

CHAPTER 2

An overview of the allowance payment system

Introduction

2.1 This chapter provides an overview of the allowance payment system in Australia.¹ The committee did receive evidence on a range of allowance payments, but the bulk of evidence focused on Newstart Allowance, and this report particularly focuses on this payment.

2.2 The key aspects of this payment, including eligibility, rate of payment and activity requirements are discussed. To assist readers to navigate through the complex web of supplements and allowances a number of practical examples are provided to illustrate the entitlements of eligible singles, families and single parents.

2.3 The second part of this chapter considers the economic context within which the allowance payment system operates. This section considers factors such as the unemployment rate, inflation, underemployment and workforce participation rates.

The differences between allowances and pensions

2.4 As outlined in chapter 1, social security payments can be divided into two distinct categories: allowances and pensions.

2.5 Allowance payments include Newstart Allowance, Youth Allowance (other), Widow Allowance, Partner Allowance, Parenting Payment (Partnered), Sickness Allowance and Special Benefit. Allowances are also paid to students and include Youth Allowance (student), Austudy and ABSTUDY.²

2.6 Allowances are designed to support those who have the capacity to work but are temporarily unable to provide for themselves and their families due to factors such as unemployment, sickness, full time study or caring for young children.³

2.7 A core element of many allowance payments is the notion of 'reciprocity': the expectation that a recipient must participate in activities (such as looking for work and training) as a condition of payment. For example, student allowances are based on condition that the recipient undertakes study. There are some exceptions, such as

1 The material in this overview has largely been drawn from the Joint Agency submission to this inquiry: Department of Education, Employment and Workplace Relations; the Department for Families, Housing, Community Services and Indigenous Affairs, the Department of Human Services and the Department of Industry, Innovation, Science, Research and Tertiary Education, *Submission 38* (Hereafter '*Submission 38*').

2 Parenting Payment (Single) is often referred to as an allowance; however, due to its origin as the Sole Parent Pension, it retains a number of characteristics of a pension, such as its unique indexation methodology and means testing regime. *Submission 38*, pp 15–16.

3 *Submission 38*, pp 15–16.

Sickness Allowance, which is designed to cater for the short term needs of working age recipients who are ill.⁴

2.8 In contrast, Pensions are designed for people who are not expected to, or have little capacity to, support themselves through employment. This can be for a variety of reasons, including age, illness or disability. For this reason, pensions are paid at higher rates and attract more comprehensive supplementary assistance and concessions. Other benefits include:

- More generous indexation arrangements (linked to average male incomes rather than just CPI);
- More relaxed income and assets tests; and
- Little or no participation requirement (although, some benefits for those who are able to/or decide to work).⁵

Newstart Allowance

2.9 Newstart Allowance is the primary working age payment.⁶ The purpose of Newstart Allowance is to ensure that people who are unemployed are financially supported while they participate in job seeking and training activities. Recipients must satisfy an activity test and are required to search for jobs as a condition of payment, unless they are exempted from activity requirements. Failure to meet these requirements may result in a suspension of payment or other compliance measures.⁷

2.10 The following table shows the rate of payment of Newstart Allowance over March to September 2012.⁸

4 *Submission 38*, p. 16.

5 *Submission 38*, pp 15–16.

6 *Submission 38*, p. 17.

7 *Submission 38*, p. 17.

8 *Submission 38*, p. 19.

Table 1: Newstart Allowance rates of payment - 20 March 2012 to 19 September 2012

Family situation	Maximum payment per fortnight
Single, no children	\$489.70
Single, with dependent children	\$529.80
Single, aged 60 or over, after 9 months on income support	\$529.80
Partnered (each)	\$442.00
Single, principal carer of a dependent child (granted an exemption for foster caring/relative (non-parent) caring under a court order/home schooling/distance education/large family)	\$648.50

2.11 Newstart recipients also receive supplementary payments, concessions, access to employment servicing and training, and other assistance for those with children (e.g. Family Tax Benefit and childcare assistance).

Means testing and allowable income

2.12 Applicants for Newstart Allowance are subject to means testing, which takes into account both assets and income. The family home is an exempt asset. The table below illustrates the assets test for Newstart Allowance.⁹

Family situation	Assets Test limit
Homeowner, Single	\$192,500
Homeowner, Partnered (combined)	\$273,000
Non-Homeowner, Single	\$332,000
Non-Homeowner, Partnered (combined)	\$412,500

2.13 Income is also taken into account in determining eligibility. The 'income free area' is the amount a person can earn before their payment is impacted. Currently this is \$62 a fortnight, if a person earns more than this amount a fortnight their payment gradually decreases.¹⁰

2.14 For income earned above \$62 and below \$250, each dollar earned reduces Newstart Allowance by 50 cents in the dollar. Income above \$250 reduces payment by 60 cents in the dollar. Partner income which exceeds the partner income free area of \$830.00 reduces fortnightly allowance by 60 cents in the dollar (this is benchmarked to the cut-off point for a partnered Newstart Allowance recipient's personal earnings).

⁹ Submission 38, p. 19.

¹⁰ Submission 38, p. 20.

