



Australian Government

Australian Government response to the
Senate Community Affairs References Committee Report:

Bridging our growing divide: inequality in Australia
The extent of income inequality in Australia

December 2016

Community Affairs References Committee

Bridging our growing divide: inequality in Australia
The extent of income inequality in Australia

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ISBN 978-1-925504-23-1

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Government Response

Overview

The Australian Government thanks the committee for the report.

Income inequality is a highly complex and increasingly contested area of the policy debate across much of the developed world. In discussing this issue, it is important to consider the appropriate role for governments in both alleviating poverty and reducing inequality through the tax and transfer system, as well as in supporting growth across the broader economy. It is also timely to consider more recent income inequality data that has been released since the committee tabled its report which shows an improvement across a number of key metrics.

Role of governments

Like most other governments, the Australian Government directs assistance through the welfare system to those who need it most. In fact, the Australian tax and transfer system is among the most progressive in the world in that assistance is overwhelmingly directed to low income earners. According to the 2009-10 Australian Bureau of Statistics' (ABS) Household Expenditure Survey¹, the poorest 20 per cent of Australian households, on average, receive welfare payments and social services worth more than eight times what they pay in taxes.

The Australian Government's economic approach is focused on delivering continued prosperity for current and future generations of hard-working Australians, to enable those Australians to benefit from their own efforts and to target help to those who most need it. To that end, the Australian Government's budget repair measures are designed to reduce debt and deficits and increase the ability of the Government to respond to economic shocks in a way that supports continued economic growth and employment.

The Australian Government notes that significant progress has been made in the budget repair task since the opening of the 45th Parliament. More than \$20 billion worth of budget repair measures have been legislated with the support of the Senate, including measures from the 2014-15 Budget included in the *Budget Savings (Omnibus) Act 2016* which passed with the support of the Opposition. Further measures that have passed and contributed to the Australian Government's budget repair task include fair and sustainable superannuation reforms legislated with the support of the Opposition that target concessions to those who aspire to be self-sufficient in retirement.

In the 44th Parliament, the Australian Government also undertook significant pension reform that will make the pension more sustainable and affordable. The Australian Government appreciates the support of Senators, including the Australian Greens, for the passage of this reform through Parliament and welcomes the Australian Labor Party's recent decision to reverse its opposition to this reform. However the Australian Government is aware that policies adopted by the Opposition would have resulted in \$16.5 billion in higher deficits over

¹ ABS Cat No. 6530.0

the course of the forward estimates, placing greater pressure on Australia's credit rating, raising the cost of borrowing, and making it more difficult for the Australian Government to direct resources to those in need.

One of the most useful ways governments can address inequality is to support economic growth to generate growth in employment and income. The best form of assistance is to help welfare recipients into employment. A key component of the 2016-17 Budget, the Government's *National Economic Plan for Jobs and Growth*, will ensure Australia continues to successfully transition from the mining investment boom to a stronger, more diversified, new economy. Supporting economic growth will ensure that we can readily respond to future external shocks and can continue to provide assistance to those who need it through well-targeted transfer payments and social services into the future.

While the economy still grew by an encouraging 1.8 per cent through the year, it is not sustainable that real GDP contracted by 0.5 per cent in the September quarter. The Australian economy is growing faster than every G7 economy other than the United Kingdom, slightly better than the United States and Canada and just above the OECD average, highlighting the work we must do to maintain and improve our competitiveness.

Non-mining investment remains subdued and this is one of the biggest challenges we face. We need to support businesses to invest in this country. The Australian economy needs investment that will provide more working hours and higher wages for employees and do its part to take the place left from the decline in mining investment.

The Australian Government plans to assist those businesses, especially small businesses via the Enterprise Tax Plan. Through the Enterprise Tax Plan, the Australian Government is providing the support these companies need to back themselves, back their employees and expand into new products and markets. The Parliament's support for measures to boost investment and growth in the Australian economy will assist the Australian Government in its goal of alleviating poverty and associated inequality.

Recent data

Since the committee tabled its report, data has supported the notion that income inequality outcomes in Australia have continued to improve since the Global Financial Crisis. For example, on 21 May 2015 the Organisation for Economic Co-operation and Development (OECD) published a report comparing different measures of inequality across the developed world, titled *In it together. Why less inequality benefits all*².

The report found that income inequality in Australia has increased by substantially less than many comparable OECD countries over the past 30 years and some key inequality measures have actually fallen since the Global Financial Crisis. In addition, the OECD found that the ratio of average income of the top 10 per cent compared to the average income of the bottom 10 per cent in Australia is below the OECD average.

