

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 3.**

#### **Question**

**Ms Taylor:** These are simply estimates, but increasing the base rate of Newstart by \$50 for a full year would be approximately \$2 billion.

**Senator Siewert:** Please provide to us on what figures that estimate is based. Is it based on the single rate? How do you factor in couples? Is it only allowances or pensions, such as parenting payments, or is it just Newstart? Does it include youth allowance? What are the criteria around youth allowance? How many people have you calculated in each category? How many participants were used?

#### **Answer**

The Department has estimated the cost of increasing the single rate of allowances by \$50 per week from 20 March 2014 and indexing allowance payments to growth in MTAW, consistent with the elements of the proposal put by ACOSS. The cost would be approximately \$8 billion over four years.

It is stressed that this is an indicative estimate and is not a formally endorsed costing.

This estimate includes:

- a rate increase for around 670,000 single recipients of Newstart Allowance, Youth Allowance (Other, Student and Apprentice), Sickness Allowance, Special Benefit, ABSTUDY, Austudy, Parenting Payment Partnered, Disability Support Pension (DSP) under 21 without children, Widow Allowance and Partner Allowance each year;
- a change in indexation arrangements for around 1.2 million partnered and single recipients of the same payments;
- approximately 54,000 additional recipients each year receiving a part-rate of payment due to the increased income test cut-off points;
- costs for Job Services Australia, Disability Employment Services and Remote Jobs and Community Programs; and
- approximate costs associated with implementation by the Department of Human Services.

This estimate does not include the possible costs associated with changes to Department of Veterans' Affairs payments.

The estimate recognises that, in line with the ACOSS proposal, the rate increase does not apply to:

- ABSTUDY recipients aged less than 22 years who live in the parental home;
- Youth Allowance recipients who live in the parental home;
- Disability Support Pension recipients who are aged under 21, do not have children and who are dependent.

The ACOSS proposal excludes approximately 500,000 recipients each year who are predominantly partnered recipients for all payments, young people living at home who are receiving Youth Allowance or ABSTUDY, and DSP recipients who are under 21 years of age, do not have children and who are dependent.

If the proposed changes were to include these cohorts, the estimated cost would be approximately \$15 billion over four years.

## Senate Standing Committee on Education Employment and Workplace Relations

### QUESTIONS ON NOTICE

#### Inquiry into the adequacy of Newstart and other allowance payments and other matters

The Chair asked on 17 September 2012, Hansard page 4.

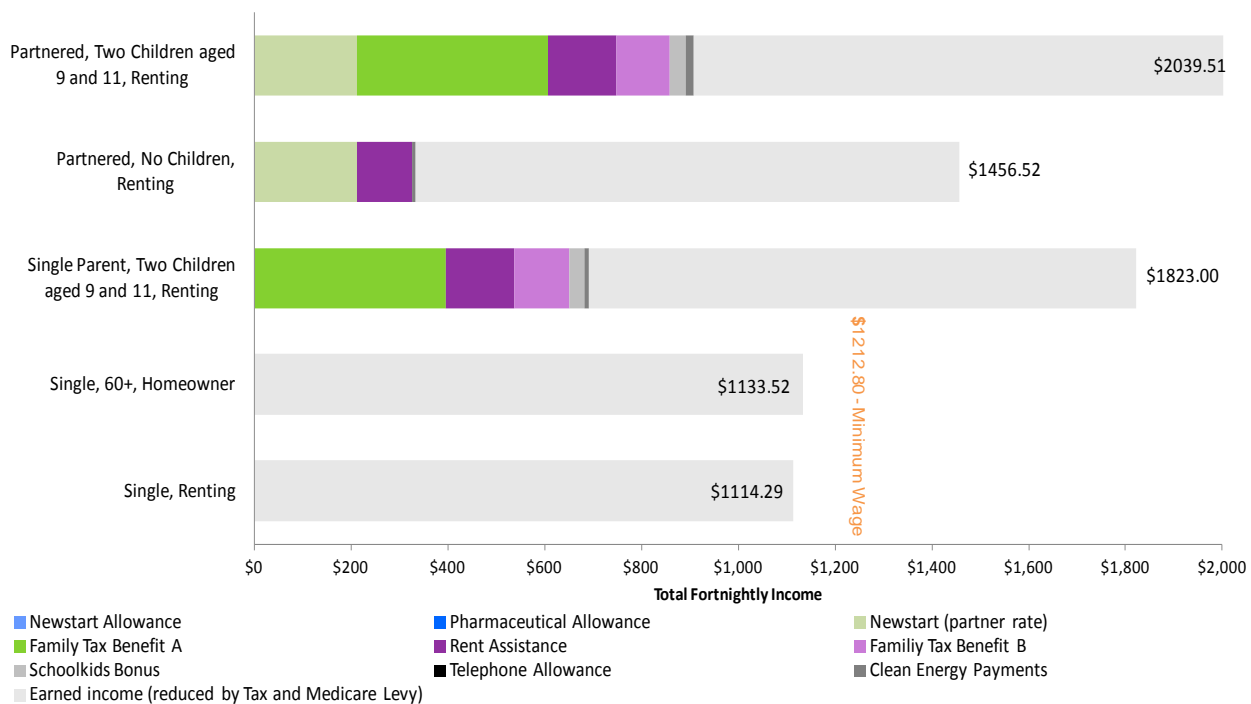
#### Question

**CHAIR:** I wonder if it might assist the committee if you could then present us with an addendum to figure 33 that might be able to include somebody in each of these categories earning the minimum wage and enjoying, if you like, the benefits that are outlined there for Newstart participants. Would that be possible to do?

**Ms Taylor:** We are happy to take that on notice and do that.

#### Answer

The following graph shows the after tax incomes of five different household types where one adult is working full-time at the National Minimum Wage, earning \$1212.80 per fortnight. Where the adult is partnered, it is assumed that the partner is not working. The graph is based on rates applicable at 17 September 2012 when the Chair asked this question.



A detailed breakdown of the total package of assistance for each of the five household types where one adult is earning the full-time National Minimum Wage is set out at Attachment A.

In all cases, the earner would not be eligible for Newstart Allowance but, where partnered, the earner's partner may be eligible for a part rate of Newstart Allowance and for other benefits depending on their circumstances.

In the case of a couple without dependent children, the partner would still receive a part rate of Newstart Allowance (\$212.32 per fortnight) as well as Rent Assistance and Clean Energy Payments.

For a couple with two children aged 9 and 11, their partner would receive a part rate of Newstart Allowance (\$212.32 per fortnight). This couple is entitled to a total of \$694.70 per fortnight in additional payments (Family Tax Benefit Part A and Part B, Rent Assistance, the Schoolkids Bonus and Clean Energy Payments).

A single person without dependent children who is working full-time at the National Minimum Wage would not be eligible for any Newstart Allowance or supplementary payments.

A single parent with two children aged 9 and 11 would still receive \$690.52 of additional payments each fortnight, including Family Tax Benefit Part A and Part B, Rent Assistance, the Schoolkids Bonus and Clean Energy Payments.

Note that under changes to the income test for single principal carer parents receiving Newstart Allowance, which are due to commence from 1 January 2013, single principal carers on Newstart Allowance will be able to earn up to \$1394.50 per fortnight before losing eligibility for payment, rather than the current \$981.67 per fortnight (based on rates applying at 20 September 2012).

## ATTACHMENT A

**Total package of assistance for different household types where one adult is earning the full-time National Minimum Wage**

	<b>Single, Renting</b>	<b>Single, 60+, Homeowner</b>	<b>Single Parent, Two Children aged 9 and 11, Renting</b>	<b>Partnered, No Children, Renting</b>	<b>Partnered, Two Children aged 9 and 11, Renting</b>
<b>Newstart Allowance</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Pharmaceutical Allowance</b>	-	\$0.00	\$0.00	-	-
<b>Newstart (partner rate)</b>	-	-	-	\$212.32	\$212.32
<b>Family Tax Benefit A</b>	-	-	\$395.08	-	\$395.08
<b>Rent Assistance</b>	\$0.00	-	\$140.98	\$113.20	\$140.98
<b>Family Tax Benefit B</b>	-	-	\$114.24	-	\$110.53
<b>Schoolkids Bonus</b>	-	-	\$31.54	-	\$31.54
<b>Telephone Allowance</b>	-	-	-	-	-
<b>Clean Energy Payments</b>	\$0.00	\$0.00	\$8.68	\$7.89	\$16.57
<b>SIFS</b>	-	-	\$0.00	-	0.00
<b>Tax</b>	-\$80.32	-\$61.09	-\$80.32	-\$80.32	-\$80.32
<b>Medicare Levy</b>	-\$18.19	-\$18.19	\$0.00	-\$9.74	0.00
<b>Earned income (reduced by Tax and Medicare Levy)</b>	\$1114.29	\$1133.52	\$1132.48	\$1122.74	\$1132.48
<b>Total Income</b>	\$1114.29	\$1133.52	\$1823.00	\$1456.16	\$2039.51

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 6-7.**

**Question**

**Senator SIEWERT:** How many are cycling through? You cover insecure and temporary work—and I have a range of questions there—but how many are cycling in and out within secure work? You talk about the 13 and 26 weeks. How many people are going through? We will get to the 60 per cent versus the 62 per cent who are still on Newstart, because that is again very confusing for people. I understand the point-in-time stuff. But how many are cycling on and off? Do you track that?