2.15 From 1 January 2013, a new income test will apply for single principal carer parents on Newstart Allowance. From this date, a 40 cent in the dollar taper rate will apply for all income earned above \$62 per fortnight. The table below sets out the income threshold beyond which allowance payments cease to be paid.¹¹

Family situation	Cut-off point (per fortnight)
Single, 21 years or over, no children	\$ 909.50
Single, 21 years or over, with children	\$ 976.34
Single, 60 years or over, after 9 months (PhA)	\$ 986.67
Partnered (recipient income only)	\$ 830.00
- partner's income must be less than (partner income only)	\$ 1,566.67
- combined income must be less than	\$ 1,660.00
Single, principal carer of child (granted an exemption for foster caring/relative (non-parent) caring under a court order/home schooling/distance education/large family)	\$ 1,174.17
Parenting Payment (Single)	\$1,797.85*

2.16 Recipients can build up a 'working credit' if their total income is less than \$48 a fortnight. When that recipient gets work in the future, then they can use this working credit to reduce the effect which income has on their payment, up to \$1000. The committee discusses areas where these policies should be reformed in Chapter 4.

Waiting periods

2.17 Newstart Applicants may have to wait a period before they can receive payment. From 1 July 2013, under changes announced in the 2012–13 Budget, the maximum amount of liquid assets a person may hold before potentially being subject to a waiting period will double to \$5000 for a single person without dependants or \$10,000 for other claimants.¹²

2.18 Persons who have received redundancy or leave payment from their employer or who receive compensation may also have to wait a period before receiving payment.

Indexation

2.19 To ensure that payments do not decrease in real terms over time, most allowances are increased on 20 March and 20 September each year in line with movements in the Consumer Price Index (CPI). Youth Allowance is indexed once a year on 1 January in line with movements in CPI. Parenting Payment (Single) is also

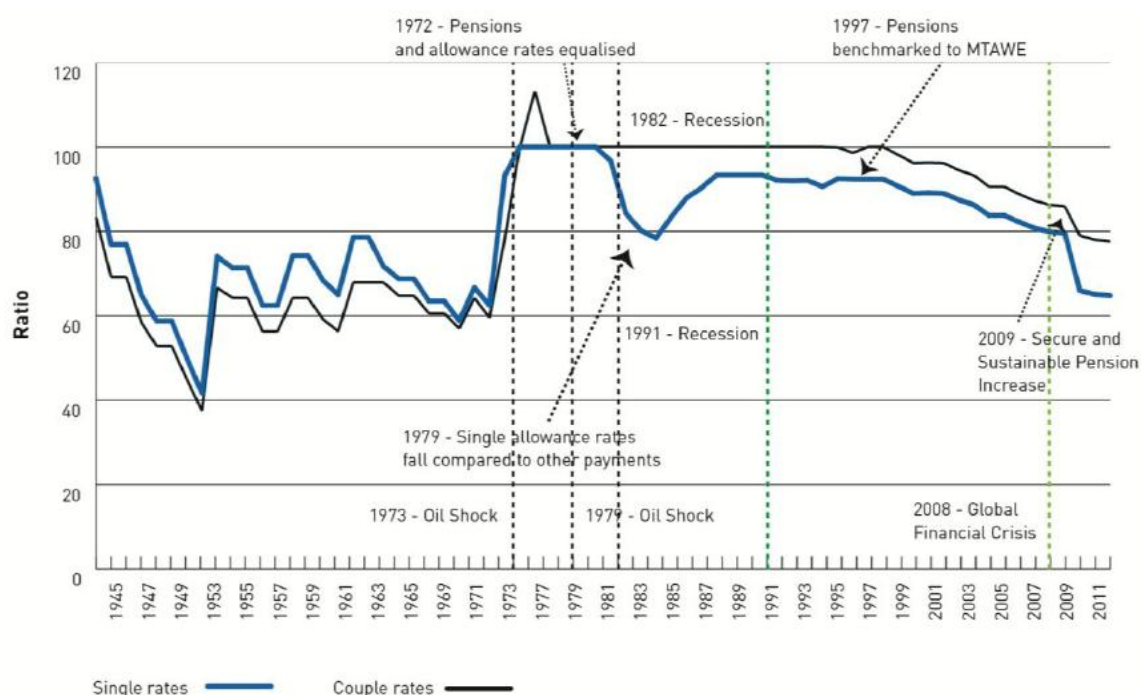
11 *Submission 38*, p. 20. Note that for Parent Payment (Single) the rate increases with each additional child.

12 *Submission 38*, p. 21.

indexed to CPI twice a year on 20 March and 20 September, and is then benchmarked to 25 per cent of Male Total Average Weekly Earnings (MTAWE) to reflect changes in wages.¹³

2.20 In comparison, pensions are indexed twice each year by the greater of the movement in CPI and the Pensioner and Beneficiary Living Cost Index (PBLCI). The combined couple rate is also benchmarked to 41.76 per cent of MTAWE and the single rate is equivalent to 66.33 per cent of the combined couple rate.

2.21 The table below illustrates the historical relative difference between allowance rates and pension rates.¹⁴



2.22 A number of submitters and witnesses have raised particular concerns about the differing indexing arrangements for pensions and allowances which has resulted in a widening gap between the two payments. This issue is explored in Chapter 3.

Supplements

2.23 A number of supplements, concessions and services are also available to eligible allowance recipients. These include: Family Tax Benefit A and B, Child Care Rebate, Child Care Benefit, job and training services, rent assistance and concessions. Following questioning from the committee, the government provided the table in Appendix 3, which sets out these complex arrangements in simple terms.¹⁵ The

13 *Submission 38*, p. 21.

