Youth Allowance (other) - Partnered - no children	2,153	2.6%
Youth Allowance (other) - Partnered - with children	1,110	1.3%
<b>Youth Allowance (other) - Total</b>	<b>82,632</b>	<b>100.0%</b>

Source: Services Australia administrative data (DSS extract)

## Earnings

As at March 2019, 134,669 or 19.6 per cent of Newstart Allowance recipients reported employment earnings. This proportion has remained relatively stable over the last six years.

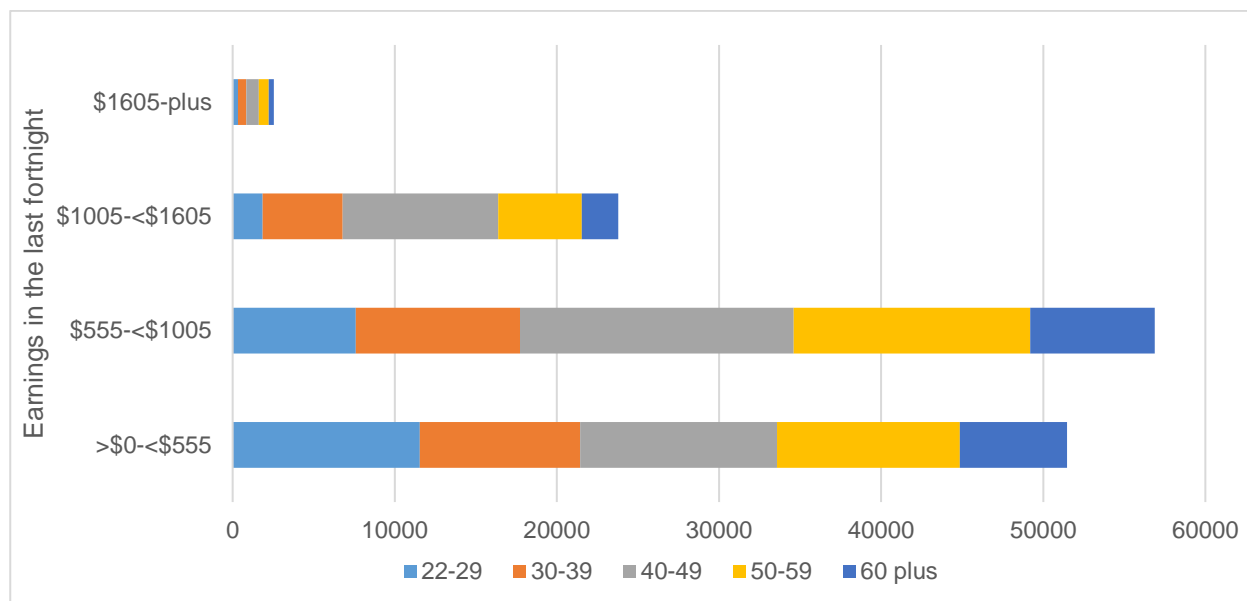
**Figure 7: Percentage of Newstart Allowance recipients who had earnings March 2012 – March 2019**



Source: Services Australia administrative data (DSS extract)

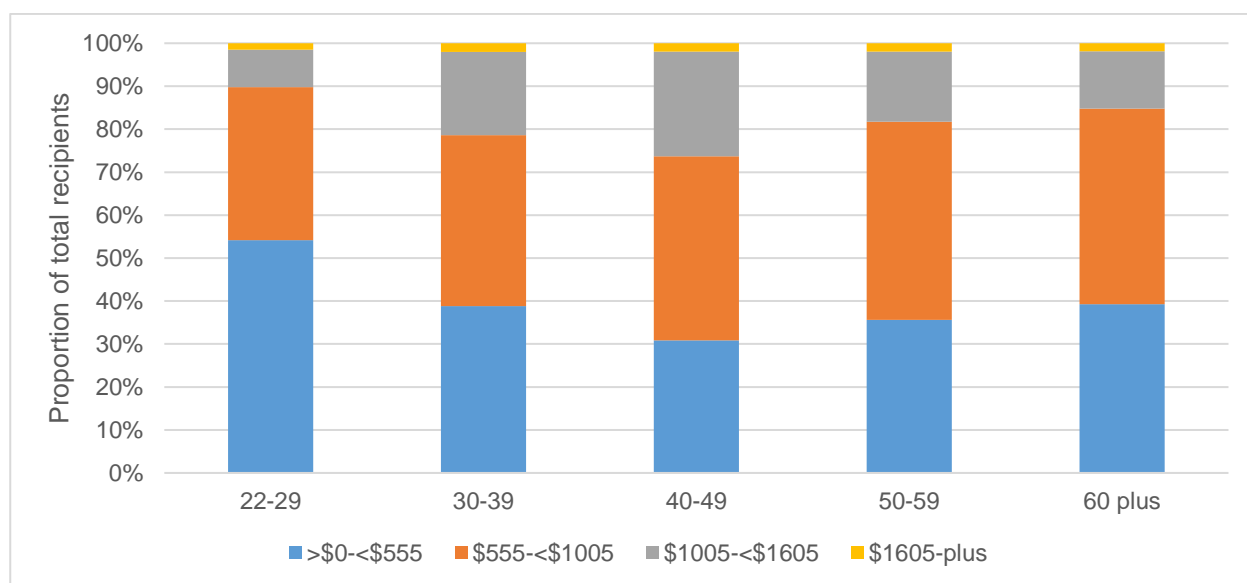
The likelihood of having earnings differs by age.