**Senator SIEWERT:** So from your longitudinal data can you tell us how many people in a year would be going off and on?

**Answer**

The rate of movement out of and back onto payment over time cannot be answered through routine administrative data and reports. It requires complex analysis of time series data and this work has been commenced. The results of this analysis will be provided to the Committee when completed.

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Marshall asked on 17 September 2012, Hansard page 9.**

**Question**

**Senator MARSHALL:** What would be the cost to the forward estimates if the Newstart allowance income-free area was increased to an amount equal to three hours work at the minimum wage rather than doing a credit system? So \$16 is the minimum wage, and the minimum number of hours you are allowed to work is three, anyway, so that is \$48. What would be the cost to the forward estimates if you were allowed to do that before it affected your Newstart allowance?

**Answer**

The Department has estimated the cost of increasing the allowance income free area from \$62 to \$96 a fortnight, with no other change to the design of the payment, to be approximately \$220 million over four years.

This is an indicative estimate and is not a formally endorsed costing. It assumes a commencement date of 1 July 2013.

This estimate includes:

- a rate increase for around 118,000 recipients of Newstart Allowance; Parenting Payment Partnered; Sickness Allowance; Widow Allowance and Partner Allowance who are earning income above the current income free area of \$62; and
- approximately 10,000 additional recipients each year receiving a part-rate of payment due to the increased income test cut-off points.

The estimate does not include costs associated with:

- Job Services Australia, Disability Employment Services, Remote Jobs and Community Program
- changes to Department of Veterans' Affairs payments
- implementation by the Department of Human Services.

These additional costs are likely to be in the tens of millions of dollars.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 11.**

#### **Question**

**Senator SIEWERT:** Sorry, you have just confused me. I really beg your pardon. I want the cohort of people that are the long-term and very-long-term unemployed. So that is that 62 per cent. Are these of that or the point-in-time data?

**Ms Taylor:** These are the point-in-time data. I do not think I am giving you what you want. I can tell you the proportion of the whole, not of the 60 per cent who have been on there for longer than—

**Senator SIEWERT:** Yes. I am trying to find out how many of the long term and the very long term are mature-age, partial disability—

**Ms Taylor:** Is this over 12 months; not over two years?

**Senator SIEWERT:** Yes.

**Ms Taylor:** Okay; we are on the right track. Those figures that I have were 18 per cent mature age—99,869—and 18 per cent partial capacity to work; that is 102,297.

**Senator SIEWERT:** Then there is the parenting—

**Ms Taylor:** Yes, that is eight per cent—45,255.

**Senator SIEWERT:** I might have to put in writing the breakdown of the figures that I want so I know which group that we are talking about.

**Ms Taylor:** I am happy to take that on notice.

#### **Answer**

There are two sets of data to consider. The first is the flow data that shows what happens to the people who enter Newstart Allowance over a given year.

This data shows that there were a total of 598,722 new recipients of Newstart Allowance over the 2010-11 financial year. Of these:

- 348,514 people (58%) left income support within 12 months; and
- 250,208 people (42%) were still receiving income support of some type after 12 months.

Of the 250,208 people who were still receiving income support of some type after 12 months:

- 42,245 (17%) were Mature Aged (55 years +)
- 22,980 (9%) were Principal Carer Parents
- 25,070 (10%) were people with a Partial Capacity to Work.

(Note that some recipients fall into more than one of these categories.)



The second data set shows the circumstances of current Newstart Allowance recipients at a point in time.

The data from 27 July 2012 shows that there were 557,788 recipients of Newstart Allowance. Of these,

- 99,869 (18%) were Mature Aged (55 years +)
- 45,255 (8%) were Principal Carer Parents
- 102,297 (18%) were people with a Partial Capacity to Work.

(Note that some recipients fall into more than one of these categories.)

At 27 July 2012, 346,117 of the 557,788 Newstart Allowance recipients had been receiving income support for 12 months or more. Of these:

- 67,455 (19%) were Mature Aged (55 years +)
- 32,678 (9%) were Principal Carer Parents
- 80,642 (23%) were people with a Partial Capacity to Work.

(Note that some recipients fall into more than one of these categories.)

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Boyce asked on Monday, 17 September 2012, Hansard page 11.**

#### **Question**

Carers Australia, on page 8 of its submission, says that according to a HILDA survey it is estimated that there are some 77,994 carers who receive an allowance payment other than carer allowance, but 17,887 of these almost 78,000 people are people on Newstart. Can you confirm or deny that?

#### **Answer**

FaHCSIA is not able to confirm the Carers Australia estimate.

The definition of 'carer' used for the HILDA Survey differs to the definition of 'carer' for Carer Payment and Carer Allowance.

The definition of 'carer' used for the HILDA Survey is a person who cares for a person who has a long-term health condition who is elderly or who has a disability, and for whom the carer cares, or helps on an ongoing basis with activities related to self-care, mobility or communication in a person's own language.

For social security purposes, the definitions of 'carer' used for Carer Payment (an income support payment) and Carer Allowance (a supplementary payment) are:

- For Carer Payment, a 'carer' is a person who provides constant care to an adult or child with disability or severe medical conditions and who is unable to support themselves through substantial employment due to the demands of their caring role.
- For Carer Allowance, a carer is a person who provides daily care and attention in a private home to an adult or child with disability or severe medical conditions, or who are frail aged.

For both Carer Payment and Carer Allowance, the carer must provide, and the care receiver must require, a minimum level of care for the carer to satisfy the definitions of 'carer'.

A carer who receives Carer Payment cannot receive Newstart Allowance.

As at June 2012 there were 7,680 carers who receive both Carer Allowance and Newstart Allowance.

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Boyce asked on Monday, 17 September 2012, Hansard page 12.**

**Question**

How long is the Bereavement Payment period/transition from Carer Payment to Newstart Allowance in the event of the care receiver's death?

**Answer**

If a care receiver dies, the carer(s) may qualify for bereavement assistance in the form of a 14 week extension of Carer Payment. After that, if a carer is looking for work, they may qualify for Newstart Allowance.

A carer will not qualify for bereavement assistance if they continue to qualify for Carer Payment for another care receiver.

## Senate Standing Committee on Education Employment and Workplace Relations

### QUESTIONS ON NOTICE

#### Inquiry into the adequacy of Newstart and other allowance payments and other matters

**Senator Boyce asked on Monday 17 September 2012, Hansard page 14.**

#### **Question**

Do you have exemption figures for caring responsibilities, and how long do these exemptions apply?

#### **Answer**

The following table shows the number of job seekers with exemptions due to caring for a child, or an aged or disabled adult, and the maximum length for these exemptions.

Data as at 31 August 2012

<b>Caring related exemptions</b>	<b>Total exemptions</b>	<b>Maximum Length (weeks)*</b>
Caring Responsibilities temporarily caring for an adult or child/ren	2254	13
Principal Carer Parent - Special Family Circumstances eg providing kinship or family care, care for aged or disabled adult family member or has a 6 year old child not yet started school	173	16
Principal Carer Parent caring for a child with high needs, however, carer not eligible for Carer Payment ^	939	52

\*This is the maximum length for a single exemption period. Subsequent exemptions for one or more periods may be granted if the job seeker continues to meet all criteria for the exemption.

^To be granted an exemption for caring for a child with high needs, it has to be determined that the care needs of the child(ren) are such that, as a result, the principal carer parent does not have capacity to undertake 15 hours of paid work a week.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Back (CHAIR) asked on 17 September 2012, Hansard page 14.**

#### **Question**

**CHAIR:** You should have available on the Senate website the responses by the witness whose name was Mr Stroud. I would appreciate it if you would have a look at his responses, of which there were eight dot points, and come back to us with advice as to what sorts of support exist in his circumstance. As you were speaking about the length of time in returning to work, he had exactly outlined that circumstance to us. The original qualifications he had meant that 17½ years later obviously he needed to retrain. If I can paraphrase him, before his caring responsibilities he was in the local sporting club running the bar voluntarily, now he would require a Responsible Serving of Alcohol in Victoria Certificate to take it on. I would be appreciative if you would review that. If you cannot find it, I am sure the secretariat can pass it on to you.

