

# Chapter 2

## Key issues

2.1 Submissions and witnesses supported the objective of the Social Services Amendment Legislation (Youth Employment and Other Measures) Bill 2015 (Bill) to address youth unemployment and support workforce participation by young people. However, the majority of submissions opposed the proposed changes to the income support waiting period for young job seekers (schedule 3). A number of submissions also raised concerns about the following measures:

- changes to the one-week ordinary waiting period (schedule 1);
- raising the eligibility age for Newstart and Sickness Allowance to 25 years (schedule 2);
- abolishing the low income supplement (schedule 4); and
- freezing indexation to income free areas for certain payments (schedule 5).

2.2 In its submission, the Department of Social Services (DSS) noted the proposed measures 'are designed to support the sustainability of the social security system and the nation's budget'.<sup>1</sup>

### **Income support waiting periods**

2.3 While supporting the government's decision to withdraw the six-month waiting period for income support for young job seekers proposed in the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014 (the No. 4 Bill), most submissions opposed the introduction of a four-week waiting period, as proposed under schedule 3.<sup>2</sup>

2.4 DSS noted that the government expects to save around \$173 million over the forward estimates from this measure.<sup>3</sup>

### ***Impact of waiting period on vulnerable groups***

2.5 Submissions and witnesses expressed concern that the introduction of a four-week waiting period would disproportionately affect young people from disadvantaged backgrounds.<sup>4</sup>

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1 Department of Social Services (DSS), *Submission 2*, p. 1.

2 See: Australian Council of Social Services (ACOSS), *Submission 5*; Brotherhood of St Laurence (BSL), *Submission 7*; National Welfare Rights Network (NWRN), *Submission 6*, UnitingCare, *Submission 4*; National Council for Single Mothers and their Children, *Submission 8*; Headspace National Youth Mental Health Foundation, *Submission 9*; Anglicare Australia, *Submission 10*; Orygen, *Submission 12*.

3 Explanatory Memorandum (EM), p. 2; Ms Cath Halbert, Group Manager, Payments Policy, *Estimates Hansard*, 4 June 2015, p. 107.

2.6 Representatives from DSS and the Department of Employment (DoE) told the committee that the \$5.5 billion 'Growing Jobs and Small Business' package announced in the 2014-15 Budget includes investment in 'transition to work' programs for vulnerable groups. DoE's programs aim to support unemployed early school-leavers, as well as early-intervention assistance to 'those parents who are at greatest risk of entering a life of long-term welfare dependency'.<sup>5</sup> DSS is also leading two 'innovative youth trials' aimed at young people under 25 with mental health issues, and vulnerable young migrants and refugees.<sup>6</sup>

### *Exemptions from waiting period*

2.7 Submitters and witnesses expressed concern that the proposed exemptions to the four-week waiting period were not broad enough to apply to a range of vulnerable groups.<sup>7</sup>

2.8 DSS explained that the Bill does not intend 'that those vulnerable job seekers should serve the four-week waiting period' and there are a number of exemptions for vulnerable people including:<sup>8</sup>

- parents with at least 35 per cent care of a child;
- young people who are in or leaving state care;
- people with an activity test exemption of at least two weeks (including pregnant women in their last few weeks of pregnancy);
- people with temporary illness; and
- people who are homeless or in a crisis situation.<sup>9</sup>

2.9 DSS further noted that the Bill allows the Minister for Social Services (Minister) to define additional exemption categories by legislative instrument.<sup>10</sup>

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4 See: ACOSS, *Submission 5*; BSL, *Submission 7*; NWRN, *Submission 6*, UnitingCare, *Submission 4*; Anglicare Australia, *Submission 10*; Mr David Pigott, Mission Australia, *Committee Hansard*, 5 August 2015, p. 8.

5 Ms Margaret Kidd, Group Manager, Labour Market Strategy Group, Department of Employment, *Committee Hansard*, 5 August 2015, p. 47.

6 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Services, *Committee Hansard*, 5 August 2015, p. 47. In response to questions on notice, DoE and DSS provided the committee with the number of job seekers expected to participate in the 'Growing Jobs and Small Business' measures. See: DoE, answer to question on notice, 5 August 2015 (received 7 August 2015); and DSS, answer to question on notice, 5 August 2015 (received 10 August 2015).