14 Allowances rates are represented as a proportion of pension rates: *Submission 38*, p. 18.

15 Joint Agency, *Response to Question taken on notice*, 17 September 2012 (received 24 October 2012). Targeted additional assistance provided through Jobs Services Australia is also available to Newstart Recipients. This assistance is discussed in Chapter 4.

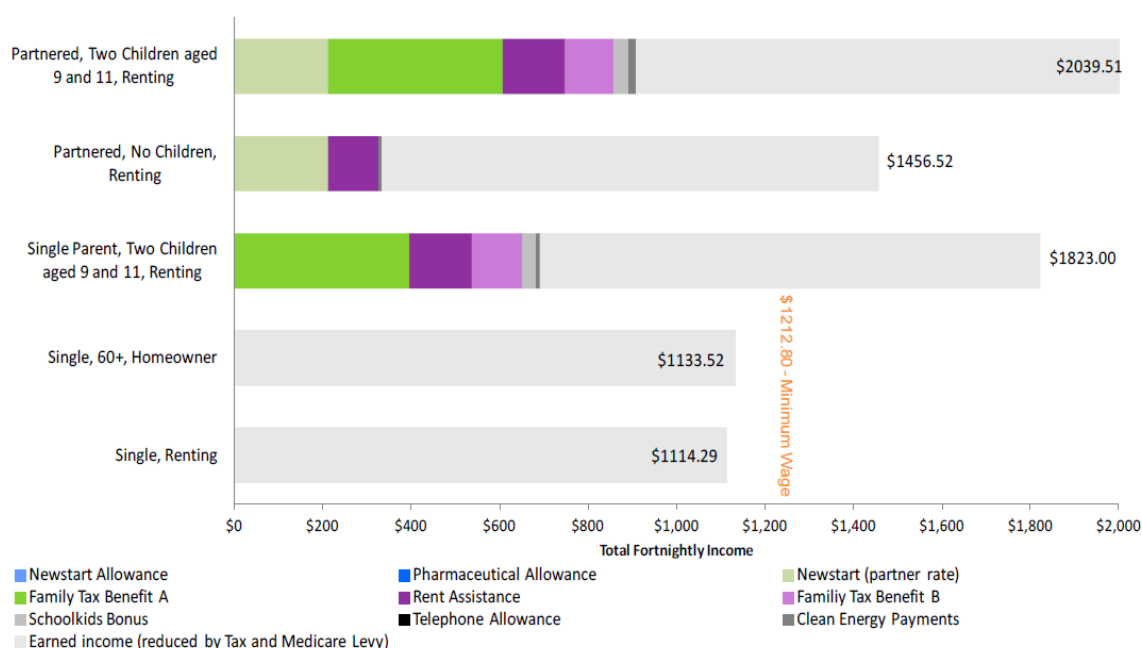
examples of the following pages illustrate how this additional support is provided in a range of different circumstances.¹⁶

2.24 The first table outlines what a Newstart Allowance recipient with no earnings would take home each fortnight. In this scenario, a family with two unemployed parents and two children would take home \$1, 540 a fortnight. It is clear that families with children in receipt of Newstart Allowance receive much more support – indeed support that approaches the minimum wage of \$1,212.80 – than single adult recipients.

	Single, Young, Renting	Single, 60+, Homeowner	Single Parent, Two Children aged 9 and 11, Renting	Partnered, No Children, Renting	Partnered, Two Children aged 9 and 11, Renting
Newstart Allowance	\$489.70	\$529.80	\$529.80	\$442.00	\$442.00
Pharmaceutical Allowance		\$6.20	\$6.20		
Newstart Allowance (Partner Rate)				\$442.00	\$442.00
Family Tax Benefit A			\$395.08		\$395.08
Rent Assistance	\$120.20		\$140.98	\$113.20	\$140.98
Family Tax Benefit B			\$114.24		\$64.72
School kids Bonus			\$31.54		\$31.54
Telephone Allowance		\$3.88	\$3.88		
Clean Energy Payments	\$8.42	\$9.47	\$18.15	\$15.79	\$24.74
Final Income	\$618.32	\$549.35	\$1,239.87	\$1,012.99	\$1,540.79

2.25 However, it is important to recognise that families with two parents, where one parent is working fulltime at the national minimum wage of \$1,212.80, receive more than this amount once family supplements and other forms of government assistance are taken into account. The table below depicts the after tax incomes of five different households where one adult is working at the full-time National Minimum

Wage.¹⁷ In this scenario, a family with two parents and two children receives \$2,039.51 a fortnight – approximately \$500 more (or 30 per cent more) than a family in the same situation that is unemployed.



2.26 Issues relating to the adequacy of Newstart Allowance are considered in Chapter 3, and incentives are discussed in Chapter 4.