#### **Answer**

In circumstances where a Carer Payment recipient ceases to qualify for Carer Payment because the care receiver dies, the recipient may qualify for bereavement assistance in the form of a 14 week extension of Carer Payment. Similarly, if a care receiver is admitted permanently into an institution that provides care, the carer may remain qualified for Carer Payment for 14 weeks after the care receiver is admitted to that institution, to allow the carer to adjust to their changed circumstances.

Carer Payment recipients who cease to qualify for Carer Payment may then be eligible to receive another income support payment, such as Newstart Allowance, depending on their circumstances.

While a Newstart Allowance recipient must normally satisfy an activity test as a condition of payment, a job seeker may be exempted from their participation requirements for a specified period of time if their family and personal circumstances prevent them from participating in job search, work or study. This may include temporary medical incapacity or major personal crisis. Recipients are generally required to provide specific evidence to the Department of Human Services (DHS) in order to qualify for an exemption. In considering activity test exemptions, DHS customer service staff may involve a social worker from the DHS Social Work service.

The DHS Social Work service is available to assist individuals and families who are vulnerable or in crisis, including people transitioning from being a carer. They provide immediate assistance and referrals to appropriate supports where an individual presents in distress or indicates they are having difficulties in the transition away from caring responsibilities. Social workers are able to discuss the issues and suggest alternate participation interventions or temporary exemptions with the customer, job service provider and participation staff. Referrals to a social worker can be made by customer request, by a DHS staff member, or via community agencies seeking assistance on their client's behalf. DHS social workers maintain comprehensive knowledge of supports and referral pathways within their communities and seek to have close relationships with carer's support groups.

Job Services Australia (JSA) provides streamlined and personalised services for job seekers. It is designed to provide job seekers, including those who are carers or transitioning from being a carer, with flexible and tailored support to better assist them to obtain sustainable employment.

The level of assistance provided in JSA is dependent on the job seeker's assessed level of disadvantage in the labour market. The assessment is through the Job Seeker Classification Instrument (JSCI) and takes into consideration a range of factors, including (but not limited to) work experience, educational background, language, geographical location, disability/medical conditions, stability of residence, personal factors.

The JSCI may also indicate that a job seeker had identified multiple or complex barriers to employment. For example, carers or people transitioning from being a carer, may not have been engaged in the labour market for some time, have limited educational background or suffer from other factors such as mental illness. In this situation, the job seeker may require further assessment by an Employment Services Assessment (ESAt). Following this assessment the job seeker may be referred to the most appropriate employment services, such as Disability Employment Services (DES).

A job seeker with multiple or complex barriers who is not referred to DES, is likely to be eligible for Stream 3 or Stream 4 services in JSA. Providers work with job seekers to negotiate an individually tailored Employment Pathway Plan (EPP) which identifies a mix of vocational and non-vocational activities appropriate to the needs of the job seeker. Typically in Stream 3, job seekers may undertake skills development training, job search training and supported assistance and, depending on the needs of the job seeker, non-vocational assistance (such as counseling).

Stream 4 provides integrated, intensive assistance to job seekers, combining pre-employment and employment assistance. Depending on the type of disadvantage a job seeker faces, they can receive a range of vocational and non-vocational services which may include mental health support services, counselling, rehabilitation services, financial counselling referral and advocacy and other support services.

JSA providers have access to the Employment Pathway Fund (EPF) which is a flexible pool of funds that can be used to purchase a range of support for job seekers to help meet their individual needs. This includes: job search travel assistance, work clothing, uniforms and safety equipment, wage subsidies, assistance for a range of interventions including counselling, work experience and training.

When an ESAt recommends referral to DES, the referral will be to either DES, Employment Support Services (DES-ESS) or Disability Management Service (DES-DMS). DES-ESS is for job seekers with permanent disability and with an assessed need for more long term, regular support in the workplace. DES-DMS is for job seekers with disability, injury or health condition who require the assistance of a DES provider but are not expected to need long term support in the workplace.

DES provides immediate access to tailored services for job seekers with disability to help them secure and maintain suitable employment. DES providers offer a range of assistance to the job seeker including job search support, purchasing vocational training and other employment-related assistance. The DES provider works with the job seeker to develop an Employment Pathway Plan outlining the assistance the job seeker will need, including the assistance that the provider will purchase for the job seeker, and the activities the job seeker agrees to undertake to help him or her to secure employment.

DES does not have an Employment Pathway Fund. However, DES service fees can be used flexibly to purchase the range of supports that a job seeker with disability may need to address their individual barriers. This can include: travel assistance, work clothing, uniforms and safety equipment, wage subsidies, assistance for a range of interventions including counselling, work experience and training.

Once the participant is placed in employment they are able to receive Ongoing Support, if required, to help maintain their job. Ongoing Support is delivered by the DES provider and the types of assistance available include on-the-job support and training. Ongoing Support is provided for as long as it is needed and can be indefinite if that is what the job seeker needs.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Gallacher asked on 17 September 2012, Hansard page 15.**

#### **Question**

**Senator GALLACHER:** I accept that, but there has been a significant move for the minimum wage with a tax-free threshold. I understand your position there. I gather that you can measure people who go on and off each type of benefit. That is not an issue. So if we were to pick a point in time, say, 30 June 2011, and went to 30 June 2012, and we graphed how many people were on Newstart, disability allowance, carers payment, how many were going up and down? I could say, 'Over 12 months you are telling me that Newstart is working fantastically and 83 per cent of the 60 per cent who move off are in work.' I would just like to see that because, if that is the truth of it, that is good.

**Ms Taylor:** We are happy to get that for you—no problem.

#### **Answer**

Data provided in the Joint Agency Submission to the Senate Inquiry (Figure 17, pages 64-5) showed that of the total number of new recipients of Newstart Allowance each year, approximately 60 per cent were no longer receiving any income support payment after 12 months. This type of data, known as “flow data”, looks at all new recipients of Newstart Allowance over 12 months.

This contrasts with point in time data, where a snapshot is taken of all current Newstart Allowance recipients on a given day to answer a specific question about what happens to a defined set of recipients (as distinct from the data on what happens to all recipients over 12 months). The Department has taken a point in time snapshot of all Newstart Allowance recipients on a given day in June 2011 and takes a second point in time snapshot of these same individuals one year later. By its nature, this data does not include the people who come on Newstart Allowance after that snapshot was taken, many of whom stay on Newstart Allowance for only a short duration.

As at 29 June 2011 there were 527,480 people in receipt of Newstart Allowance.

Of the 527,480 people who were in receipt of Newstart Allowance on 29 June 2011, their payment circumstances as at 24 June 2012 were:

- 165,780 (31.4 per cent) had left income support altogether;
- 299,343 (56.8 per cent) were in receipt of Newstart Allowance; and
- 62,357 (11.8 per cent) were in receipt of another income support payment.

With regard to the 165,780 people who left income support altogether, the Department is unable to provide the precise proportion of those who left due to taking up work or increasing their hours as this information is not collected by the Department of Human Services once a person is no longer receiving assistance.



However, the labour market outcomes of Newstart Allowance recipients who participate in DEEWR funded employment assistance programs are monitored through the Post-Program Monitoring Survey. Data from DEEWR's Post Placement Monitoring survey in the 12 months to December 2011 shows that of job seekers placed by employment services providers, over 70 per cent were still employed three months later and approximately 85 per cent were with the same employer.

This represents a high probability that the 165,780 people who left income support altogether did so as a result of finding a job or increasing their hours of employment.

With regard to the 62,357 people who moved off Newstart Allowance and were receiving other income support payments on 24 June 2012, the following table provides a detailed breakdown of payment types they were receiving on that date.

<b>Income Support Payment Type at 24 June 2012</b>	<b>Number of recipients</b>	
Disability Support Pension	22,768	36.5%
Parenting Payment	11,106	17.8%
Carer Payment	10,028	16.1%
Student Payments	8,925	14.3%
Age Pension	8,459	13.6%
Other payments	1,071	1.7%
<b>Total</b>	<b>62,357</b>	<b>100.0%</b>

## Senate Standing Committee on Education Employment and Workplace Relations

### QUESTIONS ON NOTICE

#### Inquiry into the adequacy of Newstart and other allowance payments and other matters

Senator Back asked on 17 September 2012 , hansard page 15.