7 See: NWRN, *Submission 6*, pp 7–8; Mr David Pigott, Mission Australia, *Committee Hansard*, Canberra, 5 August 2015, p. 7; Ms Kate Beaumont, President, NWRN, *Committee Hansard*, 5 August 2015, p. 40.

8 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 47.

9 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 46.

10 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 46.

2.10 Under the proposed exemption categories, DSS estimated a greater proportion of young people would be exempt from the four week waiting period (83 000) than would serve them (75 000). DSS estimated that 85 000 waiting periods would be served by 75 000 young people, as some young people would serve two waiting periods in a year.<sup>11</sup>

### ***Evidence base***

2.11 In the 2015 Budget papers, the government explained that the four week waiting period 'will set the clear expectation that young people must make every effort to maximise their chances of successfully obtaining work'.<sup>12</sup> Representatives from DSS told the committee that the intention of the four-week waiting period is that 'job-ready young people should be given every motivation to look for work rather than going to income support in the first instance'.<sup>13</sup> During the second reading speech on the Bill, the Minister emphasised:

We do not want to see young Australians seeking out welfare as a career choice. We do not want to see a shuttle run from the school gate to the Centrelink front door.<sup>14</sup>

2.12 Representatives from DoE suggested that evidence from its 2014 *Surveys of Employers' Recruitment Experiences* indicated that 28 per cent of employers seeking to fill lower skilled vacancies experienced difficulties.<sup>15</sup> DoE noted young people are predominately employed in lower skilled occupations.<sup>16</sup>

2.13 Under the proposed measure, young people assessed as 'job ready' would be required to undertake an intensive activity called RapidConnect Plus during the four-week waiting period.<sup>17</sup> Representatives from DoE noted evidence from the OECD and past programs indicates that 'early activation' activities are successful in assisting young people find employment, as well as having a 'tree-shaking effect':

it certainly flushes out a lot of job seekers who think it is probably easier to either get a job or declare a job that they already have than to do that activity. So we do have a lot of evidence around this cohort and the kinds of measures that work.<sup>18</sup>

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11 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 45.

12 Australian Government, *Budget 2015: Growing Jobs and Small Business*, 'Moving job seekers into work,' [http://www.budget.gov.au/2015-16/content/glossy/sml\\_bus/html/sml\\_bus-15.htm](http://www.budget.gov.au/2015-16/content/glossy/sml_bus/html/sml_bus-15.htm) (accessed 9 June 2015).

13 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 42.

14 The Hon. Scott Morrison MP, Minister for Social Services, *House of Representatives Hansard*, 28 May 2015, p. 1.

15 Ms Margaret Kidd, *Committee Hansard*, 5 August 2015, p. 42.

16 Department of Employment, answer to question on notice, 5 August 2015 (received 7 August 2015).

17 See: EM, p. 16.

18 Ms Margaret Kidd, *Committee Hansard*, 5 August 2015, p. 43.

2.14 During Budget Estimates on 4 June 2015, DSS told the committee the four-week waiting period was informed by (though not directly comparable to) a model used in New Zealand, whereby a four-week 'activation period' applies to all job seekers who have to undertake a series of 'activation activities' prior to receiving income support payments.<sup>19</sup> DSS told the committee that evidence suggests 37 per cent of young people who undertake the activation activities do not end up going on to income support.<sup>20</sup>

### ***Emergency relief payments***

2.15 A number of submissions and witnesses expressed concern that the introduction of a four-week waiting period would require young people to seek emergency relief payments, and questioned the accessibility and adequacy of these payments.<sup>21</sup> Ms Beaumont from NWRN expressed particular concern about how many of the 75 000 people estimated to be affected by the proposed measure would be able to access emergency relief.<sup>22</sup>

2.16 During the second reading speech on the Bill, the Minister noted around \$8.1 million in additional funding will be made available to provide assistance to job seekers affected by the measure who are experiencing hardship.<sup>23</sup> Representatives from DSS told the committee that the department would consult with the sector on the appropriation of the emergency relief funding, including mapping of the likely areas with a high proportion of young people accessing payments.<sup>24</sup>

### **Ordinary waiting periods**

#### ***Exemptions to ordinary waiting periods***

2.17 Some submissions recognised and expressed support for the exemption categories for the ordinary waiting period. The National Council for Single Mothers and their Children (NCSMC) noted particular support for exemptions for parents with primary care responsibilities and people who have been in state care.<sup>25</sup>

2.18 However, a number of submissions also expressed concern about the level of awareness about and accessibility of exemption categories.<sup>26</sup> Ms Terese Edwards told

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19 Mr Finn Pratt, Secretary, Department of Social Services, *Estimates Hansard*, 4 June 2015, p. 109.