Participation requirements

2.27 In addition to other eligibility criteria, recipients of Newstart Allowance, Youth Allowance (other), Parenting Payment and some Special Benefit recipients are required to meet an activity test or participation requirements to receive payment.¹⁸

2.28 Participation is usually arranged by Job Services Australia or Disability Employment Services (depending on the payment). Individual agreements are negotiated with each recipient and there is scope to tailor this to the needs of each participant. Activity/participation requirements may include undergoing particular training and searching for a particular number of jobs a fortnight.¹⁹

2.29 The job seeker compliance framework, which is established in legislation, provides for a range of financial penalties that may apply to job seekers who fail to comply with their activity test requirements. These sanctions range from temporary suspension of payment, with full back payment on compliance, to loss of payment for up to eight weeks.²⁰

17 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

18 *Submission 38*, p. 24.

19 *Submission 38*, p. 25.

20 *Submission 38*, p. 26.

2.30 A person may be exempted from participation requirements for a period of time. For example, if the person provides medical evidence that they are temporarily unable to work for eight or more hours per week due to illness or incapacity, and no other appropriate activity may be substituted.²¹

Jobs Services Australia

2.31 Job Services Australia (JSA) is the national employment services system. Newstart and other recipients are referred to JSA usually by the Department of Human Services. The individual's capacity to obtain employment will be assessed and will fall into one of four streams. Streams 1 through to 3 are based on relative disadvantage. Individuals in Stream 4 have been identified to have multiple and complex needs. The level of funding and support that a person receives is based on which stream they are in, with Stream 1 having the least amount of funding and Stream 4 the highest.²² The current JSA caseload can be broken down in the following way:

- Stream 1, 30 per cent
- Stream 2, 24 per cent
- Stream 3, 21 per cent
- Stream 4, 22 per cent.²³

2.32 In recent years the proportion of clients in higher Streams, particularly Stream 4, has increased. For example in 2009, Stream 4 represented only 11 per cent of job seekers, representing a doubling in three years.²⁴

2.33 JSA providers will develop an Employment Pathway Plan (EPP) with each jobseeker. This document operates like a contract and outlines activities that the job seeker agrees to undertake in order to obtain employment. The EPP is regularly updated with the job seeker to reflect changing circumstances relevant to the search for work.²⁵ EPPs may require a mix of the following:

- Education;
- Training;
- Non-vocational assistance;
- Work experience;
- Job search requirements; and

21 *Submission 38*, p. 26.

22 *Submission 38*, p. 129.

23 Ms Moya Drayton, Group Manager, Department of Education, Employment and Workplace Relations, *Estimates Proof Committee Hansard*, 17 October 2012, p. 67. Note that Stream 1 also includes Stream 1 (limited).

24 Ms Moya Drayton, Group Manager, Department of Education, Employment and Workplace Relations, *Estimates Proof Committee Hansard*, 17 October 2012, p. 67.

25 *Submission 38*, p. 130.

- Other support.

2.34 The government pays services fees and outcome fees directly to employment service providers. Services fees differ depending on the stream that the relevant job seeker is in and the number of weeks they have been receiving JSA support (in 13 week increments). Outcome fees are paid when a job seeker finds work, with much higher fees paid for stream 4 outcomes than stream 1.²⁶

2.35 The tables on the following pages set out the service fees, job seekers placements fees and outcome fees that are payable by JSA to employment service providers at different milestones.²⁷

Service fees

2.36 Service fees are paid at the beginning of each 13 week period that the job seeker is receiving employment services. Higher rates are paid to remote ESAs.²⁸

26 *Submission 38*, pp 135–136.

27 Department of Education, Employment and Workplace Relations *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

28 Department of Education, Employment and Workplace Relations *Response to question taken on notice*, 17 September 2012 (received 24 October 2012). A number of explanatory notes to this table are available in the Department's full response.

(1) Stream and time in Payment Period	(2) Service Fees	(3) Service Fees—Remote ESAs only
Stream 1		
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
Stream 2		
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
Stream 3		
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
Stream 4		
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
Work Experience Phase (excluding Compulsory Activity Phase)		
First 13 weeks ²	\$456	\$775
Second 13 weeks	\$66	\$112
Third 13 weeks	\$133	\$226
Fourth 13 weeks	\$67	\$114
Compulsory Activity Phase³		
First 13 weeks	\$133	\$226
Second 13 weeks	\$66	\$112
Third 13 weeks	\$133	\$226
Fourth 13 weeks	\$67	\$114

Placement fees

2.37 JSA providers may also claim a placement fee where the provider has matched, screened and referred an eligible job seeker to a job. This must be formally recorded in DEEWR's database. The table below sets out the different placement fee rates.²⁹

29 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

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

2.38 JSA providers may also receive outcome fees, which are paid at 13 and 26 week intervals, once a job seeker has been placed in education or employment – so long as certain requirements are met for the relevant period.³⁰

Stream 1

Period of Unemployment	Pathway Outcome	Pathway Outcome plus Bonus	Full Outcome	Full Outcome plus Bonus
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

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

30 Department of Education, Employment and Workplace Relations *Response to question taken on notice*, 17 September 2012 (received 24 October 2012). Higher fees are paid for outcomes in remote areas.