#### *Effect of replacement rates on unemployed people entering work*

##### Question

**CHAIR (Senator Back):** I will come back for a moment to earlier evidence that was given to us, I cannot recall by whom. This was on, hypothetically, the movement of the Newstart payment from 25 per cent of the minimum wage to 50 per cent, and it lowered the chance for males to get back into the workplace—and I did not get the statistics for males and for females—so that it was reduced from 43 to 23 per cent. I think it was you who was good enough to give me that. There are two questions that come from that. First of all, I think you did say by way of explanation that it was from a very limited survey pool. But I wonder if you could assist the committee in two ways: firstly, would you be able to give us some further information on that actual study you did and, secondly, are you aware of any other studies that have been undertaken that indicate a similar trend which could assist the committee in our deliberations?

**Ms Verspaandonk:** We can certainly give you further information on that particular study. We are aware of other qualitative studies, but quantitative work, as Dockery did, is much harder to come by. We can tell you about some qualitative studies if that would be helpful.

**CHAIR:** Yes, it would be, because it goes in many ways to the point of the whole exercise of our study. Thank you for that.

##### Answer

While a range of factors influence decisions about whether to seek employment, accept job offers or remain outside the workforce, evidence from Australia and other economically developed nations generally supports the conclusion that the relative level of benefits compared to wages influences employment outcomes for unemployed people.

As the Henry Review noted:

*“The higher the level of income support for people of working age, the more likely it is a disincentive to work. The point at which an individual will choose to work will vary with individual characteristics (such as skills, experience and capability reflected in a person's potential wage rate), work preferences (for example, to work full-time, part-time or not at all), and the design of the tax and transfer system (such as income support participation requirements and withdrawal rates as income from work increases).”<sup>1</sup>*

#### *The replacement rate*

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<sup>1</sup> Section F1-1, Striking the balance between payment adequacy and incentives to work.

The replacement rate (RR) is a commonly used measure of the influence of a change in the benefit levels on work incentives. This measure compares benefits with wages available in work as follows:

$$RR = \text{benefit paid} / \text{wages available in work}$$

- A replacement rate closer to zero per cent means there is a greater financial incentive to move from unemployment into employment. A replacement rate of 100 per cent means there is no financial incentive to enter work as benefits out of work equal benefits in work.
- In research using the replacement rate, the available wage is generally estimated based on personal characteristics as opposed to the minimum wage.

Numerous studies indicate an increase in the replacement rate will lower the exit rate from unemployment. However, the magnitude of the effect can vary dramatically between studies and the relationship is complex. Factors such as the strength of the labour market, activation strategies and employment services provided to job seekers have a notable impact on the estimated effect of replacement rates on work incentives. This means the replacement rate estimates below are a guide to the direction of the effect, but it is not possible to calculate a specific impact on exit rates from a change in the payment rate of Newstart.

#### *Australia*

A recent Australian study by Dockery, Ong and Wood, using the HILDA survey, calculated the chance of an unemployed person entering work depending upon their replacement rate<sup>2</sup>. Increasing the replacement rate from 25 to 50 per cent lowers the chance of moving from unemployment in to work a year later from 49 per cent to 38 per cent for men and from 43 to 27 per cent for women.<sup>3</sup>

- Increasing the 20 September 2012 rate of Newstart Allowance for singles without dependents by \$50 per week (from \$246.30 per week to \$296.30 per week) would take Newstart Allowance from around 40 per cent to around 50 per cent of the current full-time National Minimum Wage (\$606.40 per week, assuming 38 hours per week of work). However, as Newstart recipients do not necessarily face this replacement rate (see footnote 4), it is not appropriate to use this change in the replacement rate in conjunction with the estimates from Dockery *et al.*<sup>4</sup>
- The HILDA survey is a nationally representative survey of Australian households. This study had a sample of around 2,900 people aged 25-64 who were either unemployed or not in the labour force. This analysis included around 529 people who were unemployed and around 258 who received NSA. While there is overlap between NSA recipients and the unemployed (as defined in the HILDA Survey), the two groups are not identical.

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<sup>2</sup> Dockery, Ong and Wood (2011), "Measuring Work Disincentives: Taxes, Benefits and the Transition into Employment, *Australian Journal of Labour Economics and Labour Relations* (14,3).

<sup>3</sup> The relationship between the replacement rate and the exit rate is not linear. Therefore, a 25 percentage point change to the replacement rate when it is closer to zero will have a different estimated effect as a 25 percentage point change when the replacement rate is closer to one.

<sup>4</sup> Customers may receive a different payment rate (such as the partnered or single parent rate), are often entitled to other benefits (such as Rent Assistance) and do not necessarily face the National Minimum Wage as a likely pay rate in work. This alters the calculation of the replacement rate.

### *International experience*

Studies from other parts of the world, such as the United States and the United Kingdom, have estimated that for every one per cent *increase* in the replacement rate, there will be a *fall* in the exit rate from unemployment benefit of between 0.2 and 0.9 per cent<sup>5</sup>.

The Organisation for Economic Co-operation and Development (OECD) also considers that research generally supports the view that more generous unemployment benefits are associated with a disincentive effect on the movement into employment<sup>6</sup>.

### *Recovery after downturn*

Cross-country research explaining the level of unemployment also tends to support a link between institutional factors (e.g. replacement rates) and cyclical factors (e.g. strength of the labour market). Research by Olivier Blanchard, now Chief Economist at the International Monetary Fund, indicates that when the economy experiences a downturn, and unemployment rises, countries with more generous and longer-lasting unemployment insurance have higher unemployment rates for longer<sup>7</sup>. This suggests that higher rates of benefits will have a relatively small influence on the level of unemployment when the economy is performing strongly, as people are unlikely to leave employment merely because benefits have increased as a proportion of their current income. However, when a large number of people become unemployed due to weak demand and economic conditions remain soft for a period, a more generous or longer-lasting benefit will reduce the incentive to come back into the workforce when the economy recovers.

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<sup>5</sup> Layard, Nickell and Jackman (2005), *Unemployment : Macroeconomic performance and the labour market*, Oxford UP

<sup>6</sup> OECD (2006), *Employment Outlook: Understanding Policy Interactions and Complementarities, and their Implications for Reform Strategies*, OECD.

<sup>7</sup> Blanchard, Olivier (2004), *Explaining European Unemployment*, National Bureau of Economic Research.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, hansard page 17.**

#### **Question**

**Senator SIEWERT:** On disabilities, in regard to the changes that were brought in last year requiring that you stay on Newstart for 18 months, unless you have a manifest disability, how many people have now come under that particular requirement?

**Ms Parker:** Regarding the changes to the assessment process of 3 September 2011, in the first year, to August, 2,500 job seekers have been identified as needing support and were referred to employment services. Is that what you were asking?

**Senator SIEWERT:** Yes. This is people who normally would have gone straight to an application for DSP. There are 2,500 essentially for that 12 months. Is that correct?

**Ms Parker:** Yes.

**Senator SIEWERT:** They have gone to JSA or DES?

**Ms Parker:** That is right. There are 2,500 at this stage. It is lower than we thought.

**Senator SIEWERT:** How many of those have subsequently found employment?

**Ms Parker:** I will have to take that on notice. They were not required to get a job, but they were required to participate—to actually have a plan, for example. We will see if we can find that information for you.

#### **Answer**

Following the introduction of the Program of Support (POS) requirement on 3 September 2011, in the first year to August 2012, approximately 2,500 (2,579 to be exact) Disability Support Pension (DSP) new claim assessments were completed where the claimant was identified as not satisfying the POS requirement and a recommended referral to employment services was made. These were assessments with twenty or more points aggregated across multiple Impairment Tables, where no single table had 20 points or more, and a negative response to POS.

Notwithstanding the rejection of a claim for DSP a person can re-claim DSP at any time and some people may have made multiple claims during this period. A DSP claimant who has not satisfied the POS requirement may also go on to be rejected for another reason, such as excess income or assets, residency related reasons, or failing to supply information that is required to finalise their claim. The number of DSP claims rejected specifically due to the POS requirement during this period is therefore lower (1,928).

Of the 2,579 assessments, there were 237 job seekers who received Job Services Australia (JSA) assistance at or subsequent to their assessment and eleven (as at end September 2012) that achieved a recorded job placement. There were 848 job seekers who

participated in Disability Employment Services (DES) and 88 (as at end September 2012) who achieved a recorded job placement.

A person who has a recommended referral to an employment service may not go on to participate in that program for a range of reasons. For example, the person may: have a temporary incapacity exemption from participating in a program; be a voluntary jobseeker and elect not to participate; be participating in a program other than JSA or DES; not be receiving an income support payment; or be receiving an income support payment that does not have participation requirements.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 17.**

*Disability Support Pension*

#### **Question**

From 3 September 2011 to 31 August 2012, how many people have applied for Disability Support Pension (DSP) and how many of these claims were found to have a manifest disability?