The Household, Income and Labour Dynamics in Australia (HILDA) Survey³ released in December 2015 also supports the view that income inequality outcomes have improved recently. In the five years to 2012, the HILDA survey showed increases in mean and median

2 OECD, 2015

<http://www.oecd.org/social/soc/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm>

3 Melbourne Institute of Applied Economic and Social Research (2016)

https://www.melbourneinstitute.com/downloads/hilda/Stat_Report/statreport_2016.pdf

incomes as well as modest improvements across the p90/p50 and p50/p10 income ratios⁴ and the Gini coefficient, compared with the five years to 2007.

The HILDA Survey also found that the percentage of Australians in both relative and absolute poverty has fallen since the Global Financial Crisis. In particular, the proportion of the population below the absolute poverty line of \$17,592 (defined as an income poverty threshold which has its real value held constant over time rather than adjusted for changes in average living standards, as at December 2014 prices) has fallen from 12.9 per cent in 2001 to 3.9 per cent in 2014, an almost 70 per cent decline.

⁴ The p90/p50 ratio refers to the ratio of income of the 90th income percentile compared with the 50th income percentile; likewise the p50/p10 ratio refers to the income of the 50th income percentile compared with the 10th income percentile.

Government response to the committee's recommendations

Recommendation 1

The committee recommends that there should be analysis of income inequality in Australia as a result of budget changes. The evidence provided to the committee raises issues around the best way to provide this analysis. There has been support for this work to be undertaken by the Treasury or the Australian Bureau of Statistics. The committee believes that consideration should be given to the most effective process to achieve this analysis.

The Australian Government does not agree with this recommendation.

Distributional and cameo analyses are already published in the Budget to illustrate the effects of policy changes on different household types. There is a range of other information already available, including the ABS Survey of Income and Housing, and OECD and World Bank reports on inequality and income.

A number of other independent bodies also publish analysis of inequality in Australia.

Recommendation 2

The committee recommends that the Australian Government not proceed with the following 2014-15 Budget measures, to avoid further hardship for Australians in receipt of income support payments:

- in Schedules 1 to 8 of the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014, measures that:
 - maintain at their current levels for three years the income free areas for all working age allowances (except student payments) and the income test free area for Parenting Payment Single, from 1 July 2015;
 - maintain at their current levels for three years several Family Tax Benefit (FTB) free areas, from 1 July 2015;
 - maintain at their current levels for three years the income free areas and other means tested thresholds for student payments, including the student income bank limits, from 1 January 2015;
 - maintain the standard FTB child rates for two years in the maximum and base rate of FTB Part A and the maximum rate of FTB Part B, from 1 July 2015;
 - revise the FTB end of year supplements to their original values and cease indexation, from 1 July 2015;

Recommendation 2 (continued)

- limit FTB Part B to families with children under six years of age, with transitional arrangements applying to current recipients with children above the new age limit for two years, from 1 July 2015;
 - introduce a new allowance for single parents on the maximum rate of FTB Part A for each child aged six to 12 years inclusive, and not receiving FTB Part B, from 1 July 2015;
 - extend and simplify the ordinary waiting period for all working age payments, from 1 January 2015;
 - cease the pensioner education supplement, from 1 January 2015;
 - cease the education entry payment, from 1 January 2015;
 - extend Youth Allowance (Other) to 22 to 24 year olds in lieu of Newstart Allowance and Sickness Allowance, from 1 January 2015;
 - require young people with full capacity to learn, earn or Work for the Dole, from 1 January 2015; and
 - remove the three months' backdating of disability pension under the Veterans' Entitlements Act 1986, from 1 January 2015.
- in Schedules 1 and 2 of the Social Services and Other Legislation Amendment (2014 Budget Measures No. 5) Bill 2014, measures that:
 - index all pensions to the Consumer Price Index only from 20 September 2017;
 - maintain for three years the current income test free areas for all pensioners (except Parenting Payment Single), and the deeming thresholds for all income support payments, from 1 July 2017;
 - reset the income test deeming thresholds for single income support recipients (\$30 000), pensioner couples (\$50 000), and a member of a couple other than a pensioner couple (\$25 000), for social security and veterans' entitlements, from 20 September 2017; and
 - increase the age pension qualifying age and the non-veteran pension age from 67 to 70 years, by six months every two years, commencing 1 July 2025.
 - cessation of payment of the seniors supplement for holders of the Commonwealth Seniors Health Card or the Veterans' Affairs Gold Card, from 20 September 2014 (Schedule 1 of the Social Services and Other Legislation Amendment (Seniors Supplement Cessation) Bill 2014.