**Figure 8: Earnings by age bracket**



Source: Services Australia administrative data (DSS extract)

**Figure 9: Fortnightly earnings of Newstart Allowance recipients by age group in percentage as at March 2019**

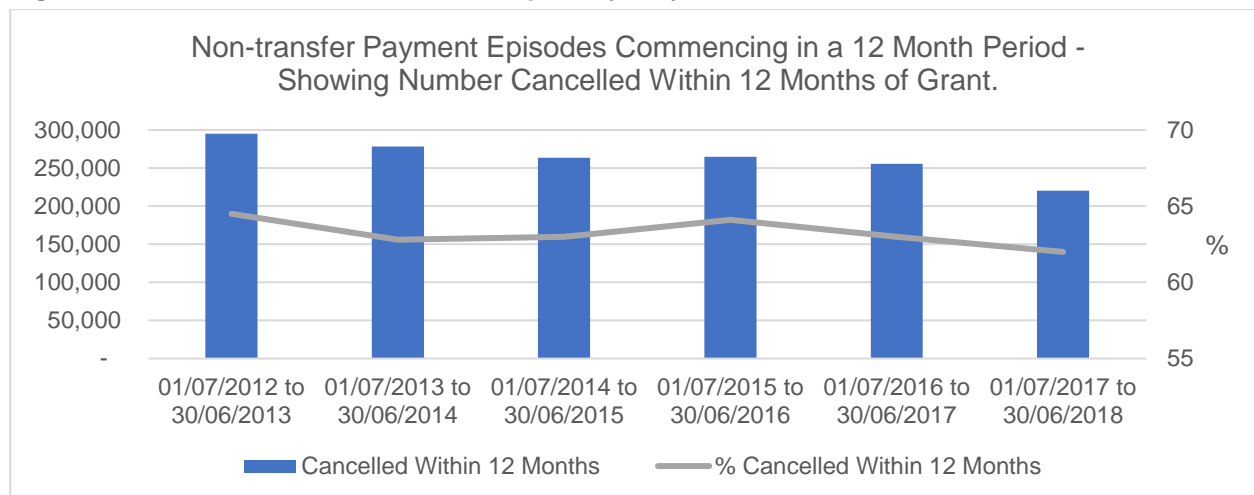


Source: Services Australia administrative data (DSS extract)

## Exits from Newstart Allowance

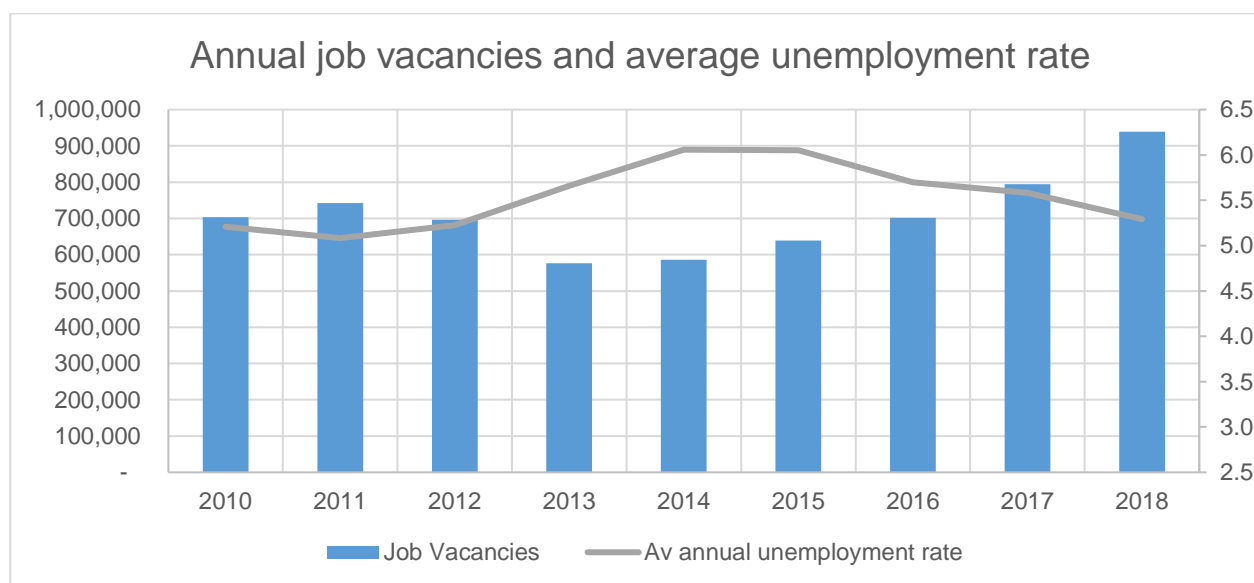
Of the 376,000 people who came on to Newstart in 2017 (between January and December, i.e. flow), 63 per cent left the payment within 12 months. This proportion of exits within 12 months of entry to the payment has remained relatively consistent since 2012-13.

**Figure 10: Newstart Allowance outflow report – yearly time series**



Source: Services Australia administrative data (DSS extract)

**Figure 11: Unemployment rate and annual job vacancies<sup>26</sup>**



Source: ABS Job Vacancies Australia 6354.0 - annualised

<sup>26</sup> 6354.0 - Job Vacancies, Australia, May 2019. The survey covers all employing organisations in Australia (public and private sectors), except:

- enterprises primarily engaged in agriculture, forestry and fishing;
- private households employing staff; and
- foreign embassies, consulates, etc.