20 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 43.

21 See: AASW, *Submission 1*, p. 3; NUS, *Submission 3*, p. 7; UnitingCare, *Submission 4*, p. 3.

22 Ms Kate Beaumont, *Committee Hansard*, 5 August 2015, p. 41.

23 The Hon. Scott Morrison MP, *House of Representatives Hansard*, 28 May 2015, p. 2. During Budget Estimates, DSS confirmed the payment would be spend over three years from 1 January 2016. See: Ms Cath Halbert, Group Manager, Payments Policy, *Estimates Hansard*, 4 June 2015, p. 108.

24 Ms Cath Halbert, *Committee Hansard*, 5 August 2015, p. 45.

25 NCSMC, *Submission 9*, p. 2.

26 See: ACOSS, *Submission 5*; NWRN, *Submission 6*; Headspace, *Submission 9*; Orygen, *Submission 12*; NCSMC, *Submission 9*.

the committee NCSMC were 'not confident that exemptions are granted in the way that they should be'. A survey conducted by NCSMC of 700 women eligible for exemptions to the ordinary waiting period found 77 to 90 per cent of respondents were not aware of the current exemption categories.<sup>27</sup> Headspace Youth Mental Health Foundation expressed particular concern that young people with mental health issues would not be able to access exemptions, especially:

those young people who either don't recognise their difficulties as related to their mental health, or who are unwilling to disclose mental health difficulties due to stigma or shame.<sup>28</sup>

2.19 Representatives from DSS told the committee around 40 per cent of claimants (approximately 170 000) are estimated to have their one-week waiting period waived under the proposed revisions to the exemption categories.<sup>29</sup>

### ***Personal financial crisis and family violence***

2.20 Submitters and witnesses expressed concern about tightening the financial hardship exemption to only apply if the person is also experiencing a 'personal financial crisis'.<sup>30</sup>

2.21 In particular, submissions and witnesses expressed concern that the proposed definition of 'personal financial crisis' is too narrow, including that family violence must have been experienced in the past four weeks.<sup>31</sup> Ms Amie Meers, Executive Officer at the National Welfare Rights Network (NWRN) noted that vulnerable families often experience a:

...slow slide into financial hardship, not necessarily in the immediate four weeks prior to claiming...There are a myriad of reasons why a person might find themselves in severe financial hardship or in a personal financial crisis that go beyond domestic violence and reasonable and unavoidable expenditure. A person might be the victim of a crime. They might have had all of their possessions stolen. They might be a young person who has been kicked out of home.<sup>32</sup>

2.22 DSS noted exemptions based on personal financial crisis 'will better target exemptions to those who are most vulnerable and most in need of immediate assistance'.<sup>33</sup> Noting previous concerns raised by the committee about exemptions being outlined in a legislative instrument that could be disallowed, DSS noted the

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27 Ms Terese Edwards, CEO, NCSMC *Committee Hansard*, 5 August 2015, p. 23.

28 Headspace, *Submission 9*, p. 3.

29 DSS, answer to question on notice, 5 August 2015 (received 10 August 2015).

30 See: ACOSS, *Submission 5*, p. 2; NWRN, *Submission 6*, p. 14; UnitingCare, *Submission 4*, p. 2; Anglicare, *Submission 10*, p. 5.

31 See: ACOSS, *Submission 5*, p. 2; NWRN, *Submission 6*, p. 14.

32 Ms Amie Meers, Executive Officer, NWRN, *Committee Hansard*, 5 August 2015, p. 39.

33 DSS, *Submission 2*, p. 2.

exemptions are now included in the primary legislation, with the legislative instrument 'providing flexibility to include additional exemptions'.<sup>34</sup>

### **Raising Newstart eligibility age**

2.23 A number of submissions expressed concern about raising the eligibility age for Newstart and sickness allowances to 25 years old.<sup>35</sup> Submissions noted young people moving from Newstart to youth allowance would lose a fifth of their weekly payments, decreasing from \$519.20 per fortnight (Newstart) to \$426.80 per fortnight (youth allowance).<sup>36</sup>