The committee recommends that the proposed changes to the HECS HELP study assist scheme and the proposed GP co-payment do not proceed.

The Australian Government notes this recommendation.

The Government has taken steps to repair the Budget with sensible savings and a prudent approach to spending. The aim was to restore fiscal sustainability and confidence in our public finances, and help improve economic conditions for business, families and individuals.

The Government has introduced a range of measures to rein in spending, improve the sustainability of Australia's social safety net, whilst encouraging those who can support themselves to do so.

In the 2015-16 Budget, the Government announced that it would not proceed with some 2014-15 Budget measures and announced alternative policies that ensure the welfare system is targeted and sustainable.

The Government reversed the measures to index pensions and pension equivalent payments to movements in the Consumer Price Index only, reset the deeming thresholds and maintain pension income test eligibility thresholds and deeming thresholds for three years. It replaced these measures with a new measure to rebalance the assets test parameters, which will provide additional assistance under the assets test to non-homeowners and people with more modest assets, and will provide less support to those who are better off. The 2015-16 Budget also included a measure to cap the level of income from defined benefit income streams that can be excluded from the income test at 10 per cent.

The Age Pension is a critically important safety net for many Australians. It is our Budget's biggest item of expenditure, \$45 billion a year. The Government's pension reform passed the Senate with the support of the Australian Greens in the last Parliament. The Opposition opposed this saving only to reverse its position in the lead-up to the 2016 election (at the same time as reversing its opposition to the abolition of the School Kids Bonus). These pension reforms will make the pension more sustainable and affordable. Changes to the Age Pension assets test from 1 January 2017 will provide more support to people assessed under the assets test to non-home owners and those who have more modest assets.

On 21 October 2015 the Government announced that it would reverse unlegislated FTB measures from the 2014-15 Budget and introduce measures to restructure FTB payments to give better targeted assistance to families, encourage workforce participation and fund the *Jobs for Families* child care package.

On 2 December 2015 the Government introduced the *Jobs for Families* child care package and the FTB Bills to Parliament. Together these Bills aim to provide increased fortnightly support to families to manage their day to day living expenses, and encourage increased workforce participation⁵.

On 31 August 2016 the Government introduced and subsequently passed the Omnibus Savings Bill to Parliament. This bill contained a range of savings measures including: pausing the Family Tax Benefit and Paid Parental Leave income tests; introducing an income limit for the FTB Part A supplement; removing exemptions from the working age payments waiting period for newly arrived residents; aligning the pension means testing arrangements with residential aged care arrangements; and discontinuing the HECS-HELP benefit.

In passing this bill the Government agreed it would no longer proceed with the 2015-16 measure to increase Family Tax Benefit Part B for families with children less than one year of age.

⁵ These Bills were prorogued on 15 April 2016. The *Jobs for Families* package and the FTB Bills were then introduced into the 45th Parliament on 1 September 2016.

The Parliament has passed the following legislation which relates to family payments, the Disability Support Pension, seniors and student support:

- *Budget Savings (Omnibus) Act 2016*;
- Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015;
- Social Services Legislation Amendment (Defined Benefit Income Streams) Bill 2015;
- *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Act 2015*;
- *Social Services Legislation Amendment (No Jab, No Pay) Act 2015*;
- *Social Services Legislation Amendment (Family Measures) Act 2015*;
- *Social Services and Other Legislation; Amendment (2014 Budget Measures No. 6) Act 2014*; and
- Social Services and Other Legislation Amendment (Seniors Supplement Cessation) Bill 2014.

The Government is committed to maintaining Australia's world class student loans scheme, so as to ensure students have affordable access to higher education and do not face any upfront costs. The Government is consulting further on its higher education reforms and has decided that higher education funding arrangements will remain unchanged in 2017 pending the outcome of this process.

The Government has also indicated that, following wide consultation on Medicare reform, it is not proceeding with the GP co-payment.

Recommendation 3

The committee recommends that the Australian Government review the level of working age payments to examine the rate of payment to the poverty line.

The Australian Government notes this recommendation.