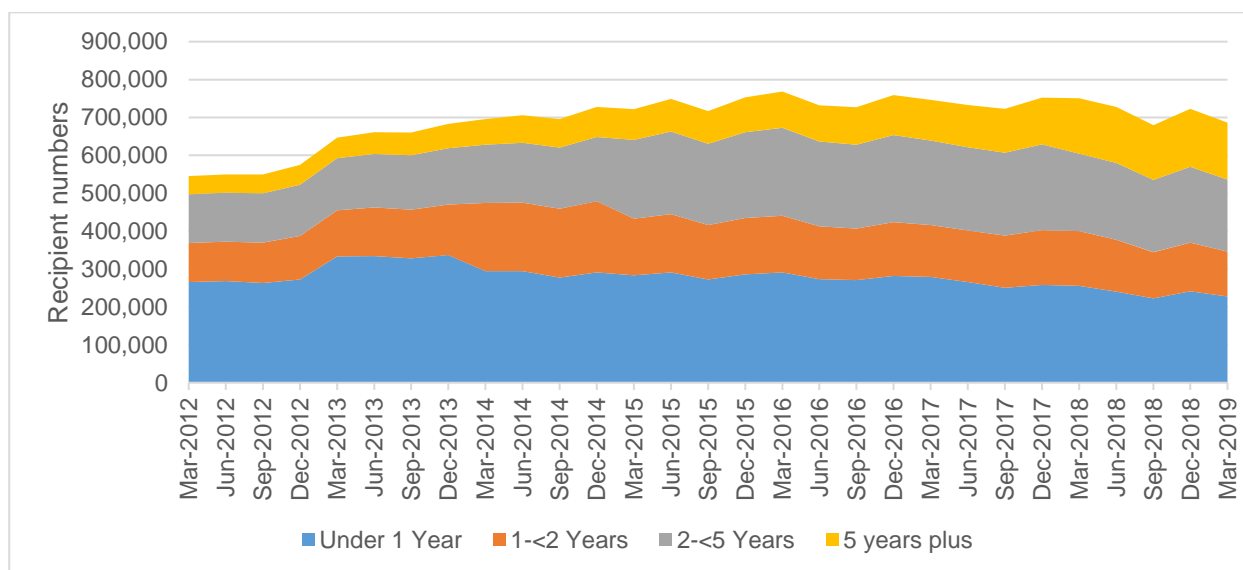
All job vacancies of organisations covered in the survey are in scope, except those:

- in the Australian permanent defence forces; and
- located outside Australia.

## Duration on Newstart Allowance over time

At March 2019, the average duration on Newstart Allowance was 159 weeks.

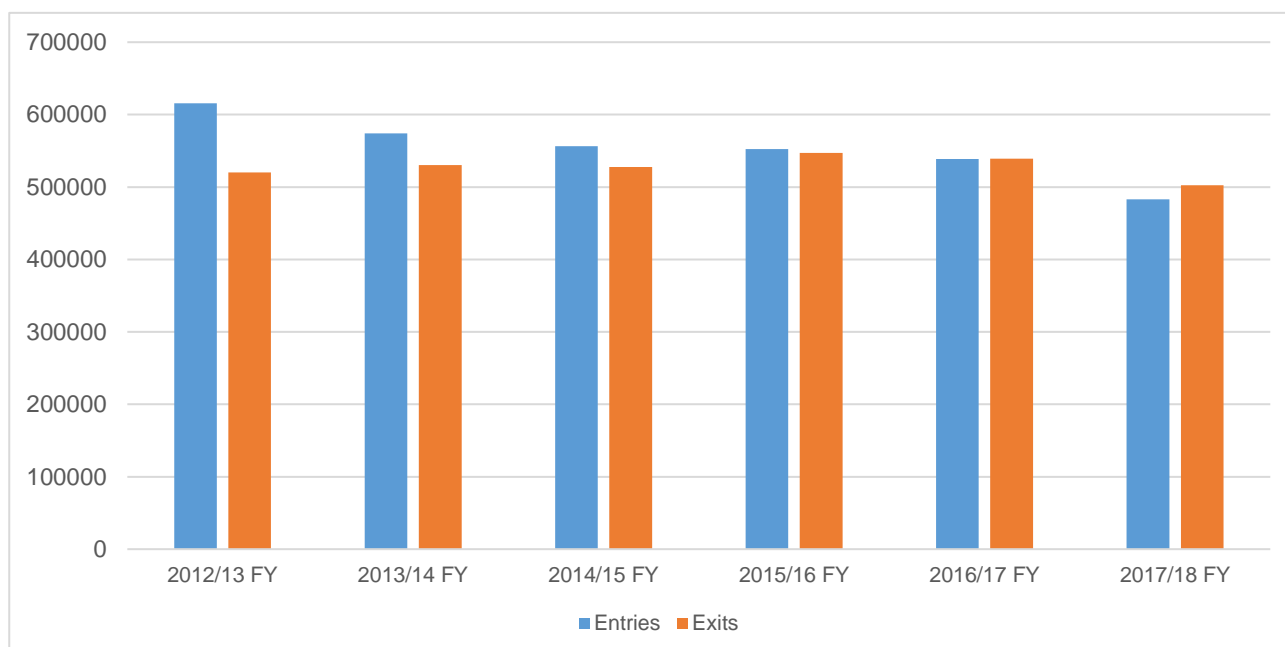
**Figure 12: Number of Newstart Allowance recipients by duration 2012 - 2019**



Source: Services Australia administrative data (DSS extract)

Figure 13 (below) shows the number of people entering and exiting Newstart Allowance. From 2012-13 to 2017-18, on average, around 530,000 people exited Newstart Allowance in each financial year.