Stream 3

Period of Unemployment	Pathway Outcome	Pathway Outcome plus Bonus	Full Outcome	Full Outcome plus Bonus
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

Period of Unemployment	Pathway Outcome	Pathway Outcome plus Bonus	Full Outcome	Full Outcome plus Bonus
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

Employment pathway fund

2.39 In addition, through their JSA, job seekers will also have access to the Employment Pathway Fund (EPF). The EPF is a discretionary and flexible pool of funding that may be used by JSA providers to assist job seekers to become ready for work and obtain employment. The EPF works in the following way:

JSA providers receive an EPF credit for each registered Fully Eligible Participant on commencement commensurate with their level of disadvantage. Because JSA providers deliver flexible services personalised to the needs of individual job seekers, not every job seeker will need the same type or amount of assistance through the EPF. There is no overall cap on the cost of assistance that a provider can purchase through the EPF for any single job seeker. It is expected, however, that EPF expenditure on an individual job seeker will be commensurate with their level of disadvantage.³¹

2.40 The table below outlines the level of support that is allocated per a job seeker through the EPF.³²

31 *Submission 38*, p. 130.

32 *Submission 38*, p. 131.

Type of Service	Participant Details	Credit	Credit – Remote ESAs only	When credited
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	\$1100	\$1870	On Commencement
Stream 4	All Fully Eligible Participants	\$1100	\$1870	On Commencement
	Additional amount credited for Fully Eligible Participants that Centrelink has indicated require interpreter assistance	\$1000	\$1700	Upon Centrelink notification in DEEWR's IT Systems
	Additional amount credited after 12 months and 1 day of assistance in Stream 4	\$550	\$935	Upon payment of the 5 th 13 week Service Fee
Stream 2-4	Early School Leavers - an amount credited in addition to above credits per Stream	\$500	\$850	On Commencement or upon Centrelink notification in DEEWR's IT Systems
Work Experience Phase	All Fully Eligible Participants	\$500	\$850	On Work Experience Commencement
	For all Fully Eligible Participants in the Compulsory Activity Phase	\$1000	\$1700	On completion of the First Compulsory Activity Phase Contact
	Additional amount credited for the participation of a Fully Eligible Participant 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's IT Systems show Full-Time Work For the Dole is being undertaken
Drought Force Only Services	A once only credit made during the Term of this Deed, for each Drought Force Only Participant	\$500	\$500	On Commencement

2.41 As this table illustrates, the base rate of support can range from \$11 for a job seeker in Stream 1 to \$1100 per a job seeker in Stream 4.³³ Higher rates of payment are available to employment service providers who support jobseekers in remote communities.

2.42 Between 1 July 2009 and 19 August 2012 more than a billion dollars has been released through the EPF to assist job seekers to become work ready. Of this amount, nearly \$583 million has been spent on Newstart job seekers.³⁴ EPF funds have been released for a range of purposes, including training courses, clothing, transport, tools, remote services and short term child care assistance.

Disability employment services

2.43 Disability Employment Services (DES) is the primary employment program designed to assist people with a disability who are looking for work. Unlike JSA, the support provided by DES is uncapped.³⁵ Some Newstart Allowance recipients who have a partial capacity to work due to a disability will access DES services.

Incentives for work

2.44 As noted earlier, all recipients can engage in some work before they start to lose the relevant payment.³⁶

2.45 One of the factors that should be taken into account when setting the National Minimum Wage and award wages is that people working full time at those wages should not need Newstart Allowance to supplement their employment income.³⁷

2.46 However, this relativity is considered less important for pensioners who are not expected to support themselves through paid work and single principal carers who need to be able to balance work and caring for their young children, and for whom maintaining some connection with the workforce is likely to improve their chances of transitioning into employment once their children have grown older.

2.47 The table below illustrates the effect of income tests for single pension and allowance recipients.³⁸

33 Note that when a job seeker moves up a stream, the funds are credited at a reduced rate: *Submission 38*, p. 132.

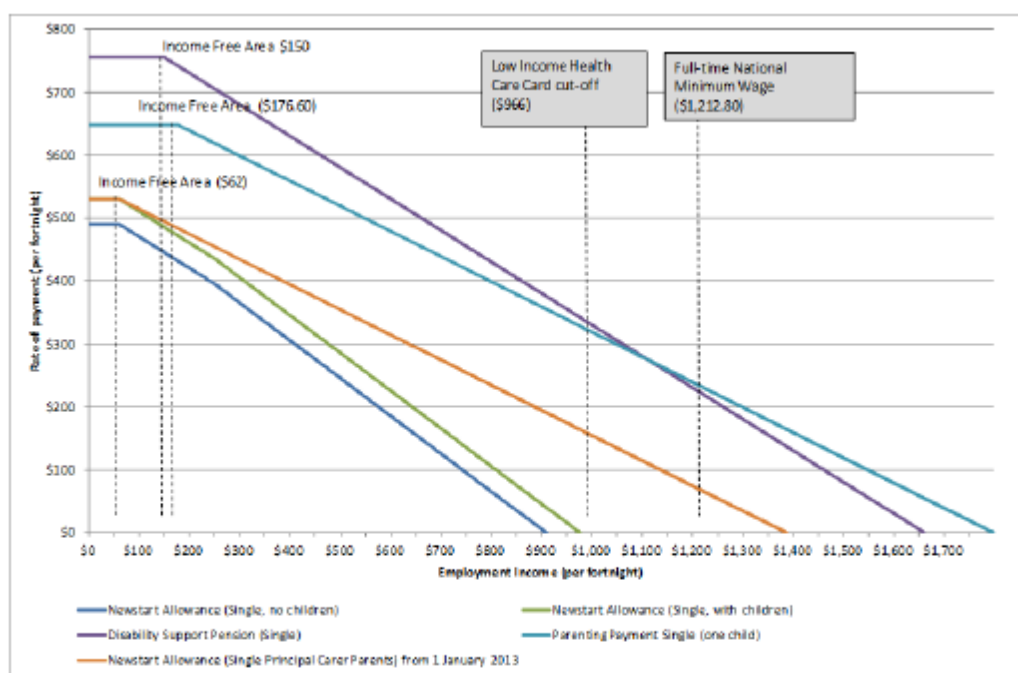
34 Department of Education, Employment and Workplace Relations, *Response to question take on notice*, 17 September 2012 (received 24 October 2012).