The Government commissioned an independent Reference Group chaired by Mr Patrick McClure AO to review Australia's welfare system (the McClure Review). The review's purpose was to identify how to make Australia's welfare system fairer, more effective, coherent and sustainable and encourage people to work. The final report, *A New System for Better Employment and Social Outcomes* was released on 25 February 2015. The Final Report included analysis and advice on the adequacy of income support allowances.

The Government is carefully considering its response to the McClure Review.

Recommendation 4

The committee recommends that the Australian Government establish a consultation process to engage key stakeholders in discussions on how to set minimum levels for social security payments in Australia, including Commonwealth Rent Assistance payments and student assistance payments. In determining the optimal basis for benchmarking payment levels, these discussions should consider the merit and weight to be placed on each of the following measurements:

- replacement rates;
- poverty lines;
- budget standards; and
- financial stress indicators.

The Australian Government notes this recommendation.

The Government is carefully considering its response to the McClure Review.

Recommendation 5

The committee recommends that the Australian Government urgently review the amount of funding allocated to Financial Crisis and Material Aid including for the provision of Emergency Relief and Food Relief (including over the forward estimates), to ensure that vulnerable Australians in need are able to access assistance.

The Australian Government notes this recommendation.

The Government provides a range of services to support vulnerable families and individuals. This includes around \$250 million a year under the Families and Children Activity which provides support to families to improve the wellbeing of children and young people to enhance family and community functioning, as well as increasing the participation of vulnerable people in community life. In addition, the Government provides \$100 million per year to the Financial Wellbeing and Capability Activity which supports people to address basic needs in times of financial crisis; manage serious debts and move out of financial difficulty; build basic budgeting and financial literacy skills; and access savings and credit options aimed at people on low incomes.

The Government also supports vulnerable Australians through funding for housing and homelessness. In 2016-17, the Australian Government will provide \$6.8 billion to support the housing needs of vulnerable Australians. This includes \$4.5 billion to around 1.3 million individuals and families through Commonwealth Rent Assistance, \$1.3 billion to the states and territories through the National Affordable Housing Agreement, \$310 million to support affordable rental housing under the National Rental Affordability Scheme and \$115 million, matched by the states and territories, for the provision of homelessness services under the National Partnership Agreement on Homelessness.

On 9 December 2016 the Government announced \$117.2 million for a Transitional 12 month National Partnership Agreement on Homelessness, commencing 1 July 2017. This funding will provide certainty for frontline services, while the Commonwealth, state and territory

governments work together on longer-term homelessness reforms, including a funding framework.

The Government is always looking at ways to ensure more efficient and effective ways for delivering grants, reducing red tape and increasing flexibility for service providers, through the Department of Social Services' New Way of Working for Grants. This includes innovative Data Exchange (DEX) which will allow the Government to effectively monitor outcomes funded organisations are achieving.

Recommendation 6

The committee recommends that in its response to the findings of the Review of Australia's Welfare System, the Australian Government ensure that those facing the greatest hardship are better off.

The Australian Government notes this recommendation.

The Government is carefully considering its response to the McClure Review.

Recommendation 7

The committee recommends that the Commonwealth Government establish a series of national and regional rental indexes to track the increase of rents. The committee recommends that consideration, including of cost implications, be given to indexing Commonwealth Rent Assistance according to the geographically most suitable index.

The Australian Government notes this recommendation.

Recommendation 8

The committee recommends that the Commonwealth Government develop National Urban Planning Guidelines ensuring that new and existing developments have access to public transport, health, education and other services.

The committee also recommends that the Commonwealth Government develop National Planning Guidelines that all new housing developments have a minimum target of affordable and public and social housing for low income and other disadvantaged groups.

The Australian Government notes this recommendation.

The states and territories are primarily responsible for planning and development. The Commonwealth is working closely with the states and territories to review planning and zoning regulations to make housing supply more responsive — through consideration of payments to states and territories for competition and productivity-enhancing reforms.

On 29 April 2016 the Prime Minister the Hon Malcolm Turnbull MP, together with the Assistant Minister for Cities and Digital Transformation, released the Smart Cities Plan. The Smart Cities Plan sets out the Government's vision for our cities — metropolitan and regional — with a focus on smart investment, smart policy and smart technology.