#### **Answer**

There were 115,027 DSP new claims, lodged on or after 3 September 2011, and finalised from 3 September 2011 to 31 August 2012. Of these, 42,594 were grants to claimants who were assessed as having a Severe Impairment.

A person has a Severe Impairment if their impairment is of 20 points or more under the *Tables for the Assessment of Work-related Impairment for Disability Support Pension*, of which 20 points or more are under a single table. This definition was introduced on 3 September 2011 when the program of support (POS) requirement commenced. People who are assessed as having a Severe Impairment do not need to satisfy the POS requirement to qualify for DSP.

Separately, from 3 September 2011 to 31 August 2012, there were 6,688 grants to people who claimed DSP on or after 3 September 2011, and who were assessed as manifestly qualified for DSP. Manifest grants are made to claimants who are clearly and obviously qualified for DSP, based on presenting medical evidence. Manifest grants may only be made to a person who:

- has a terminal illness with a life expectancy of less than 2 years and significantly reduced work capacity during this period;
- is permanently blind;
- has an intellectual disability with an assessed IQ of less than 70;
- requires nursing home level care;
- has category 4 HIV/AIDS; or
- receives a disability pension through the Department of Veterans' Affairs at special rate (totally and permanently incapacitated).

A person who meets one or more of the manifest criteria can be granted DSP on the basis of medical evidence alone, without the need for a Job Capacity Assessment.

The current manifest guidelines were introduced in 2002 and are unrelated to the changes to DSP assessments introduced on 3 September 2011.

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

### **QUESTIONS ON NOTICE**

#### **Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, hansard page 17-18.**

*Older workers programs and take-up*

#### **Question**

In regard to older workers and the new provisions that came in in the 2010/2011 Budget, how many people have taken advantage of those provisions and how successful have they been?

#### **Answer**

From 1 July 2012, Experience+ Training, On-the-Job Support and Job Transition Support will be closed to new applicants.

Training previously provided through these programs will instead be available through the Investing in Experience (Skills Recognition and Training) Program, which will provide \$4400 for a skills assessment and training for any mature age (50+) worker.

Closing these programs reduces duplication and allows funding to be re-targeted toward measures to support mature age job seekers.

#### **Measures in the 2010-11 Budget**

Services delivered under the Productive Ageing Package (\$43 million over four years) commenced on 1 July 2010, under the banner *Experience+*.

Programs delivered under *Experience+* include:

- Career Advice (\$7.9 million over four years): free professional career advice for people aged 45 and over delivered by telephone and e-mail.
- Experience+ Training (\$7.6 million over four years): training grants for employers of mature age workers to increase the capacity of the worker to supervise/mentor apprentices or trainees (50+).
- On the Job Support (\$9.8 million over four years): help for workers whose job is at risk due to their health condition, injury or disability (50+).
- Job Transition Support (\$14 million over four years): help for workers in physically demanding roles to transition into less physically demanding roles and those who were made redundant from 1 January 2011.
- More Help for Mature Age Workers (\$30 million over three years): Although marketed as *Experience+*, this program was not part of the PAP appropriation and has relocated to DIIRSTE.

#### **Measures in the 2011-12 Budget**

As part of the 2012-2013 Budget, the Government announced \$55.3 million over four years to help mature age job seekers find a job, and to help address some negative attitudes and recruitment practices towards mature age people. Programs announced as part of this funding are outlined below:



- Jobs Bonus (\$10 million). \$1000 paid to employers who recruit a mature age job seeker aged 50 and over. The Jobs Bonus is paid after 13 weeks employment.
- Corporate Champions (\$15.6 million). One-on-one support to employers to achieve better practice in recruiting and retaining mature age people.
- Mature age participation—job seeker assistance program (\$25.8 million). Intensive job preparation and training for mature age people.
- Extending Experience+ Career Advice (\$3.9 million). Professional career counselling and resume appraisal service. Extends the existing program for two years until 30 June 2016.

These programs are partially offset by the Termination of Experience+ Training, On-the-Job Support and Job Transition Support. No formal evaluation of these projects has been conducted, however, terminating these programs delivered efficiencies which enabled work to focus on the recommendations of the Consultative Forum on Mature Age Participation regarding enhanced support to employers who recruit eligible mature age people. Attachment A provides details of take up rates of each program.

## Attachment A

The table below provides information on the take-up of the programs from the 2010-2011 Productive Ageing Package.

<b>Program</b>	<b>Actual take up (over two years 2010-11/2011-12)</b>
Career Advice	8300 sessions delivered
Experience+ Training	859 workers approved for funding
Job Transition Support	244
On the Job Support	414
More Help for Mature Age Workers**	195
Investing in Experience *	62

*\*This program is being managed by the Department of Industry, Innovation, Science, Research, and Tertiary Education. Take up for this program is as of 20 September 2012*

*\*\*More Help for Mature Age Workers was not part of the Productive Ageing Package but comes under the Experience+ suite of programs.*

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, hansard page 18.**

**Question**

**Senator SIEWERT:** Could you take on notice a request for details of the supplements: how many supplements there are and for whom, because, although I have read the details I find it confusing as to who can get what in terms of Telephone Allowance, Remote Area Allowance, literacy and numeracy supplement and the Pharmaceutical Allowance? Can you tell me who can get them?

**Mr Jalayer:** Yes.

**Senator SIEWERT:** Also, how many have been available over the past year?

**Answer**

Supplementary payments are available to eligible income support recipients for a range of circumstances. A list of common supplements is provided in the Department's submission to the inquiry at Appendix C.

The attached Table provides additional information.

Payment or supplementary benefit	Payment description	Rate of payment per fortnight unless noted (as at 20 September 2012)	NSA	PPS	PPP	YA(o)	ABSTUDY (Living Allowance)	Austudy	YA(s)	DSP
<b>Rent Assistance</b>	Rent Assistance is a supplementary payment added on to the pension, allowance or benefit of income support recipients and low-income families in the private rental market, in recognition of the housing costs they face. For most families, Rent Assistance is paid through FTB Part A.	Up to \$141.82 per fortnight for a family with one or two children	Y	Y	Y	Y	Y	Y	Y	Y
<b>Family Tax Benefit Part A</b>	FTB Part A is the primary payment designed to help with the cost of raising children. As part of the 2012-13 Budget, from 1 July 2013, FTB Part A will increase for all eligible families. For those on the maximum rate, the increase will be \$300 per year for families with one child and an increase of \$600 for families with two or more children. For families receiving the base rate, the increase will be \$100 for families with one child and \$200 for families with two or more children.	Up to \$169.68 per fortnight for a child under 13 years  Up to \$220.64 per fortnight for a child aged 13-15 years	Y	Y	Y	Y	Y	Y	Y	Y
<b>Family Tax Benefit Part B</b>	FTB Part B provides extra help to families with one main income earner, including sole parent families, with a dependent full time student up to the age of 18 years.	Up to \$144.34 per fortnight for a child under five years Up to \$100.66 per fortnight for a child five to 15 years	Y	Y	Y	Y	Y	Y	Y	Y
<b>Child Care Benefit (CCB)</b>	CCB is a means tested payment from the Australian Government that helps lower income families with the cost of child care. CCB is available to eligible families using either approved child care services or registered care. Most families using approved child care receive this subsidy as a fee reduction when they pay their fees.	Up to \$93.60 for 24 hours of child care per week  Up to \$195 for 50 hours of child care per week	Y	Y	Y	Y	Y	Y	Y	Y
<b>Child Care Rebate (CCR)</b>	CCR is an additional payment available to all working families with the cost of child care to help with the cost of child care. CCR provides up to 50 per cent of families out-of-pocket child care costs, up to the 2012-13 annual cap of \$7 500 per child per year.	50 per cent of remaining out-of-pocket expenses after CCB and JETCCFA are paid – rate will vary depending on child care fees	Y	Y	Y	Y	Y	Y	Y	Y
<b>JET Child Care Fee Assistance (JETCCFA)</b>	JETCCFA is a payment which helps eligible parents who are in receipt of income support with the cost of approved child care while they undertake work, study or training activities. As part of the 2012 Budget, a further \$225.1 million will be invested in JETCCFA over four years. This will enable more than 130 000 parents to access the program to help these parents enhance their skills through work, study or training to enter or re-enter the workforce, without the cost of child care as a barrier.	Covers most of the ‘gap’ between the total child care fee and the amount covered by CCB – rate will vary depending on child care fees	Y	Y	Y	Y	Y	N	N	N
<b>Education Tax Rebate (ETR)/Schoolkids Bonus</b>	The ETR helps eligible families and independent students with the cost of primary and secondary education. As part of the 2012-13 Budget, a new Schoolkids Bonus will replace the ETR and will be paid directly to all eligible recipients, helping more families with more generous, timely and flexible support. From 2013, eligible families will automatically receive the Bonus, paid in two equal instalments, in January and July each year. As a transitional arrangement, families will receive the full 2011-12 ETR entitlement in a single payment in June 2012.	\$205 paid twice annually for primary school students/\$410 paid twice annually for secondary school students	Y – if eligible for FTB Part A for a primary/secondary school child	Y – if eligible for FTB Part A for a primary/secondary school child	Y – if eligible for FTB Part A for a primary/secondary school child	Y – if eligible for FTB Part A for a primary/secondary school child	Y – if eligible for FTB Part A for a primary/secondary school child OR if aged 16 to turning 19 and in full-time secondary study	Y – if eligible for FTB Part A for a primary/secondary school child	Y – if eligible for FTB Part A for a primary/secondary school child OR up to 19 years and in full-time secondary study	Y – if eligible for FTB Part A for a primary/secondary school child OR up to 19 years and in full-time secondary study and receiving PES

