

Strengthening the Safety Net

Submission to Senate Community Affairs Legislation Committee

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July 2023

Introduction

The bill seeks to raise incomes for some of the poorest members of the community.

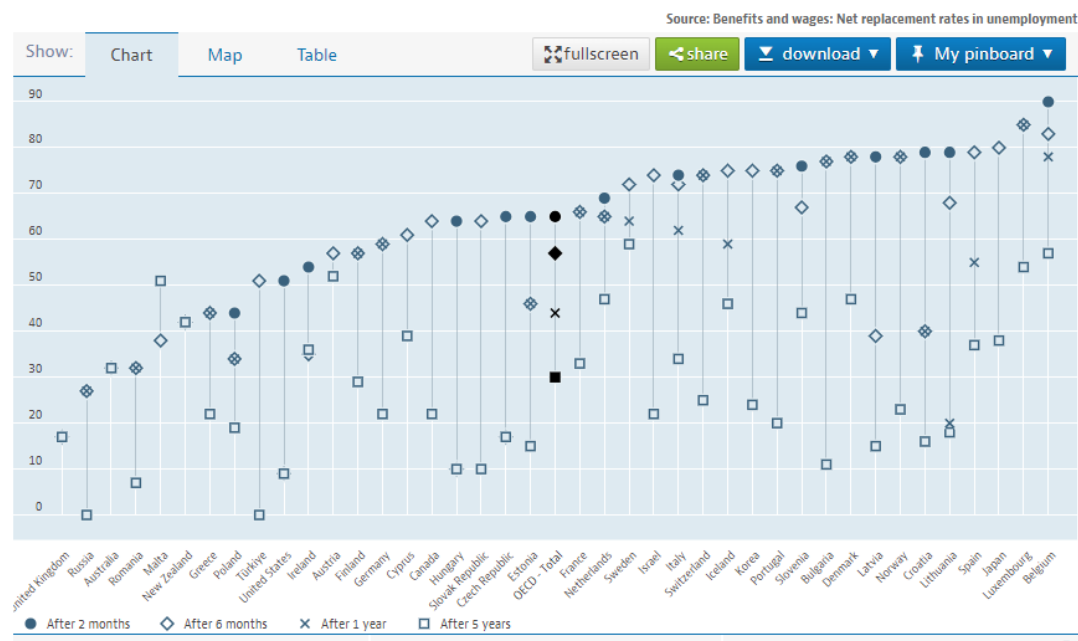
Increasing the rate of unemployment benefit (JobSeeker)

The bill increases JobSeeker by \$40 per fortnight.

The main argument against an increase in JobSeeker is any possible adverse impact on the incentive to work. But the proposed increase in JobSeeker still leaves it less than half the *minimum* wage.² It is a much smaller proportion of the *average* wage. Indeed the unemployment benefit in Australia is a smaller proportion of the average income than in almost all our OECD peers.

Benefits in unemployment, share of previous income

After 2 months / After 6 months / After 1 year / After 5 years, % of previous in-work income, 2022 or latest available



Source: OECD website

Even a significantly higher increase than the proposed \$20 a week is only likely to discourage a negligible proportion of recipients from seeking work; see for example Borland (2020). A survey of prominent economists in 2020 found that an overwhelming majority favoured an increase in JobSeeker and most thought the increase should be at least \$50 a week; Martin (2020).

¹ I am a senior lecturer in, and acting head of, the Canberra School of Politics, Economics & Society at the University of Canberra but this submission is made in a personal capacity.

² Whiteford and Bradbury (2022).

Eligibility for JobSeeker

The bill also expands eligibility for the higher rate of JobSeeker payment to recipients aged 55 years and over who have been on the payment for nine or more consecutive months.

This seems a sensible recognition that both being aged between 55 and 60 and duration of unemployment make finding a new job harder. These changes have broad political support.

Parenting Payment

The bill also allows single parents to remain eligible for the Parenting Payment Single until their youngest child turns 14, rather than the current cut-off of 8.

This seems eminently sensible. Children between 8 and 14 are clearly dependents and need almost as much adult supervision as those aged 7. These changes also have broad political support.

Recommendation

The Senate should pass the bill.

But the increase in the JobSeeker payment should be seen as a first instalment and it is desirable for future budgets to include further increases.

Once the JobSeeker payment has been raised to an appropriate level it should be, as the Henry Tax Review (2009, p 496) recommended, indexed to 'some measure of community living standards' rather than the CPI.

Bibliography

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