- Smart Policy will be driven through City Deals — a new framework for partnering with all levels of government to identify clear goals for a city and deliver a co-ordinated investment plan for growth. Through City Deals the Government will work more closely with state and local governments to address inequality in Australia by linking transport infrastructure to land-use planning to enable Australians to have access to employment, health and education services. City Deals will also address housing supply and affordability by encouraging appropriate densities and greater diversity of housing options, and coordinated land releases for residential development.
- Smart investment in infrastructure is needed to meet the needs of our growing cities and the Government has committed to a \$50 billion infrastructure investment program to 2020. Long-term planning for investment in the right infrastructure in the right locations is key to linking people to jobs, services and opportunities and is a pillar of a strong and prosperous Australia.
- Smart technology can help solve the challenges we face in planning our cities and the Government has announced a \$50 million Smart Cities and Suburbs program to fast-track innovative technology solutions for our regional and metropolitan cities.

The Smart Cities Plan will position our cities to succeed in the 21st Century economy. It is a plan for supporting productive, accessible, liveable cities that create jobs and growth, with a clear focus on serving the Australian community.

Recommendation 9

The committee recommends that the Commonwealth Government reconsider its decision to terminate the *Youth Connections* programme and other youth transition programmes. These programmes should be continued or at least rebadged. The focus of the programme must remain on one on one mentoring to help young people to overcome the barriers that make it difficult for them to stay in, or return to, school or training.

The committee recommends that the Commonwealth Government establish TAFE programmes that build on the mentoring approach of the *Youth Connections* programme. The objective of this approach at TAFE level is to ensure that young people remain engaged in vocational training and are able to identify and pursue their employment options.

Recommendation 10

The committee recommends that Australian schools—particularly those in regions of socio-economic disadvantage—establish alliances with employers and vocational education providers to deliver programmes that encourage young people to remain at school, develop contact with employers and support young people to transition to the workforce or further education or training. These programs should encourage employers and vocational education institutions to take a lead role in designing courses that identify future job opportunities for these young people.

The Australian Government does not support recommendation 9 and notes recommendation 10.

The Government is committed to helping young Australians overcome challenges to participating in work and study. Young Australians need the right assistance and encouragement to learn new skills, become job ready, get a job, and stay in a job.

Under the Government's *National Economic Plan for Jobs and Growth* the 2016-17 Budget included around \$840 million over four years for a Youth Employment Package that aims to give young job seekers the employability skills and real work experience they need to get a job. The package will help up to 120,000 young people. The central feature of the Youth Employment Package is the Youth Jobs PaTH (Prepare-Trial-Hire), which consists of employability skills training, a voluntary "internship" placement of four to 12 weeks, a Youth Bonus wage subsidy for employers and the employer mobilisation strategy to encourage participation in the initiative by employers.

The new Youth Bonus wage subsidy (the Hire stage of the Youth Jobs PaTH) can be combined with support available under the Australian Government's existing Australian Apprenticeships Incentive Program, providing a strong incentive for employers to take on a young job seeker in an Australian Apprenticeship. The Youth Employment Package also includes measures to encourage young Australians to start a business and create their own job. From December 2016, pathways for young people to pursue entrepreneurship will be enhanced by:

- Two-week 'Exploring Being My Own Boss' workshops and complementary placements, for up to 12 weeks, that will support young people in gaining a greater understanding of what self-employment entails.
- Entrepreneurship Starter Packs and online hub "SelfStart" will be introduced to bring together information about existing services and programs in a way that will engage young people. "SelfStart" will be hosted on the jobactive.gov.au website. An Entrepreneurship Starter Pack "marketing product" will promote "SelfStart".
- New Encouraging Entrepreneurship Facilitators will promote entrepreneurship and join up available services and programs (such as *jobactive*, the New Enterprise Incentive Scheme (NEIS), microfinance services and start-up incubators). The Facilitators will operate in Cairns, Hunter, including Newcastle and Launceston and North East Tasmania — all regions with high youth unemployment.
- An additional 2,300 NEIS places per year and broadening of NEIS eligibility to provide access to the training and mentoring elements of the NEIS program to job seekers not on income support.

In the 2015-16 Budget the Government also announced a new investment of \$331 million for a *Youth Employment Strategy* as part of the *Growing Jobs and Small Business* package. This included a new \$322 million *Transition to Work* service (of which \$212 million was new funding) to assist young people who have disengaged from work and study and are at risk of long-term welfare dependence. The service is designed to improve the work readiness of young people aged 15 to 21 and will help them get into work (including apprenticeships or traineeships) or education.

The *Youth Employment Strategy* also included a new investment of \$106 million for intensive support for key groups of vulnerable job seekers including disadvantaged young people with mental health concerns and vulnerable young migrants, and *Empowering YOUTH Initiatives* to test innovative approaches to assist young people at risk of long-term unemployment.