Payment or supplementary benefit	Payment description	Rate of payment per fortnight unless noted (as at 20 September 2012)	NSA	PPS	PPP	YA(o)	ABSTUDY (Living Allowance)	Austudy	YA(s)	DSP
<b>Pharmaceutical Allowance</b>	Pharmaceutical Allowance is paid automatically to eligible income support recipients, including Parenting Payment Single recipients and single principal carers on Newstart Allowance.	\$6.20 (for singles) or \$3.10 (for each member of a couple)	Y	Y	Y	Y	Y	Y	Y	Y if aged under 21
<b>Telephone Allowance</b>	Telephone Allowance is a quarterly payment to assist with the costs of maintaining a telephone service. It is paid to eligible income support recipients who are telephone subscribers.	\$102.40 per year (or \$25.60 per quarter)	Y	Y	Y	Y	N	N	N	Y if aged under 21
<b>Supplementary Allowance (Income Support Bonus – subject to passage of legislation)</b>	As part of the 2012-13 Budget, a new, non means-tested, tax-free lump sum Income Support Bonus will be payable to recipients of eligible payments (including Parenting Payment and Newstart Allowance) from March 2013 to help families manage unanticipated financial pressures and rising costs (subject to the passage of legislation).	\$210 per year for a single person (two instalments of \$105)  \$175 per year for a person who is a member of a couple (two instalments of \$87.50)	Y	Y	Y	Y	Y	Y	Y	N
<b>Pensioner Education Supplement (PES)</b>	PES assists certain pensioner groups with the costs of study to enable them to gain a qualification that will improve their employment prospects. Recipients must be receiving an eligible income support payment, such as Parenting Payment Single or Disability Support Pension, and be undertaking an approved course. Parenting Payment Single recipients who are receiving PES when they transfer to Newstart Allowance because their youngest child is aged eight or older, can continue receiving PES while on Newstart Allowance until the end of their course.	\$62.40 (full rate)  \$31.20 (part-rate for certain part-time students)	Y	Y	N	N	N  ABSTUDY PES is payable to Indigenous students in receipt of a qualifying pension or benefit	N	N	Y
<b>Education Entry Payment</b>	The Education Entry Payment is a lump-sum payment of \$208 payable once every 12 months or once each calendar year to recipients of PES and long-term allowance recipients who are undertaking approved study.	\$208 lump sum	Y	Y	Y	N	N  Receive incidentals of up to \$547.70 per annum	N	N	Y
<b>Approved Program of Work Supplement</b>	Fortnightly supplement paid to recipients of eligible income support payments who are undertaking approved work experience activities, such as Work for the Dole, Green Corps and CDEP.	\$20.80	Y	Y	Y	Y	N	N	N	N
<b>Language, Literacy and Numeracy Supplement</b>	Fortnightly supplement paid to recipients of eligible income support payments who are participating in the Language, Literacy and Numeracy Program to help with the costs of attending their activity.	\$20.80	Y	Y	N	Y	N	N	N	Y

Payment or supplementary benefit	Payment description	Rate of payment per fortnight unless noted (as at 20 September 2012)	NSA	PPS	PPP	YA(o)	ABSTUDY (Living Allowance)	Austudy	YA(s)	DSP
<b>Pension Supplement</b>	The Pension Supplement is a means tested fortnightly payment which has absorbed and combined the former GST Supplement, Utilities Allowance, Telephone Allowance and Pharmaceutical Allowance.	Maximum \$60.60 (single) \$91.40 (couple combined)  Minimum \$32.50 (single) \$49.00 (couples combined)  Basic \$21.10 (single) \$35.20 (couples combined)	N	Y – over age pension age  Basic rate under age pension age	Y – over age pension age	N	N	Y – over age pension age	N	Y – unless under 21 years without children
<b>Youth Disability Supplement</b>	Youth Disability Supplement is a fortnightly supplement paid to young people with disabilities recognising additional costs associated with having a disability.	Up to \$114.00	N	N	N	Y	Y	N	N	Y- when aged under 21
<b>Remote Area Allowance</b>	Remote Area Allowance helps to meet additional costs associated with residence in remote areas. It recognises that many income support recipients who do not pay tax, or pay very little tax, do not receive the full benefit of tax zone rebates. Remote Area Allowance makes a contribution towards some of the higher costs associated with living in particularly remote areas.	\$18.20 for single people  \$15.60 for coupled recipients (each)  \$7.30 for each dependent child	Y	Y	Y	Y	Y	Y	Y	Y
<b>Fares Allowance</b>	Reimbursement of the cost of the cheapest practicable form of public transport, regardless of transport actually used to tertiary students who have to live away from their permanent home for study. Not available for daily travel.	Cost of transport	N	N	N	N	Y	Y	Y	N
<b>Student Start-up Scholarships</b>	All full-time students (not receiving a Commonwealth Education Costs Scholarship(CECS) or Indigenous CECS) in receipt of a student income support payment, who are undertaking a higher education or preparatory course at a higher education institution will receive the Student	Paid in two half-yearly instalments of \$1025 (\$2050 annually)	N	N	N	N	Y	Y	Y	N
<b>Relocation Scholarship</b>	Relocation Scholarship is a payment made once a year to help dependent students in higher education who live away from their family home while studying.	\$4000 per year in the first year of study  \$1000 per year thereafter for metropolitan students  \$2000 per year thereafter for regional students in their second and third year of study with \$1000 per year in any following years	N	N	N	N	Y	Y	Y	N

Payment or supplementary benefit	Payment description	Rate of payment per fortnight unless noted (as at 20 September 2012)	NSA	PPS	PPP	YA(o)	ABSTUDY (Living Allowance)	Austudy	YA(s)	DSP
Training Supplement	<b>CLOSED PAYMENT</b> - A time-limited fortnightly supplement payment to assist low-skilled job seekers who fully meet their activity test or participation requirements through approved study or training. The Training Supplement ceased to be available for new claimants commencing an approved course on or after 1 July 2011, but continues until the end of their course for recipients who commenced payment prior to 1 July 2011.	\$41.60	Y	Y	Y	Y	N	N	N	N
National Green Jobs Corps Supplement	<b>CLOSED PAYMENT</b> - Fortnightly supplement to assist with the cost of participating in 26 weeks of accredited training, skills development and work experience associated with projects aimed at conservation, protection and rejuvenation of Australia's environment and cultural heritage. The program and supplement ceased to be available to new participants from 1 January 2012, but can continue up to 30 June 2012 for participants who commenced prior to 31 December 2011.	\$41.60	Y	Y	Y	Y	N	N	N	N
Carer Allowance	Fortnightly supplement paid to someone who provides daily care and attention at home to a person or dependent child with disability or medical condition.	\$114  Plus \$1000 Child Disability Assistance payment annually on 1 July to a person receiving Carer Allowance for a child under 16 years	Y	Y	Y	Y	Y	Y	Y	Y
Pensioner Concession Card (PCC)	The PCC is issued automatically to recipients of eligible income support payments. The PCC provides concessions on discounted PBS prescription items as well as valuable core concessions, including include reductions on fares on public transport, council and municipal rates including water and sewerage, electricity bills, and motor vehicle registration charges. State, Territory and Local Governments, and some private providers may also offer additional health, household, transport, education and recreation concessions to PCC holders. Generally people must be receiving a qualifying payment to have a PCC; however, recipients of PPS and NSA who lose entitlement to payment solely due to employment income will retain the PCC for 12 weeks after going off payment. PPS recipients who lose entitlement to PPS due to the age of their youngest child but are not eligible to move to NSA will not retain their PCC for 12 weeks.	N/A	Y – if a single principal carer of a dependent child, assessed as partial capacity to work, or aged 60 or over and in receipt of payment for at least nine months	Y	Y – if assessed as partial capacity to work, or aged 60 or over and in receipt of payment for at least nine months	Y – if a single principal carer of a dependent child, or assessed as partial capacity to work	N	N	N	Y
Health Care Card (HCC)	The HCC is issued automatically to recipients of eligible allowance payments. The HCC provides concessions for PBS prescription items and certain medical services, as well as reductions on fares on public transport. Additional concessions may be available and may vary from State to State. People who are not eligible for income support may qualify for a Low-Income HCC if their income is below the relevant threshold.	N/A	Y	N – receive PCC instead	Y	Y	Y – Low-Income HCC only	Y – Low-Income HCC only	Y – Low-Income HCC only	N – receive PCC instead