35 *Submission 38*, pp 137–138.

36 *Submission 38*, p. 26.

37 *Submission 38*, p. 27.

38 *Submission 38*, p. 27.



Source: Based on rates at 1 July 2012. 'Full-time National Minimum Wage' is based on 38 hours per week at the National Minimum Wage of \$15.96 per hour as at 1 July 2012, with rounding.

2.48 The efficacy of the incentives built into Newstart Allowance are discussed in Chapter 4.

Australian Labour Market

2.49 Any consideration of the fitness for purpose of the Newstart system must consider the state of the labour market in which it operates.³⁹

Changes to the labour market

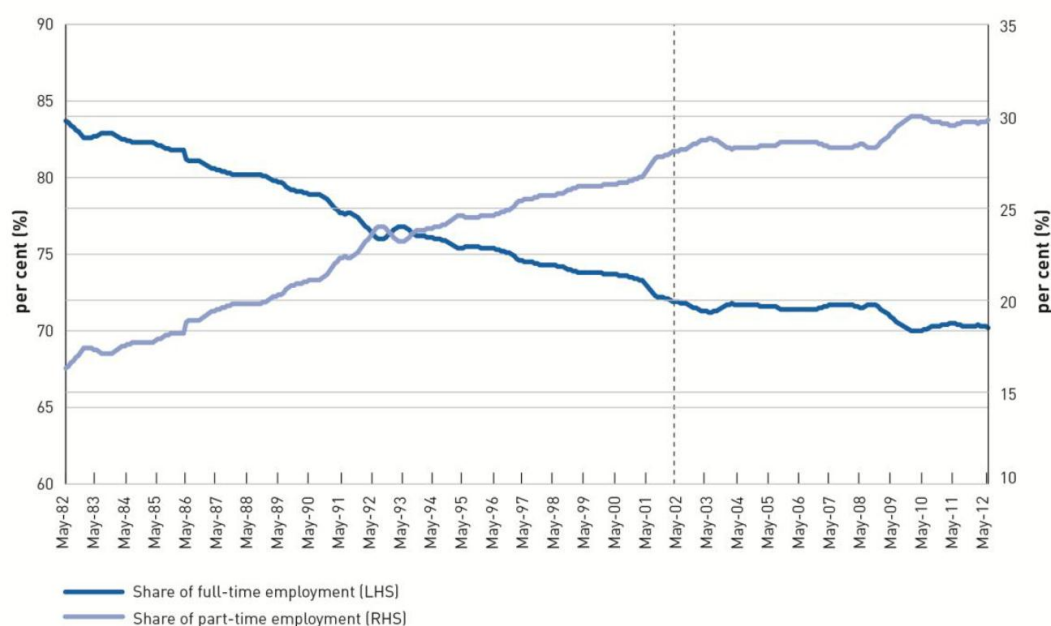
2.50 In recent decades the structure of the labour market has changed, particularly in relation to under employment and the national minimum wage.⁴⁰ In many respects these changes have meant that a wider range of people can participate in the labour market, including parents who require flexibility due to caring obligations and people who are unable to work full time.⁴¹ The table below illustrates the shift in full-time and part time share of employment over May 1982 – May 2012.⁴²

³⁹ Submission 38, p. 34.

⁴⁰ Submission 38, p. 40.

⁴¹ Submission 38, p. 40.

⁴² Submission 38, p. 41. (Source: ABS Trend Data).



2.51 However, the increase of part time work can also be problematic for job seekers who want to work full time.⁴³ The majority of workers who are underemployed are currently working part time and would like to work full time, seeking on average an extra 14 hours of work per week. Since May 2011 the number of underemployed workers has increased by 4.7 per cent.⁴⁴

2.52 Casual employment can provide flexibility to employers, particularly in areas with varied work cycles, and can function as a 'stepping stone' to permanent employment.⁴⁵ Casual employment is defined by the ABS as any employee who is not entitled to paid holiday or sick leave. To compensate, casual employees usually receive a 25 per cent loading. Since 2001 there has been a slight decrease in the rate of casual employment – from 25.1 to 24.2 per cent of workers.⁴⁶

2.53 The skills and training of workers have also generally increased over time and for many, Newstart operates as a short term assistance payment that provides a safety net in the transitional period before they re-enter the workforce. However, this is subject to notable exceptions, as the Joint Agency submission observes:

43 Cited in *Submission 38*, p. 47. The ABS defines under employment as: (a) part time workers who would prefer to work more hours and were available to start work with more hours, either in the reference week or in the four weeks following the labour force survey; and (b) full time workers who worked part time hours in the reference week for economic reasons (such as being stood down or insufficient work being available).