A further \$14 million *Early School Leaver* policy will help improve the education outcomes for early school leavers by ensuring they are working or studying.

The Government is investing higher levels of school funding than ever before, a record \$73.6 billion in total Government funding to all schools across Australia. Schools support young people to develop the foundation skills they need to get a job. The Government places a high priority on education and schooling that is flexible, allowing students to follow various pathways to further education, employment or training. The Government has been working with states and territories, who have the primary responsibility for school age students at risk of disconnecting from education and training. The Government is being fiscally responsible in ensuring that there is not duplication of services between Governments. For example, Labor's Youth Connections program (that ceased in 2014) had 74 per cent of participants under the age of 17, which are all being supported by the states and territories.

The implementation of the *Preparing Secondary Students for Work* framework, a framework for vocational learning and vocational education and training (VET) delivered to secondary students will assist states and territories with a best practice model. The framework provides clarity on the purpose and expected outcomes of undertaking vocational learning activities, or more formal VET programmes, and identifies the need for collaboration in bringing schools and employers together to improve vocational outcomes for secondary students.

The Government is committed to training that is high quality and delivers real skills for jobs. In recognition of the need to revitalise industry engagement in the national training system, on 21 April 2015, the Government announced a new model for *Training Package Development for Australian Industry*. This new approach will place industry at the centre of training product development and in overseeing training product content, and ensure the quality of VET qualifications is retained. This will strengthen industry and employer participation in training package development and review by providing clear channels for input which will ensure training aligns with jobs in the economy. The Government's *P-TECH Pilot* brings local employers and local schools together. Students study Australian curriculum subjects like maths, English and science alongside site visits, industry mentoring and employer projects, which help students to build connections between what they are learning in their classrooms and the real jobs to which they aspire. The Government has committed \$4.6 million to extend the program to a further 12 sites in addition to its original two.

The Australian Government is investing around \$900 million over the next four years in the Australian Apprenticeship Support Network to make it easier for employers to recruit, train and retain apprentices and better support individuals to succeed in the proven earning and learning pathway apprenticeships provide. From 2015, Apprenticeship Network providers have been contracted to deliver an enhanced suite of individually tailored services to targeted Australian apprentices and employers. This support includes mentoring and pastoral care as well as the provision of advice and guidance on additional training and specialised support options for Australian apprentices and employers. Apprenticeship Network providers provide advice and support services tailored to the needs of employers and apprentices throughout the apprenticeship lifecycle — from pre-commencement to completion — through:

- Universal services for all employers and apprentices, providing essential administrative support, payment processing and regular contact; and
- Targeted services for employers and individuals assessed as needing additional support to complete the apprenticeship.

The Government has also committed \$3 million to development of a new *Career Education Strategy* to support students in planning and preparing for transitions to work.

Through Tailored Assistance Employment Grants (TAEGs) the Government provides support to connect working age Indigenous Australians, including youth, with real and sustainable jobs. TAEGs support activities that help Indigenous Australians to overcome disadvantage in the labour market and connect them to employment, gain experience that builds work readiness, and contribute to the broader community. TAEGs also assist Indigenous students transition from education into sustainable employment, through providing funding to organisations to support Indigenous students in secondary education stay engaged in school and work towards apprenticeship and/or traineeship qualifications that result in sustainable employment.

The Indigenous Cadetship Support programme links Indigenous students undertaking their first undergraduate degree with employers who provide students with an annual 12 weeks minimum paid work placement and ongoing employment once they graduate. Whilst this programme is not specifically targeted at youth, a large majority of undergraduates are aged less than 25 years.

Recommendation 11

The committee recommends that the Office of the Age Discrimination Commissioner articulates a National Jobs Checkpoint Plan, with costings, that can be put to the Commonwealth and State governments for their consideration. These costings should emphasise the savings that will arise from a preventative approach where older workers can move smoothly to training opportunities and further work, as distinct from these workers being made redundant and reliant on income support payments.

The Australian Government notes this recommendation.

The Government is committed to helping all Australians participate, and recognises that many older workers need support to remain in employment longer or to return to work if they choose.