**Figure 13: Newstart Allowance Entries and Exits by financial year**

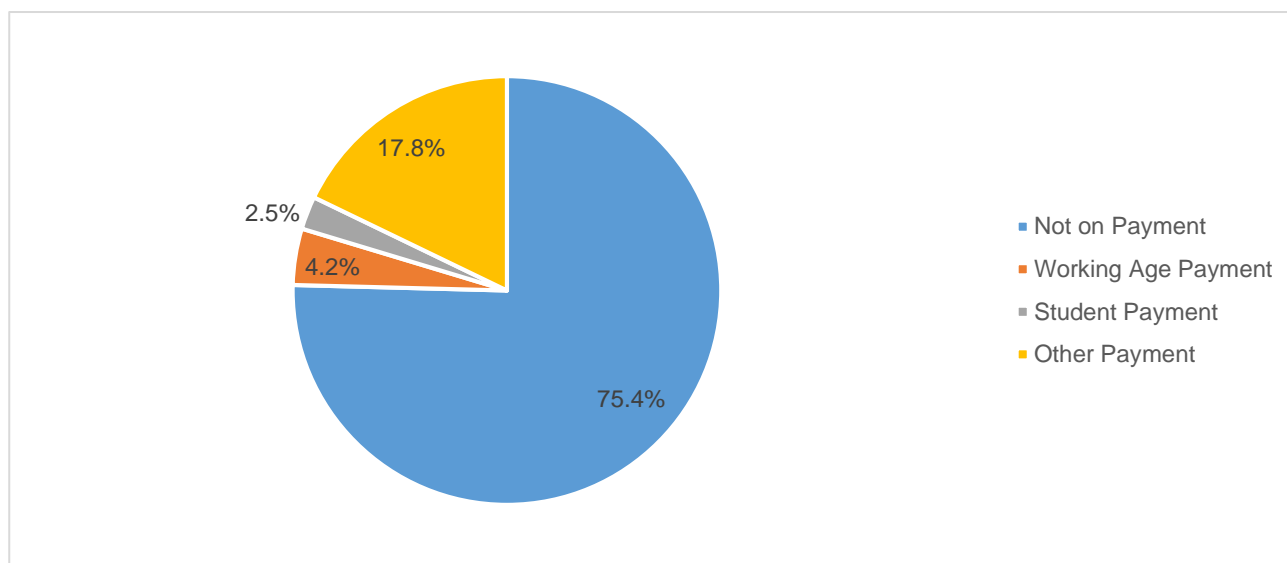


*Note: Entries and exits counts individual people, and does not include instances where a person has entered or exited multiple times throughout the year.*

Source: Services Australia administrative data (DSS extract)

Figure 14 (below) shows the proportions of people who were in receipt of Newstart Allowance as at March 2018, by destination as at March 2019, with the majority (75.4 per cent) leaving the income support.

**Figure 14: Exits from NSA by destination – Point-in-time comparison comparing March 2018 to March 2019 (%)**



Source: Services Australia administrative data (DSS extract)



## Distribution of Newstart Allowance recipients by state and territory and geographic classification

**Table 15: Number and proportion of Newstart Allowance recipients by states and territories as at March 2019**

State/Territories	Recipient Number	% of Total Newstart Allowance	Australian Population by state / territory as at Dec 2018 (estimate) <sup>27</sup>
New South Wales	189,125	27.6%	32.0%
Queensland	157,531	23.0%	20.1%
Victoria	155,651	22.7%	25.9%
Western Australia	82,516	12.0%	10.4%
South Australia	61,305	8.9%	6.9%
Tasmania	20,081	2.9%	2.1%
Northern Territory	14,429	2.1%	1.0%
Australian Capital Territory	5,539	0.8%	1.7%
Unknown <sup>28</sup>	151	0.02%	N.A.
<b>Total</b>	<b>686,328</b>	<b>100.0%</b>	<b>100%</b>

Source: Services Australia administrative data (DSS extract)

<sup>27</sup> ABS, *Australian Demographic Statistics, Dec 2018* (Cat. no. 3101.0)

<sup>28</sup> Includes those with an invalid or incomplete address.

**Table 16: Number and proportion of Newstart Allowance recipients by remoteness areas as at March 2019**

Remoteness Area	Recipient number	% of Total Newstart Allowance	Australian Population by remoteness area as at Jun 2017 (estimate) <sup>29</sup>
Major Cities of Australia	423,665	61.7%	71.8%
Inner Regional Australia	152,307	22.2%	17.8%
Outer Regional Australia	80,409	11.7%	8.3%
Remote Australia	13,471	2.0%	1.2%
Very Remote Australia	16,109	2.3%	0.8%
Unknown	367	0.1%	N.A.
<b>Total</b>	<b>686,328</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Services Australia administrative data (DSS extract)

<sup>29</sup> ABS, *Regional Population Growth, Australia, 2016-17* (Cat. no. 3218.0)

## Indigenous Recipients

While self-identification is voluntary, the Indigenous population was estimated to represent 2.3 per cent of the population counted in the 2006 Census, 2.5 per cent in 2011 and 2.8 per cent in the 2016 Census<sup>30</sup> (estimated to be 3.3 per cent of the total Australian population in 2016<sup>31</sup>).

**Table 17: Number and percentage of Indigenous recipients as a proportion of total Indigenous recipients by states and territories as at March 2019**

State/Territory	Recipient Number	Indigenous Percentage	Australian Indigenous Population by state/territory as at Jun 2016 (estimate) <sup>32</sup>
Queensland	21,490	28.8%	27.7%
New South Wales	18,381	24.6%	33.3%
Western Australia	12,802	17.2%	12.6%
Northern Territory	10,553	14.1%	9.3%
South Australia	4,849	6.5%	5.3%
Victoria	4,442	6.0%	7.2%
Tasmania	1,667	2.2%	3.6%
Australian Capital Territory	388	0.5%	0.9%
Unknown	15	0.02%	N.A.
<b>Total</b>	<b>74,587</b>	<b>100%</b>	<b>100%</b>

Source: Services Australia administrative data (DSS extract)

<sup>30</sup> ABS, *Census: Aboriginal and Torres Strait Islander population*

<sup>31</sup> ABS, *Estimates of Aboriginal and Torres Strait Islander Australians, June 2016* (Cat. no. 3238.0.55.001)

<sup>32</sup> ABS, *Estimates of Aboriginal and Torres Strait Islander Australians, June 2016* (Cat. no. 3238.0.55.001)

## Appendices

### Appendix 1 – Other Supplementary Payments

In addition to those listed above a range of other supplementary payments may be payable depending on individual circumstances.

**Remote Area Allowance (RAA)** is paid fortnightly to assist with the higher than normal costs associated with living in remote areas of Australia. To be paid RAA, a person must live in a remote area. It can also be paid to people who move to a remote area and intend to stay there longer than 12 months.

A person is considered to live in a remote area if they live in Ordinary Tax Zone A, Special Tax Zone A (with certain exceptions) or Special Tax Zone B as defined by the Australian Taxation Office.

As at March 2019, the rate of RAA for a Newstart Allowance recipient is \$18.20 per fortnight for a single person and \$15.60 per fortnight for a partnered person. Recipients may also receive an additional \$7.30 per fortnight for each dependant. RAA is not indexed.