44 *Submission 38*, p. 47.

45 *Submission 38*, p. 48.

46 *Submission 38*, p. 49.

A significant and growing number of people, many of whom are disabled or who have obsolete skills, face barriers associated with accessing the same opportunities as others.⁴⁷

2.54 In chapter 4 the committee explores the important role that casual and part time employment can have in assisting people who have been unemployed for long periods to build up confidence and skills as they transition to full time work.

Participation rate of particular groups

2.55 The participation rate of women in the workforce has increased from 43.6 per cent in 1982 to 59.2 per cent in May 2012. This increase can in part be attributed to changing social trends and fertility rates. The Howard Government's 2006 *Welfare to Work* changes contributed to the increased participation rate among women in particular, by creating participation obligations for single parents once their youngest child entered primary school.⁴⁸

2.56 However, male participation rates have declined from 77.4 per cent in 1982 to 71.9 per cent in 2002 (and remain stable at this rate in 2012). The fall can be attributed to the recession in the early 1990s when manufacturing and construction industries reduced staff numbers, and to the current increase in service industry jobs that tend to be dominated by women.⁴⁹

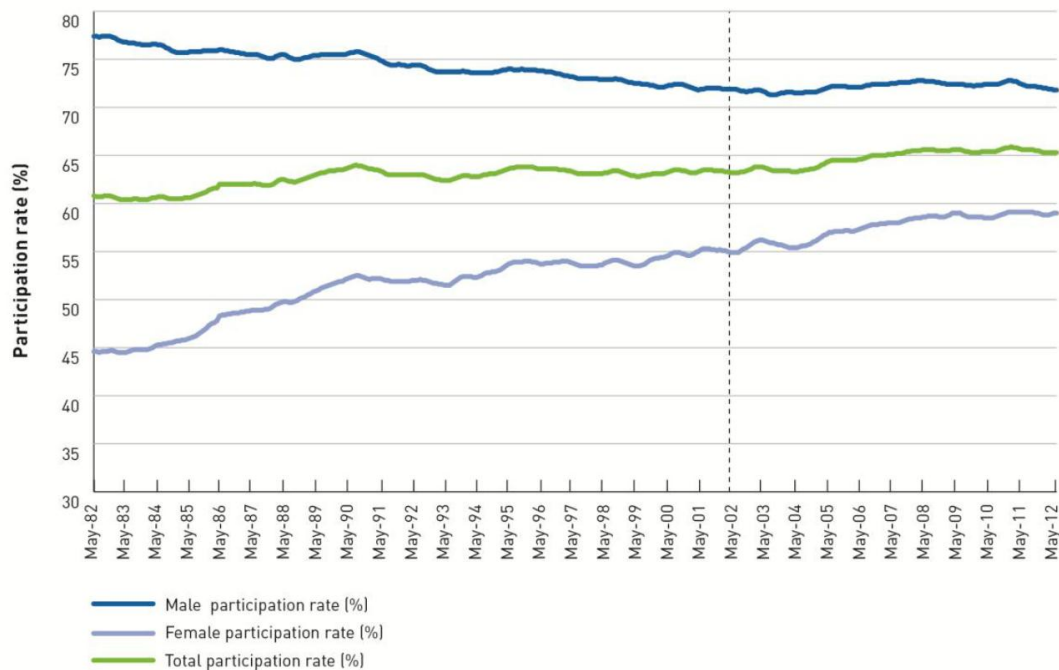
2.57 The table below depicts the participation rates of men and women between the years 1982–2012.⁵⁰

47 Submission 38, p. 39.

48 Submission 38, p. 42.

49 Submission 38, p. 43.

50 Submission 38, p. 43.



2.58 The participation rate of particular demographics has also changed in the past decade. For example,

- The participation rate of people aged between 45 and 65 years has increased by 6.2 percentage points to 73.9 per cent.
- The participation of young people (aged 15–24 years) in part time work has increased from 44.4 per cent to 48.4 per cent

2.59 Participation rates for other groups are less encouraging. For example, participation rates for people with a disability have only increased by 1.1 percentage points since 1998.⁵¹

2.60 Alarmingly, jobless families account for 11.6 per cent of all families with children, and many of the parents in these families have become long term unemployed.

Long term unemployment

2.61 According to the Australian Bureau of Statistics, a person is defined as 'long term unemployed' if he or she has not undertaken paid work lasting for two weeks or longer during the previous 52 weeks but was available to start work and had actively looked for full time or part time work during this period.⁵² The definition used in the Joint Agency Submission refers to:

⁵¹ Submission 38, p. 45.

⁵² Submission 38, p. 46.

[A] person who has been in continuous receipt of income support, with a break of no longer than 12 weeks before returning to payment, for a period of 12 months (very long-term unemployment refers to a period of 24 months).⁵³

2.62 By using either definition, it is clear that during periods of low unemployment the long term unemployment rate also drops. However, following the global financial crisis the number of long term unemployed increased. The table below illustrates rates of short term and long term unemployment from May 2002 – May 2012.