Measures announced as part of the *Growing Jobs and Small Business* package in the 2015-16 Budget will also increase the opportunities for mature age job seekers to find and move into work. The *Restart* programme, which supports employers to hire unemployed workers aged 50 years or over, has been strengthened to better meet their needs. From 1 November 2015, employers will be able to receive up to \$10,000 over 12 months, rather than two years and from January 2017 over six months rather than 12 months. Flexibility has been introduced to the wage subsidy payment arrangements to help businesses with the upfront costs of hiring and training staff. Employers will be able to receive wage subsidy payments from the time the job seeker starts in the job and receive regular instalments to meet their business needs. The amount and timing of payments will be negotiated between the employer and employment services provider.

Further, the Government recently created the office of Ambassador for Mature Age Employment to help drive greater awareness amongst employers of the business benefits of hiring older workers and help open new doors for job seekers. On 24 June 2015, the Hon Susan Ryan AO, currently the Age Discrimination Commissioner, was appointed to the position. Commissioner Ryan also played a key role in leading the '*Willing to Work: National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability*'. The National Inquiry examined practices, attitudes and Commonwealth laws that

deny or diminish equal participation in employment of older Australians and Australians with disability. The Inquiry Report was released on 2 May 2016.

The Government has consulted with Commissioner Ryan on the *National Jobs Checkpoint Plan*. A pilot based on the broader Plan targeting employed workers aged 45 to 54 tested delivery models and uptake. The Government funded the *Skills Checkpoint Pilot for Older Workers*. The pilot operated from November 2015 until May 2016 and an evaluation to inform further decisions about career advisory services has been undertaken and is currently under consideration by the Government.

Recommendation 12

The committee recommends that the Australian Government assess the success and the financial and social benefits of programmes that provide individualised support for the long term unemployed and those at risk of long term unemployment. Pending this analysis, the committee recommends that the Australian Government consider the case for funding these programmes on a more secure, longer term basis.

The Australian Government notes this recommendation.

The Government is committed to increasing the workforce participation of all Australians as the ability to work and earn an income is a foundation of Australian life.

The Government recognises that long-term unemployment imposes economic and social costs on individuals, their families and the broader community, and people who are unemployed for long periods of time often find it harder to return to or gain employment.

The Government is taking action to ensure job seekers are not at risk of being long-term unemployed, welfare dependent and disconnected from society, especially young Australians facing multiple barriers, including mental health concerns.

The employment service, *jobactive*, which commenced on 1 July 2015, offers a range of assistance for long-term unemployed job seekers, including:

- case management so job seekers are ready to take up and keep a job, and outcomes focused payment structure for providers;
- stronger participation requirements and opportunity to participate in Work for the Dole so that job seekers can be more job-ready;
- an Employment Fund that can be accessed by *jobactive* organisations to help job seekers with work-focused training that is suited to the skills that employers need and work-related expenses;
- post-placement support to help sustainable employment; and
- wage subsidies.

The *Growing Jobs and Small Business* package announced in the 2015-16 Budget comprises a range of measures to help employers take on long-term unemployed job seekers, build employability skills, particularly for young people, including:

- the new \$322 million *Transition to Work* service (of which \$212 million is new funding) to provide intensive assistance to young people who have disengaged from work and study and are at risk of long-term welfare dependence;
- a new investment of \$106 million to provide intensive support for vulnerable job seekers most at risk of long-term unemployment, including:
 - the *Empowering YOUTH Initiatives* which provides funding for not-for-profit community organisations to trial innovative ideas for getting young people at risk of welfare dependency into jobs;
 - the *Parents Next* initiative which will help parents living in disadvantaged locations to prepare for employment before their youngest child turns six;
 - employment support for young people with mental illness which will trial new models of individual support to improve employment outcomes for young people with a mental illness; and
 - the *Transition Support for Young Refugees and Other Vulnerable Young Migrants* measure which assists young humanitarian entrants and other vulnerable young migrants to make a successful transition to work.

Recommendation 13

The committee recommends that as part of the planned discussions leading to a White Paper on taxation reform in 2015, the federal government have regard to how the existing tax system is affecting inequality in Australia. This should include an analysis of existing tax concessions.

The Australian Government notes this recommendation.

The Government's objective is to achieve a better tax system that delivers taxes that are lower, simpler and fairer. This includes legislating tax cuts for middle income earners to ensure they did not move into the second highest tax bracket.

A key reform achieved recently was the Government's changes to superannuation. These reforms improve the fairness, sustainability, flexibility and integrity of the retirement income system. The changes improve flexibility by creating a level playing field for every Australian to give them the opportunity to make full use of their concessional contributions cap no matter how they are employed.