**Language, Literacy and Numeracy Supplement (LLNS)** is paid fortnightly to assist people receiving an eligible income support payment with the additional costs associated with participation in the Skills for Education and Employment (SEE) Program. To be paid SEE in a given fortnight a person must have participated in a SEE Program on at least one day in that fortnight.

SEE provides language, literacy and numeracy training for eligible job seekers whose skills are below the level considered necessary to secure sustainable employment or pursue further education and training. It is designed to help remove a major barrier to employment and improve participants' daily lives.

The rate of LLNS for a Newstart Allowance recipient is \$20.80 per fortnight. LLNS is not indexed.

**Approved Program of Work Supplement (APWS)** is paid fortnightly to assist people receiving an eligible income support payment with the cost of participating in an approved program of work. To be paid APWS, a person must be participating in an approved program of work, such as Work for the Dole or the National Work Experience Programme.

APWS is paid in full every fortnight regardless of the actual number of days of participation in the fortnight.

The rate of APWS for a Newstart Allowance recipient is \$20.80 per fortnight. APWS is not indexed.

**Pensioner Education Supplement (PES)** is paid fortnightly to eligible income support recipients to assist with the costs of study and to help them gain qualifications to make them more competitive in the labour market.

Single principal carers and people with a partial capacity to work who receive Newstart Allowance, Youth Allowance or Parenting Payment (Partnered) may be eligible for PES while studying an approved course as a full-time or part-time student.

The maximum rate of PES is \$62.40 per fortnight for students with at least a 50 per cent study load and \$31.20 for students with at least a 25 per cent study load.

**Education Entry Payment (EdEP)** is an annual payment paid to eligible income support recipients to help with study related expenses such as books and fees.

A person may receive EdEP as an additional payment to other income support payments, such as Newstart Allowance, while studying an approved course as a full-time or part-time student.

EdEP is payable once per year as a lump-sum of \$208.

**Crisis Payment** is a one-off payment available to income support recipients who are in severe financial hardship and have:

- suffered an extreme circumstance forcing departure from their home, such as domestic and family violence or a natural disaster, or
- remained in their home after removal of a family member due to domestic and family violence, or
- been released from prison or psychiatric confinement after having been charged with an offence and serving at least 14 days, or
- arrived in Australia on a humanitarian entrant subclass 200, 201, 202, 203 or 204 visa.

The amount of Crisis Payment paid is equivalent to one week of the person's basic rate of income support payment (supplementary payments are not included). For example, as at September 2019, a single Newstart Allowance recipient with no dependent children would receive \$279.50.

**Mobility Allowance (MOB)** is a fortnightly payment available to a person with disability aged 16 or over who cannot use public transport without substantial assistance, and is required to travel to and from their home in order to undertake work, study, training or job seeking.

To qualify for the standard rate of MOB, a person must be:

- undertaking any combination of paid or voluntary work or vocational training for 32 hours every four weeks, or
- undertaking job search activities with an employment service provider, or
- in receipt of Newstart Allowance, Youth Allowance or Austudy and satisfy mutual obligations or activity test requirements, or
- be participating in a Disability Employment Services – Disability Management Service.

To qualify for the higher rate of MOB, a person must be receiving Newstart Allowance, Youth Allowance, Disability Support Pension or Parenting Payment, and:

- be working 15 hours or more per week at or above the minimum wage, or
- be looking for work of 15 hours or more per week, or
- be working 15 hours or more per week in the Supported Wage System.

The standard rate of MOB is \$97.90 per fortnight, and the higher rate is \$136.90 per fortnight. MOB is indexed by increases in the CPI in January each year.

**Carer Allowance (CA)** is an income supplement paid to someone who provides daily care and attention at home to a person with disability or medical condition who is:

- aged 16 or over where the disability causes a substantial functional impairment, or
- a dependent child aged under 16:
  - the child's disability must appear on a list of disabilities/conditions that result in automatic qualification or must cause the child to function below the standard for his or her age level.

CA is paid at a rate of \$129.80 per fortnight. CA may be paid in addition to an income support payment such as Newstart Allowance. CA is indexed by increases in the CPI in January each year

## Appendix 2 – Pharmaceutical Benefits Scheme (PBS) concessions

As eligible HCC holders, Newstart recipients can access PBS medicines at concessional prices. From 1 January 2019, concessional card holders pay a co-payment of \$6.50 for PBS medicines. The co-payment is the amount the patient pays towards the cost of their PBS medicine. The Australian Government pays the remaining cost.

Additionally, from 1 January 2016, pharmacists have had the option to discount the PBS co-payment by up to \$1.00. This means that pharmacies are able to reduce the co-payment cost for each script filled, down from \$6.50 to \$5.50 for concessional patients. This is not mandatory, and it is the pharmacist's choice whether or not to provide a discount. The option to discount the co-payment does not apply for prescriptions, that are an early supply of a specified medicine.

## Appendix 3 – JobSeeker Payment

From 20 March 2020, a new JobSeeker Payment will be introduced as the main working age payment in the Australian income support system for people aged over 22 years. Seven current payments will be consolidated or closed. This change will simplify the welfare system, making it easier to treat people with similar circumstances in a consistent manner.

More than 99 per cent of people impacted by the changes will receive the same rate or a higher rate of payment. Eligibility for Pensioner Concession Cards and Health Care Cards will remain unchanged under JobSeeker Payment.

Eligibility for JobSeeker Payment will be broader than Newstart Allowance to include access for people who have temporarily stopped working or studying to recover from illness or injury.

## Appendix 4 – Cameos

The following cameos are provided to demonstrate a range of financial assistance provided depending on family circumstances and the operation of income testing arrangements.

*All cameo calculations are based on policy settings as at 20 September 2019.*

### **Single Newstart Allowance recipient – basic rates and renting**

Kyle is a single unemployed person with no dependent children. He receives \$559.00 per fortnight Newstart Allowance and \$8.80 per fortnight Energy Supplement. His total payments are \$567.80 per fortnight.