Payment or supplementary benefit	Payment description	Rate of payment per fortnight unless noted (as at 20 September 2012)	NSA	PPS	PPP	YA(o)	ABSTUDY (Living Allowance)	Austudy	YA(s)	DSP
Mobility Allowance	Mobility Allowance is paid to a person with a 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 (including volunteer work), training or job seeking and not be in prison or undergoing psychiatric confinement with a conviction.	\$86.00 Basic Rate \$120.40 Higher Rate	Y	Y	Y	Y	Y	Y	Y	Y



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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 18.**

**Question**

**Senator SIEWERT:** You may also need to take this on notice. Could you provide the cost of the compliance regime for the last 12 months.

**Ms Parker:** Do you mean to job seekers? In other words, how many have had their income support suspended or—

**Senator SIEWERT:** What has been the cost of operating the system, and how many staff are employed in that.

**Ms Parker:** Certainly.

**Answer**

The Department of Human Services (DHS) is responsible for operation of the job seeker compliance system.

In 2011-12 the Department of Human Services received \$64.7m (excluding indexation adjustments) to enable the ongoing administration of the national Participation Solutions Team and the management of activity test compliance policy. This funding provided for 647 staff across the department. This funding does not reflect the full cost of maintaining the compliance regime as many of these activities are distributed across the service delivery network and costs are not separately recorded for compliance activity. These figures do not include the cost of management of job seeker compliance policy which is with DEEWR.

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Siewert asked on 17 September 2012, Hansard page 19-20.**

**Question**

**Senator SIEWERT:** As to the payments for outcomes: you get certain payments for certain streams and for meeting certain timelines. When do payments start to decline?

**Ms Parker:** To a provider?

**Senator SIEWERT:** To a provider, sorry.

**Ms Drayton:** I will find you the exact information. It depends on what stream the job seeker is in, because payments associated with servicing that job seeker are greater the higher the stream they are in. If you give me a moment I will get the exact detail for you.

**Senator SIEWERT:** Thank you.

**Ms Drayton:** We have service fees and outcome fees and there are also credits into the Employment Pathway Fund that trigger at different points. I will start with service fees, or I could give you these tables on notice.

**Senator SIEWERT:** If you could perhaps give it on notice so we do not take up time now, if that is okay, and I will put some questions on notice. I am asking this because one of the witnesses, and I am sorry but I cannot remember which one, made comment about the outcome payments declining the longer someone is supported. Is that right?

**Ms Parker:** No, that is not true.

**Answer**

Job Services Australia providers may be entitled to a range of payments, for delivering services to eligible job seekers under the *Employment Services Deed 2012-2015*. The level of funding for servicing job seekers depends on the job seeker's level of disadvantage, as represented by the Stream structure.

## Service Fees

Service Fees are paid in advance for each 13 weeks of service commenced by a job seeker. The first 13 week Service Fee is paid when a job seeker first commences in Stream, and subsequent payments are made for each commencement in a further 13 weeks of Service, as identified as eligible by the Department and after a tax invoice is lodged by the JSA provider.

(1) Stream and time in Payment Period	(2) Service Fees	(3) Service Fees—Remote ESAs only
<b>Stream 1</b>		
First 13 weeks	\$63	\$107
Second 13 weeks	\$94	\$160
Third 13 weeks	\$328	\$558
Fourth 13 weeks	\$96	\$163
Maximum for Stream 1	\$581	\$988
<b>Stream 2</b>		
First 13 weeks	\$271	\$461
Second 13 weeks	\$208	\$354
Third 13 weeks	\$202	\$343
Fourth 13 weeks	\$204	\$347
Maximum for Stream 2	\$885	\$1505
<b>Stream 3</b>		
First 13 weeks	\$332	\$564
Second 13 weeks	\$264	\$449
Third 13 weeks	\$257	\$437
Fourth 13 weeks	\$267	\$454
Maximum for Stream 3	\$1120	\$1904
<b>Stream 4</b>		
First 13 weeks	\$587	\$998
Second 13 weeks	\$512	\$870
Third 13 weeks	\$409	\$695
Fourth 13 weeks	\$411	\$699
Fifth 13 weeks	\$402	\$683
Sixth 13 weeks	\$415	\$706
Maximum for Stream 4	\$2736	\$4651
<b>Work Experience Phase (excluding Compulsory Activity Phase)</b>		
First 13 weeks <sup>2</sup>	\$456	\$775
Second 13 weeks	\$66	\$112
Third 13 weeks	\$133	\$226
Fourth 13 weeks	\$67	\$114
<b>Compulsory Activity Phase<sup>3</sup></b>		
First 13 weeks	\$133	\$226
Second 13 weeks	\$66	\$112
Third 13 weeks	\$133	\$226
Fourth 13 weeks	\$67	\$114

**Note 2:** Includes the amount of \$330 (\$561 for Remote ESAs), payable once only during a Work Experience Phase upon Work Experience Commencement by a Fully Eligible job seeker.

**Note 3:** An additional Fee of \$231 (\$393 for Remote ESAs) is payable, in accordance with clause 76.6, once only during a Work Experience Phase when a Fully Eligible Participant starts a Full-Time Work for the Dole activity for the first time, as specified in any Guidelines.

**Note 3a:** After the fourth 13 Week Period in the Compulsory Activity Phase, Service Fees continue to be paid on a cyclical basis for each alternate 13 Week Period as follows: (a) first additional 13 Week Period \$133 (\$226 for Remote ESAs); (b) second additional 13 Week Period \$67 (\$114 for Remote ESAs); (c) third additional 13 Week Period \$133 (\$226 for Remote ESAs), and so forth until the Fully Eligible Participant Exits.'

**Note 4:** The Provider is eligible to claim a maximum of six Service Fee payments for Stream 2 and 3 combined (pre Work Experience Phase) in relation to Fully Eligible Participants who move from Stream 2 (pre-Work Experience phase in Stream 2) directly into Stream 3. These Fully Eligible Participants are entitled to receive a maximum of 18 months of service in Stream 2 and Stream 3 combined, regardless of how that maximum period of time is distributed between time in Stream 2 and time in Stream 3.

**Note 5:** With respect to Period of Service, Payment Period and Service Fees, 2011/12 Transferred Participants are treated the same way as any other Fully Eligible Participants who transfer to or from the Provider.

#### Job Seeker Placement Fees

JSA providers may claim a Job Seeker Placement Fee in accordance with the table below, where the provider has matched, screened and referred an eligible job seeker to a Vacancy or Assignment recorded on the Department's IT system.

Services	Job Seeker Placement Hours	Job Seeker Placement Fees
Stream 1	Where an Eligible Placement Participant who is also a Partial Capacity to Work Participant completes between 15 to 49 hours of paid work in a Job Seeker Placement within 10 Consecutive Working Days from the Job Seeker Placement Start Date	\$385
	Where an Eligible Placement Participant completes a minimum of 50 hours of paid work in a Job Seeker Placement within 10 Consecutive Working Days from the Job Seeker Placement Start Date	\$440
Stream 2 to 4 or Work Experience Phase, including the Compulsory Activity Phase	Where an Eligible Placement Participant completes between 15 to 49 hours of paid work in a Job Seeker Placement within 10 Consecutive Working Days from the Job Seeker Placement Start Date	\$385
	Where an Eligible Placement Participant completes a minimum of 50 hours of paid work in a Job Seeker Placement within 10 Consecutive Working Days from the Job Seeker Placement Start Date	\$550

### Outcome Fees

A Job Seeker Outcome Fee is a set fee that is available at 13 and 26 week intervals after a job seeker is placed into education or employment, provided that requirements are met for the duration of those intervals. Outcome Fees do not decline overtime, in fact, they increase in value in accordance to how long the job seeker has been unemployed.