The superannuation changes will help people with irregular pay or who have spent time out of the workforce giving them a chance to 'catch up' on their concessional contributions if they have low superannuation balances. Superannuation reform will improve fairness by ensuring individuals with the lowest taxable incomes don't pay more tax on their concessional superannuation contributions than on their take-home pay.

The changes improve sustainability by preventing the superannuation system from being used for tax minimisation or estate planning purposes and ensuring broadly commensurate treatment for all Australians across the superannuation system — whether in an accumulation or defined benefit account. These reforms better target superannuation tax concessions to hard-working Australians who aspire to be self-sufficient in their retirement.

Government response to the Australian Greens' additional recommendations

Recommendation 1

The committee recommends that the Australian Government increase the level of working age payments to ensure that Australians who are not in paid work are not living below the Henderson Poverty Line. All income support payments must be:

- benchmarked to broader community living standards; and
- indexed to movements in wages as well as prices.

The Australian Government notes this recommendation.

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. Working age payments are not intended to provide the same standard of living as people on pensions or wages.

Recommendation 2

The committee recommends that, as part of the planned discussions leading to a White Paper on taxation reform in 2015, the federal government consider the impact of tax reform on the ability to address inequality, including taxation concessions of superannuation contributions, earnings and withdrawals, and impact of capital gains.

The Australian Government notes this recommendation.

The Government's objective is to achieve a better tax system that delivers taxes that are lower, simpler and fairer. Reforms to superannuation announced in the 2016-17 Budget and legislated in November will improve sustainability by better targeting superannuation tax concessions to Australians who aspire to be self-sufficient in their retirement.

Recommendation 3

The committee recommends that, as part of the planned discussions leading to a White Paper on taxation reform in 2015, the federal government consider tax arrangements that improve affordability and increase the supply of housing.

The Australian Government notes this recommendation.

The Government considers that the key to addressing housing affordability is to ensure that housing supply is better able to respond to increases in housing demand and is currently working with states and territories to address this. The Affordable Housing Working Group, established by Heads of Treasuries, is looking into ways to improve the supply and provision

of affordable housing through innovative financing models. At the Council of Federal Financial Relations Meeting on 2 December 2016, Commonwealth, state and territory Treasurers considered the report of the Affordable Housing Working Group and agreed to the report's recommendations, in particular the establishment of a bond aggregator taskforce. The taskforce will design a bond aggregator model and report to Heads of Treasuries by mid-2017. Treasurers have asked Heads of Treasuries to report back to the next Council meeting on potential options to improve housing supply and affordability.

Government response to the Coalition Senators' recommendation

Recommendation 1

That the Senate implements the Government's agenda to build a strong and prosperous economy for the benefit of all Australians.

The Australian Government agrees with this recommendation. The Government notes the support of the majority of the Senate in passing budget repair measures that total more than \$20 billion in the 45th Parliament. The Government has been pleased to work with the Parliament to achieve sensible, lasting reforms that create jobs and grow investment. In summary, the Government's actions to address inequality include:

- Since the 2014-15 Budget, the Government has introduced two subsequent Budgets which introduced further measures to ensure that Australia's tax and welfare system are carefully calibrated to deliver help to those who need it most, as well as encourage the economic activity that is the basis for increasing the prosperity of all Australians.
- These measures also address further recommendations of the committee:
 - The Government's innovative \$752 million Youth Jobs PaTH Programme will help young job seekers to move off welfare and into employment.
 - Changes to the Age Pension mean that from 1 January 2017, changes to the assets test will provide more support to people assessed under the assets test who do not own their home and those who have more modest assets.
 - Reforms to superannuation will improve sustainability by better targeting superannuation tax concessions to hard-working Australians who aspire to be self-sufficient in their retirement. These reforms will better position the superannuation system to meet the key challenges over the rest of the twenty-first century, including the ageing of our population.
- In relation to consultation with stakeholders on welfare measures, the Government continues to engage with relevant stakeholders to deliver lasting reforms that break the cycle of welfare dependency, give those who can work every opportunity to do so, and ensure help is given to those who need it.
- The Government has also focused efforts on City Deals, including regional cities, working with local, state and territory governments to make cities more productive and liveable. These City Deals will address inequality in Australia by improving the infrastructure that enables Australians to have access to employment, health and education services, and affordable housing.

The Government looks forward to building on these reforms to deliver more jobs, higher earnings and sustained economic growth for the benefit of hard-working Australians and their families.