If Kyle is renting, he could receive Commonwealth Rent Assistance of \$138.00 per fortnight. His total payment would be \$705.80 per fortnight.

If Kyle earned \$740.80 per fortnight, his Newstart Allowance would be reduced to \$192 per fortnight. His Energy Supplement and Commonwealth Rent Assistance (if renting) would be unaffected. Including earnings, Kyle's total income would be \$942 per fortnight or \$1,080 per fortnight if receiving Commonwealth Rent Assistance. After tax, Kyle's disposable income would be \$917 per fortnight, or \$1,055 per fortnight if receiving Commonwealth Rent Assistance.

### **Single Newstart Allowance recipient – partial capacity to work**

If Kyle is renting and is further assessed as having a partial capacity to work, he could also receive Pharmaceutical Allowance (\$6.20 per fortnight) and Telephone Allowance (equivalent to \$4.65 per fortnight). His total payment would be \$716.65 in fortnightly equivalent terms.

If Kyle earned \$740.80 per fortnight, his Newstart Allowance would be reduced to \$192 per fortnight. His Energy Supplement, Commonwealth Rent Assistance, Pharmaceutical Allowance and Telephone Allowance would not be affected by this income. Including earnings, Kyle's total income would be \$1,090 per fortnight. After tax, his disposable income would be \$1,066 per fortnight.

### **Single Newstart Allowance recipient – aged 60+**

If Kyle is aged 60 or older and has been on payment for nine months or more, he could receive a higher Newstart Allowance rate (\$604.70 per fortnight instead of \$559.00 per fortnight) and a higher rate of Energy Supplement (\$9.50 per fortnight instead of \$8.80 per fortnight) in addition to Pharmaceutical Allowance and Telephone Allowance. His total payment would be \$763.05 in fortnightly equivalent terms, including Commonwealth Rent Assistance.

If Kyle earned \$740.80 per fortnight, his Newstart Allowance would be reduced to \$238 per fortnight. His Energy Supplement, Commonwealth Rent Assistance, Pharmaceutical Allowance and Telephone Allowance would be unaffected by these earnings. Including earnings, Kyle's total income would be \$1,137 per fortnight. After tax, Kyle's disposable income would be \$1,100 per fortnight.

### **Single Newstart Allowance recipient – Working Credit**

Dave is a single person with no dependent children who has been unemployed for seven months and built up 672 Working Credits. He pays more than \$307.20 rent per fortnight and is eligible for the maximum rate of Commonwealth Rent Assistance.

#### *Not working*

- Dave receives \$559.00 per fortnight Newstart Allowance, along with \$138.00 Commonwealth Rent Assistance and \$8.80 of Energy Supplement.
- Dave's total payments are \$705.80 per fortnight.

#### *Working 19 hours a week at the hourly minimum wage*

- Dave earns \$740.80 in a fortnight.
- That fortnight, Dave receives \$559.00 Newstart Allowance, along with \$138.00 Commonwealth Rent Assistance and \$8.80 of Energy Supplement.
- Dave's total payments for the fortnight are \$705.80 per fortnight, and his total income for the fortnight is \$1,446.60. He has used 637 Working Credits, leaving a Working Credit balance of 35 at the end of the fortnight.
- Without Working Credits, Dave's income would exceed the free area by \$637, and his payment would have been reduced by \$367. He would have received \$192 Newstart Allowance, along with \$138.00 Commonwealth Rent Assistance and \$8.80 of Energy Supplement (total payments of \$339). His total income would be \$1,080 per fortnight.

#### *Working full-time at the minimum wage*

- Dave earns \$1,481.60 in a fortnight.
- That fortnight, Dave receives \$270 Newstart Allowance, along with \$69 of Commonwealth Rent Assistance and \$4 of Energy Supplement.
- Dave's total income support payments for the fortnight are \$345. Dave's total income for the fortnight is \$1,825 per fortnight.
- Dave's payments are based on using all 672 Working Credits, leaving a working credit balance of zero.



- Without Working Credits, Dave would not have received any government payments as his income is above the cut-out. His total income is \$1,481.60 per fortnight.

### **Youth Allowance recipient**

Dalton is a single unemployed person aged 21. He rents a room in a share house paying more than \$307.20 per fortnight (and is therefore eligible for the maximum sharer rate of Commonwealth Rent Assistance). Dalton receives \$455.20 per fortnight Youth Allowance and \$7.00 per fortnight Energy Supplement. He receives Commonwealth Rent Assistance of \$92 per fortnight. Dalton's total payment would be \$554.20 per fortnight.

If Dalton has a part time job and earns \$740.80 per fortnight, he would receive \$107 Youth Allowance per fortnight. His Commonwealth Rent Assistance and Energy Supplement are unchanged. After tax, Dalton's disposable income would be \$946 per fortnight.

### **Single parent**

Sophie is a single unemployed person and the principal carer of a child aged ten. She pays more than \$377.72 per fortnight in rent and is therefore eligible for the maximum rate of Commonwealth Rent Assistance, which is paid with her Family Tax Benefit.

She receives \$604.70 per fortnight Newstart Allowance, \$9.50 per fortnight Energy Supplement with her Newstart Allowance, as well as \$6.20 per fortnight Pharmaceutical Allowance and Telephone Allowance equivalent to \$4.65 per fortnight. Sophie's total income support would be \$625.05 in fortnightly equivalent terms.

As a parent, Sophie could receive \$508.60 total Family Tax Benefit (FTB) including Commonwealth Rent Assistance with FTB, Energy Supplement with FTB\* and end of year supplements in fortnightly equivalent terms.

Sophie's total payment would be \$1,133.11 in fortnightly equivalent terms.

If Sophie earned \$740.80 per fortnight (19 hours per week at the minimum wage), her income would exceed the free area by \$636.80, and so reduce her payment by \$255. She would receive \$350 per fortnight Newstart Allowance, \$9.50 per fortnight Energy Supplement with her Newstart Allowance, \$6.20 per fortnight Pharmaceutical Allowance and Telephone Allowance equivalent to \$4.65 per fortnight. Sophie's FTB would not be affected at this level of earnings. Sophie's total payment would be \$878 in fortnightly equivalent terms. Including earnings, Sophie's total income would be \$1,619 in fortnightly equivalent terms. After tax, her disposable income would be \$1,590 in fortnightly equivalent terms.