#### **Stream 1**

<b>Period of Unemployment</b>	<b>Pathway Outcome</b>	<b>Pathway Outcome plus Bonus</b>	<b>Full Outcome</b>	<b>Full Outcome plus Bonus</b>
0 days to 12 months after Commencement in Stream 1	N/A	N/A	N/A	N/A
12 months and one day or more after Commencement in Stream 1	\$277	\$333	\$629	\$755

#### **Stream 2**

<b>Period of Unemployment</b>	<b>Pathway Outcome</b>	<b>Pathway Outcome plus Bonus</b>	<b>Full Outcome</b>	<b>Full Outcome plus Bonus</b>
0 days to 12 months	\$491	\$589	\$743	\$891
12 months and one day or more	\$491	\$589	\$1032	\$1238

#### **Stream 3**

<b>Period of Unemployment</b>	<b>Pathway Outcome</b>	<b>Pathway Outcome plus Bonus</b>	<b>Full Outcome</b>	<b>Full Outcome plus Bonus</b>
0 days to 12 months	\$491	\$589	\$1560	\$1872
12 months and one day to 60 months	\$491	\$589	\$2228	\$2673
60 months and one day more	\$980	\$1176	\$2940	\$3528

#### **Stream 4**

<b>Period of Unemployment</b>	<b>Pathway Outcome</b>	<b>Pathway Outcome plus Bonus</b>	<b>Full Outcome</b>	<b>Full Outcome plus Bonus</b>
0 days to 12 months	\$980	\$1176	\$1560	\$1872
12 months and one day to 60 months	\$980	\$1176	\$2228	\$2673
60 months and one day more	\$980	\$1176	\$2940	\$3528

**Additional Fees for Remote ESAs**

<b>Education activity</b>	<b>Additional Fee</b>	<b>Fee amount</b>
Remote Education Commencement Outcome	Remote Education Commencement Outcome Fee	\$500
Remote Educational Achievement Outcome	Remote Educational Achievement Outcome Fee	\$1500

**Access Program Fees**

<b>Activity</b>	<b>Access Incentive Fee</b>
Commencement in an Australian Apprenticeship as a result of participation in the Access Program	\$500

### Employment Pathway Fund

The Employment Pathway Fund (EPF) is a flexible pool of funds that can be drawn down by JSA providers to help Fully Eligible Participants obtain employment. JSA providers receive an EPF credit for each registered Fully Eligible Participant on commencement, commensurate with the level of disadvantage (i.e. Stream). Credits are not limited to any one job seeker in a particular Stream and can be used flexibly to provide services to any job seeker or group of job seekers. Unused EPF monies cannot be retained by the JSA provider.

Services	Participant Details	Credit		When Credited	
		Non-remote ESA	Remote ESA		
Stream 1*	All Fully Eligible Participants*	\$11	\$19	At payment of second 13-Weeks Service Fee	
Stream 2*	All Fully Eligible Participants*	\$550	\$935	On Commencement	
Stream 3*	All Fully Eligible Participants*	\$1,100	\$1,870	On Commencement	
Stream 4	All Fully Eligible Participants*	\$1,100	\$1,870	On Commencement	
	Additional amount credited for Fully Eligible Participants that Centrelink has indicated require interpreter assistance	\$1,000	\$1,700	Upon Centrelink notification in DEEWR's IT Systems	
	Additional amount credited after 12 months and one day of assistance in Stream 4*	\$550	\$935	Upon payment of fifth 13-Weeks Service Fee	
Work Experience Phase	All Fully Eligible Participants	\$500	\$850	On Commencement in the Work Experience phase	Indicates additional credits that can be paid to Fully Eligible Participants on top of Stream credits
	All Fully Eligible Participants in the Compulsory Activity Phase	\$1,000	\$1,700	On Completion of the First Compulsory Activity Phase Contact	

	Additional amount credited for Fully Eligible Participants in a Full-Time Work for the Dole activity, payable once only during a Work Experience Phase as specified in any Guidelines	\$350	\$595	When DEEWR IT Systems show Full-Time Work For the Dole is being undertaken	
Early School Leavers (ESL)	All Fully Eligible Participants (Streams 2, 3 & 4)	\$500	\$850	Upon Centrelink notification in DEEWR's IT Systems	
Labour Adjustment Package (LAP)	All Fully Eligible Participants (Stream 3 although in some cases Stream 4)				
	TCF	\$250	N/A - \$250	Upon notification in DEEWR's IT Systems	
	AUTO	\$1,780	N/A - \$1780	Upon notification in DEEWR's IT Systems	
	Forestry	\$1,780	N/A - \$1781	Upon notification in DEEWR's IT Systems	
	Bluescope	\$1,780	N/A - \$1782	Upon notification in DEEWR's IT Systems	
Drought Force Only Services	A once only credit made payable during Term of this Deed, for each Drought Force Only Participant	\$500	N/A - \$500	On Commencement	



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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator SIEWERT asked on 17 September 2012 hansard page 20-21.**

**Question**

**Could you please provide us with the key categories and expenditure, on notice, both at a gross level and at the average?**

**Answer**

The following table contains data from 1 July 2009 to 19 August 2012. It shows expenditure and average expenditure per transaction, from the Employment Pathway Fund (EPF), by category grouping, for all job seekers receiving Newstart allowance and for all EPF expenditure attributable to individual job seekers.

Note: The expenditure for Newstart recipients may be understated as more than \$225 million has been spent on job seekers who were not on any allowance at the time the expenditure was entered into DEEWR's IT system. However, some of these job seekers may have been on Newstart when the expenditure occurred.

1 July 2009 to 19 August 2012

**Attributable EPF expenditure<sup>1</sup> and average transaction expenditure by category  
for Newstart recipients and all job seekers**

Category Description	Newstart Job Seekers Attributable EPF Expenditure		All Job Seekers Attributable EPF Expenditure	
	EPF Expenditure \$	Average per Transaction \$	EPF Expenditure \$	Average per Transaction \$
Training course	\$239,431,254.27	\$279.50	\$389,008,333.84	\$293.54
Provider services	\$85,101,749.07	\$67.54	\$130,712,499.62	\$66.77
Professional services	\$64,695,118.52	\$191.50	\$88,679,837.05	\$194.61
Wage subsidy	\$63,501,013.73	\$1,912.51	\$243,570,859.56	\$1,982.20
Clothing and presentation	\$39,320,384.38	\$104.50	\$66,961,574.21	\$102.68
Transport & licensing assistance	\$37,551,912.84	\$87.06	\$57,656,606.88	\$87.54
Other	\$16,061,094.40	\$143.55	\$24,750,768.40	\$145.53
Pre-employ checks & work related docs	\$7,640,176.65	\$91.65	\$11,670,118.08	\$92.25
Stream four only assistance	\$6,462,401.60	\$179.78	\$8,758,976.01	\$177.98
Interpreter services	\$6,167,464.76	\$75.20	\$7,856,483.83	\$75.68
Tools, mobile phones & equipment	\$5,992,876.21	\$90.77	\$10,047,896.91	\$101.88
Training books & equipment	\$4,989,721.70	\$104.08	\$9,964,618.40	\$113.41
Special Claims	\$2,003,911.84	\$464.84	\$10,172,274.09	\$819.62
Remote services	\$1,575,886.91	\$30.33	\$2,324,095.70	\$31.36
Relocation assistance	\$1,409,934.77	\$335.86	\$2,395,476.11	\$378.25
NEIS & self employment	\$1,039,409.25	\$283.14	\$3,253,089.84	\$411.06
Short term child care assistance	\$17,009.72	\$182.90	\$110,653.48	\$201.92
<b>Total</b>	<b>\$582,961,320.62</b>	<b>\$153.95</b>	<b>\$1,067,894,162.01</b>	<b>\$180.71</b>

<sup>1</sup>Attributable EPF Expenditure does not includes purchases made in bulk or for Work Experience Group Activities.

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

**QUESTIONS ON NOTICE**

**Inquiry into the adequacy of Newstart and other allowance payments and other matters**

**Senator Boyce asked on Monday, 17 September 2012, Hansard page 13.**

**Question**

How long can a carer receive Carer Payment or Carer Allowance once the care receiver goes permanently into an aged care facility? Is there some other payment they can receive?

**Answer**

When a care receiver moves permanently into a residential care facility, the carer is no longer providing 'constant care', and therefore ceases to meet the eligibility criteria for Carer Payment. If a care receiver is admitted permanently to an institution which provides care, the carer remains qualified for Carer Payment for 14 weeks starting from the day the carer ceased providing care (to allow the carer to adjust to their changed circumstances). It is considered that the carer ceases to provide care the day after the care receiver enters the institution.

The carer loses eligibility for Carer Allowance starting from the first day the carer did not provide care and attention. In most cases, this will be the day the person enters the institution.

Centrelink will assist the carer in considering the most appropriate alternatives for their individual circumstances, should they require ongoing income support. This may not necessarily be Newstart Allowance.