2.63 In chapter 4 the committee assesses the effectiveness of measures designed to address long term unemployment.

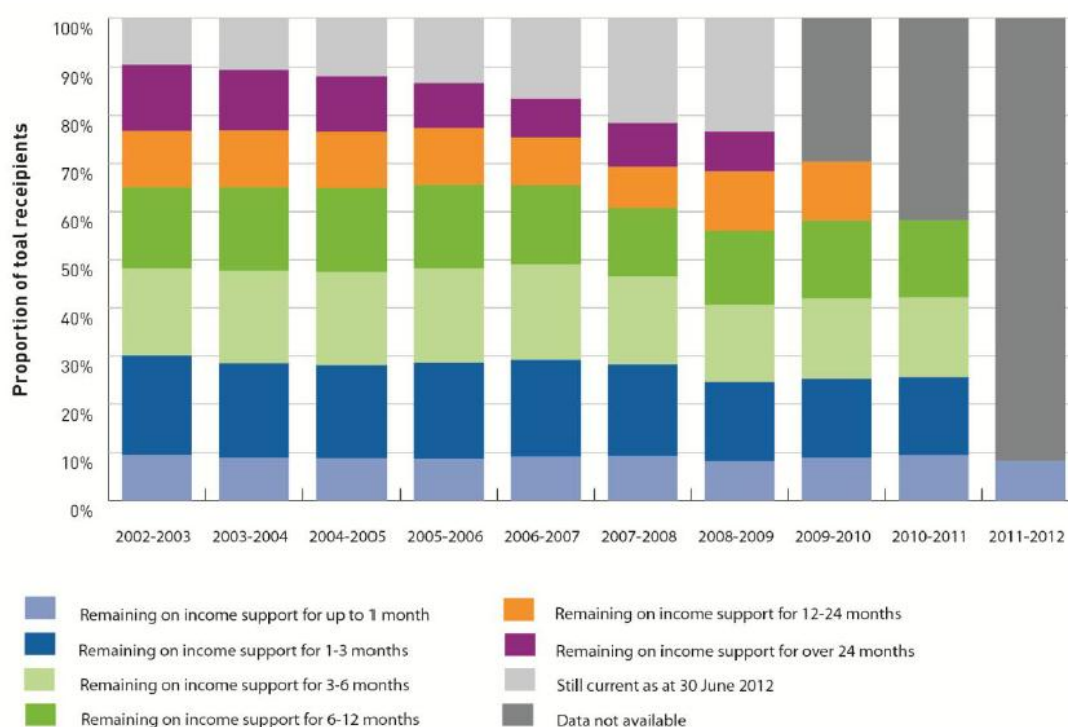
Newstart recipient trends

2.64 The Joint Agency submission advises that in the majority of cases the Newstart Allowance payment 'continues to serve its primary objective in supporting people through a transitional stage of unemployment'.⁵⁴ This is best demonstrated by the fact that sixty per cent of individuals *who begin receiving* Newstart Allowance each financial year receive the payment for less than 12 months.⁵⁵ Despite this positive outcome, some recipients remain on Newstart Allowance for well over five years. The table below illustrates the length of time new entrants to Newstart Allowance remain on the payment.

⁵³ Submission 38, p. 46.

⁵⁴ Submission 38, p. 58.

⁵⁵ Submission 38, p. 64.



Source: Centrelink administrative data - DEEWR Research and Evaluation Database (RED).

2.65 Point-in-time data (that is, data which provides a snapshot of the Newstart Allowance population on a particular day) reveals that more than 62 per cent of current recipients have been on the payment for more than 12 months.⁵⁶

2.66 The Joint Agency submission took care to explain how this data should be interpreted and chose to do so by analogy:

In order to understand the different perspective on duration on payment provided by looking at new recipients of Newstart Allowance each year versus point in time Newstart Allowance recipient numbers, an analogy may be that the two duration groups (long-term and short-term) represent two different queues. The queue representing the long-term recipients moves only very slowly and is quite long, while the queue representing the short-term recipients moves very quickly and is shorter. Over the course of one year, a much larger number of people will pass through the quick short-term queue than the long-term, however, at any one given moment there will be more people in the long-term queue than the short term queue.

The apparent anomaly arises because the 38 per cent of the point in time population who remain on payment for less than 12 months churn over quite quickly, therefore over the course of one year there are many more people passing through Newstart Allowance than there are people who have a long duration on payment, who only accumulate slowly. This is why it is

56 Submission 38, p. 65.

essential to contrast point in time income support data with longitudinal data to understand the full picture.

The data suggests that individuals with shorter income support durations are more likely to leave Newstart Allowance than individuals who have been receiving income support on a long term or very long term basis. In essence, people with up-to-date experience, relevant skills and who are job-ready find employment much quicker than those who may have become disengaged from the labour force. This does not, however, take into account individuals who transferred from Newstart Allowance to another allowance or pension, such as Age Pension, rather than who left income support to take up employment.⁵⁷

Conclusion

2.67 Considered in this light, the committee agrees that the Newstart Allowance payment is effectively discharging its primary duty: to support people through a short-term transitional period of unemployment. However, the committee is concerned that 42 per cent of new recipients each year do not transition quickly back into the workforce and believes that the allowance payment system can better encourage workforce participation.⁵⁸

2.68 The adequacy of Newstart Allowance as a safety net for people who are transitioning back to work is discussed in Chapter 3.

57 *Submission 38*, p. 65.

58 Expressed in another way, 62 per cent of current recipients have been on Newstart Allowance or some form of income support for more than a year. Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).