### **Couple parents**

Hector and Kelly are both unemployed and the parents of a child aged ten. They each receive \$504.70 per fortnight Newstart Allowance and \$7.90 per fortnight Energy Supplement. Their total income support would be \$1,025.20 per fortnight.

Hector and Kelly pay more than \$455.28 per fortnight in rent and are therefore eligible for the maximum rate of Commonwealth Rent Assistance. They would receive \$451.08 total Family Tax Benefit including Commonwealth Rent Assistance with FTB, Energy Supplement with FTB\* and end of year supplements in fortnightly equivalent terms.

Hector and Kelly's total payments would be \$1,476.28 in fortnightly equivalent terms.

If Hector earned \$740.80 per fortnight (19 hours at the minimum wage), he would receive \$138 Newstart Allowance per fortnight. His Energy Supplement and Kelly's payments would be unaffected. They would receive \$451.08 total Family Tax Benefit including Commonwealth Rent Assistance with FTB, Energy Supplement with FTB\* and end of year supplements in fortnightly equivalent terms. Including earnings, their total income would be \$1,850 per fortnight. After tax, their disposable income would be \$1,843 in fortnightly equivalent terms.

If Hector earned \$1,481.60 per fortnight (the full time minimum wage), he would no longer receive Newstart Allowance as his income is above the cut-out for his payment. His income would also reduce Kelly's payment by \$299. She would receive \$206 per fortnight Newstart Allowance and \$7.90 per fortnight Energy Supplement with her Newstart Allowance. They would receive \$508.06 total Family Tax Benefit including Commonwealth Rent Assistance with FTB, Energy Supplement with FTB\* and end of year supplements in fortnightly equivalent terms. Including earnings, their total income would be \$2,204 per fortnight. After tax, their disposable income would be \$2,072 in fortnightly equivalent terms.

## Notes

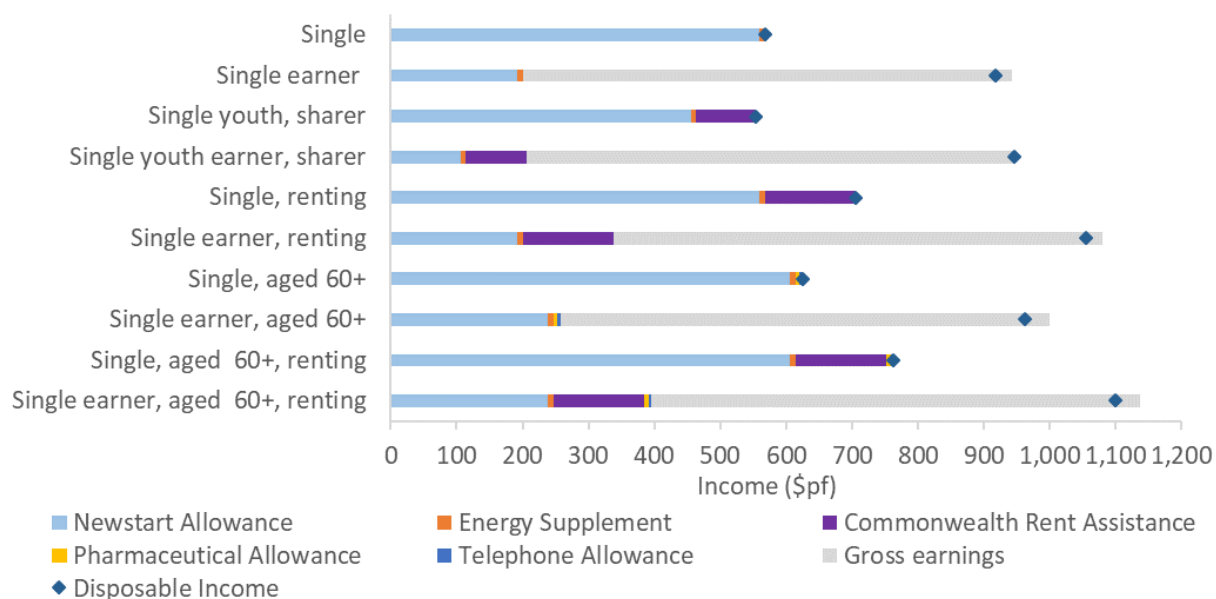
\*FTB Energy Supplement is only payable to FTB customers who have been continuously receiving the Energy Supplement since 19 September 2016.

Fortnightly equivalent amounts include, where applicable, a proportional amount of Telephone Allowance (paid quarterly) and/or FTB end of year supplements (paid annually).