2.24 Submissions expressed concern that the proposed change would disproportionately affect young people from disadvantaged backgrounds and 'exacerbate poverty and disadvantage'.<sup>37</sup> Witnesses also argued that the low rates of Newstart do not provide incentives for young people to leave study or employment, in favour of unemployment.<sup>38</sup>

2.25 DSS noted in its submission that for young people aged 22 to 24 years old, the current arrangements (where the Newstart allowance is paid at a higher rate than youth allowance) act 'as a disincentive to pursue full-time study to better aid a transition into work' and the proposed change 'removes that incentive'.<sup>39</sup>

### **Indexation**

2.26 A number of submissions opposed the proposed freeze on indexation on personal income free thresholds for some payments, arguing it would negatively impact people on very low incomes seeking to transition to secure employment.<sup>40</sup> The National Union of Students (NUS) argued freezing indexation on the threshold would particularly impact disadvantaged students. Ms Rose Steele, President of NUS, told the committee the freeze would 'erode the value that students can earn throughout their paid work'.<sup>41</sup>

2.27 Under the proposed change, DSS noted that while some recipients would not receive increases to payments that would otherwise have occurred, payments will not

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34 DSS, *Submission 2*, p. 2.

35 See: ACOSS, *Submission 5*; AASW, *Submission 1*; NUS, *Submission 3*; NWRN, *Submission 6*; BSL, *Submission 7*; Anglicare Australia, *Submission 10*.

36 See: ACOSS, *Submission 5*, p. 2; NWRN, *Submission 6*, pp 16–17; Anglicare Australia, *Submission 10*, p. 6.

37 NWRN, *Submission 6*, p. 3.

38 See: Ms Margaret Quixley, Young Opportunities Australia, *Committee Hansard*, Canberra, 5 August 2015, p. 32; Ms Rose Steele, President, National Union of Students, *Committee Hansard*, Canberra, 5 August 2015, p. 33.

39 DSS, *Submission 2*, p. 2.

40 See: ACOSS *Submission 5*, p. 7; NWRN, *Submission 6*, p. 18; Anglicare Australia, *Submission 10*, p. 8.

41 Ms Rose Steele, President, NUS, *Committee Hansard*, 5 August 2015, p. 33.

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be reduced unless their circumstances change, such as their income increasing in value. DSS estimated the measure would result in a saving of \$134.8 million over the forward estimates.<sup>42</sup>

### **Income supplement**

2.28 Most submissions made no comment on abolishing the income supplement. ACOSS supported abolishing the supplement noting in its submission that following the abolition of the carbon tax, 'it is appropriate that this supplement is abolished'.<sup>43</sup>

2.29 In its submission, DSS noted the program has a 'very low take-up rate and is administratively highly complex and expensive to deliver', with the costs in administering the payment exceeding the financial benefit accrued by eligible individuals.<sup>44</sup> DSS estimated that 6 000 people would no longer receive the low income supplement under the proposed measure with around 70 per cent of these continuing to receive the Energy Supplement as part of the Family Tax Benefit payment.<sup>45</sup>

### **Committee view**

2.30 The committee notes concerns that the four-week waiting period will disproportionately impact on vulnerable young people, including those with mental health issues. The committee is satisfied the existing exemption categories and Job Seek Classification Instrument process, together with the emergency relief payments and additional support programs for vulnerable young people announced in the 'Growing Jobs and Small Business' package, will ensure the waiting period is targeted to 'job ready' young people. The committee notes more young people are expected to be exempted from rather than serve the waiting period.

2.31 The committee notes concerns about the tightening of eligibility criteria for the ordinary waiting period and definition of the 'personal financial crisis'. The committee is satisfied these changes will ensure exemptions are targeted to assist vulnerable individuals and families.

2.32 The committee notes concerns about raising the eligibility age for Newstart and sickness allowance to 25 years of age. The committee considers the higher income threshold under youth allowance will encourage young people to find stable employment.

2.33 The committee notes concerns about proposed changes to the income free indexation threshold for some payments. The committee is satisfied payment recipients will not have their payments reduced under the proposed measure.

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42 DSS, *Submission 2*, p. 4.

43 ACOSS, *Submission 5*, p. 6.

44 DSS, *Submission 2*, p. 3–4.

45 DSS, *Submission 2*, p. 4.

2.34 The committee is satisfied with DSS's justification for abolishing the low income supplement, noting the program currently costs more to administer than payments provided.

**Recommendation 1**

**2.35 The committee recommends that the Bill be passed.**

**Senator Zed Seselja**

**Chair**