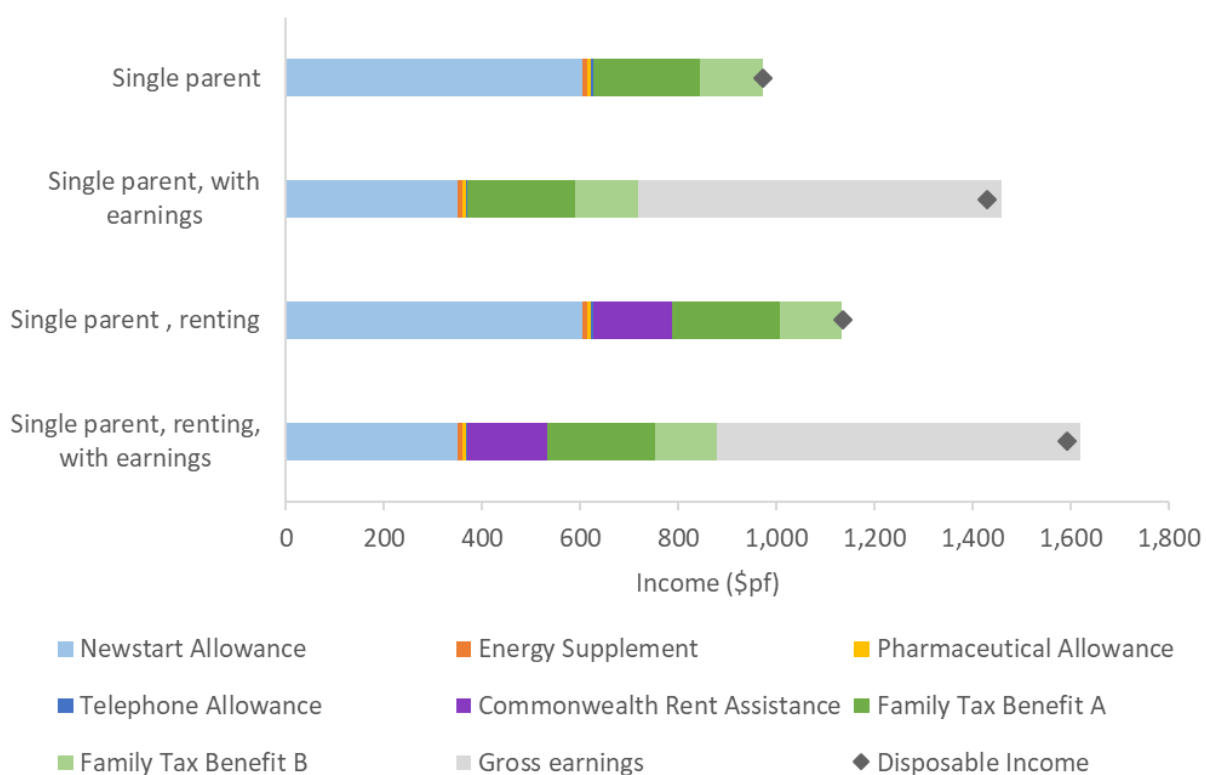
Income tested rates have been rounded to the nearest dollar. Total income may not sum due to rounding.

## Chart summary of cameos

**Figure 15: Income support payments of various single people with either no earnings, or earnings of \$740.80 per fortnight (parameters at 20 September 2019).**



**Figure 16: Income support and family payments of various single parent families with a child aged ten with either no earnings, or earnings of \$740.80 per fortnight (parameters at 20 September 2019).**



**Figure 17: Income support and family payments of couple parent families with a child aged ten and various earnings (parameters at 20 September 2019).**



Notes: Disposable income is net of income tax, which is calculated by annualising fortnightly incomes.

## Glossary

**APWS:** Approved Program of Work Supplement

**AWOTE:** Average Weekly Ordinary Time Earnings

**BTO:** Beneficiary Tax Offset

**CA:** Carer Allowance

**CDEP:** Community Development Employment Projects

**CDP:** Community Development Program

**CPI:** Consumer Price Index

**CRA:** Commonwealth Rent Assistance

**CTA:** Career Transition Assistance Program

**Dependent Children:** A young person is a dependent child of an adult if:

- the adult has legal responsibility, either alone or jointly with another person, for the day-to-day care, welfare and development of the young person and the young person is in the adult's care, or
- the young person is not a dependent child of someone else under the previous point AND the young person is wholly or substantially in the adult's care.

**DES:** Disability Employment Services

**DSS:** Department of Social Services

**EdEP:** Education Entry Payment

**EPI:** Employment Parity Initiative

**ES:** Energy Supplement

**ESAt:** Employment Services Assessment

**FTB:** Family Tax Benefit

**GDP:** Gross Domestic Product

**GST:** Goods and Services Tax

**HCC:** Health Care Card

**HLS:** Harvest Labour Services

**IMP:** Income Maintenance Period

**JCA:** Job Capacity Assessments

**JCSI:** Job Seeker Classification Instrument

**LAWP:** Liquid Assets Waiting Period

**LLND:** Language, Literacy, Numeracy and Digital Skills Training

**LLNS:** Language, Literacy and Numeracy Supplement

**Member of a Couple:** A person is a member of a couple if they have a relationship with another person, where both people are over the age of consent (applicable to the relevant state or territory), are committed to each other on a permanent or indefinite basis, are not in a prohibited relationship and are either:

- legally married, or
- in a registered relationship, or
- in a de facto relationship.

**MOB:** Mobility Allowance

**MTAWE:** Male Total Average Weekly Earnings

**NHHA:** National Housing and Homelessness Agreement

**NSA:** Newstart Allowance

**OECD:** Organization for Economic Co-operation and Development

**OWP:** Ordinary Waiting Period

**Partner:** A partner in relation to a person who is a member of a couple, is the other member of the couple, whether legally married or otherwise. This includes couples whether of the same sex or a different sex. This excludes former partners, whether legally married or otherwise, from whom they have separated.

**PBLCI:** Pensioner and Beneficiary Living Cost Index

**PBS:** Pharmaceutical Benefits Scheme

**PCC:** Pensioner Concession Card

**PCP:** Principal Carer Parents

**PCW:** Partial Capacity to Work

**PES:** Pensioner Education Supplement

**PhA:** Pharmaceutical Allowance

**PIA:** Priority Investment Approach

**Principal Carer:** A person is a principal carer of a child if:

- the child is a dependent child of the person, and
- the child has not turned 16.

Only one person can be the principal carer of a particular child.

**RRA:** Remote Area Allowance

**RTOs:** Registered Training Organisations

**SEE:** Skills for Education and Employment Program

**Skills Match:** A new online self-assessment tool to assist workers to find jobs that match their skills and attributes.

**SWPP:** Seasonal Work Preclusion Period

**TAEG:** Tailored Assistance Employment Grants

**TAL:** Telephone Allowance

**Taper Rate:** Rate at which payments are reduced as income above the free area increases.

**TCF:** Targeted Compliance Framework

**TtW:** Transition to Work

**VET:** Vocational Education and Training

**VTEC:** Vocational Training and Employment Centres

**WTW:** Welfare to Work

**YDS:** Youth Disability Supplement