

The Senate

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Education, Employment  
and Workplace Relations  
References Committee

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The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market

November 2012

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# **RECOMMENDATIONS**

## **Recommendation 1**

**4.66** The committee recommends that the government consider increasing the resources available to Stream 1 jobseekers, to ensure that prompt and effective support is provided in the first weeks and months of unemployment.

## **Recommendation 2**

**4.67** The committee recommends that the Department of Education, Employment and Workplace Relations work with Job Services Australia to ensure that training and support programs for workers aged 45–64 are appropriately targeted.

## **Recommendation 3**

**4.68** The committee recommends that the government develop targeted and tailored programs for former carers as they move to Newstart Allowance or another payment once their caring responsibilities end.

## **Recommendation 4**

**4.97** The committee recommends that the government identify savings in the existing social security expenditure to increase the income free threshold for long term Newstart Allowance recipients to 6 hours work per fortnight at the minimum wage.

## **Recommendation 5**

**4.98** The committee recommends that the working credit for Newstart Recipients be increased from \$1000 to the equivalent of three months' work at the minimum wage.

## **Recommendation 6**

**4.99** The committee recommends that the government reform its processes to enable departing Newstart recipients to remain active on departmental systems for one year after they cease receiving payment.

## **Recommendation 7**

**4.105** The committee recommends that the government assess the viability of creating an online calculator for Newstart and other recipients to enable jobseekers to easily calculate the costs and benefits of work, and the impact of work on allowances and other payments.





# CHAPTER 1

## Terms of reference

1.1 On 26 June 2012 the Senate referred the following matters to the Senate Education, Employment and Workplace Relations References Committee for inquiry and report by 1 November 2012<sup>1</sup>:

The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market.

(a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care;

(b) the appropriateness of the allowance payment system as a support into work, with particular reference to:

(i) the effectiveness of the payment as an incentive into work,

(ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and

(iii) the impact of the differences between pensions and allowances on the transition between working and other activities; and

(c) the impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the:

(i) nature and frequency of individual interaction with the allowance payment system, and

(ii) over and underpayment of allowances to recipients.

## Conduct of the inquiry

1.2 Notice of the inquiry was posted on the committee's website and advertised in *The Australian* newspaper, calling for submissions by 3 August 2012. The committee also notified a number of stakeholders of the inquiry and invited submissions. The committee received a total of 78 submissions, as listed at Appendix 1. This appendix also includes information on answers to questions on notice and documents tabled by the committee during the course of its hearings. A number of submissions were redacted prior to their publication to protect personal details.

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1 On 29 August, the Senate agreed to amend the reporting date to 29 November 2012.

1.3 The committee conducted a number of public hearings: one in Melbourne on 27 August 2012, two in Canberra on 28 August and 17 September 2012 respectively, and one in Sydney on 24 October 2012. A list of witnesses who gave evidence before the committee is at Appendix 2.

1.4 Copies of the Hansard transcript from the committee's hearings can be accessed online at <http://aph.gov.au/hansard>.

### **Note on references**

1.5 References in this report are to the proof Hansard. Page numbers may vary between the proof and the official transcript.

### **Acknowledgements**

1.6 The committee extends its gratitude to the large number of individuals and organisations who made submissions to this inquiry, and to witnesses who offered their time to give evidence at public hearings. Both contributed greatly to shaping the committee's deliberations and report.

### **Structure of the report**

1.7 Guided by evidence received over the course of the inquiry, this report focuses primarily on Newstart Allowance and the measures in place designed to create incentives for people to work.

1.8 This chapter offers a background to the inquiry by considering the economic outlook and past reviews, including the key recommendations emerging from Australia's Future Tax Review.

1.9 Chapter 2 provides an overview of the allowance payment system, outlining the allowance system broken down by payment type.

1.10 Chapter 3 focuses on Newstart Allowance, and examines whether the payment is fit for purpose.

1.11 Chapter 4 provides an analysis of how unemployed Australians are given incentives to find employment and the support provided through Job Services Australia.

### **Economic Outlook**

1.12 It is important to consider the allowance payment system in the context of economic conditions such as inflation and cost of living. The Joint Agency Submission states that in simple terms, the Australian economy is strong, and unemployment and inflation are comparatively low.<sup>2</sup> Nonetheless, the committee notes that the 2012–13 budget forecast a rise in unemployment:

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2 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, p. 35. (Referred to throughout this report as the 'Joint Agency Submission').

Employment is forecast to grow 1.25 per cent through the year to the June quarter of 2013 and 1.5 per cent through the year to the June quarter of 2014 (Australian Government 2012). The unemployment rate is forecast to drift up to around 5.5 per cent by the June quarter of 2013. It is then expected to remain broadly stable through to the June quarter of 2014.<sup>3</sup>

1.13 Added to this, the stability of national economies globally is uncertain and Australia must prepare itself to respond to challenges in the future arising from an aging population.<sup>4</sup>

1.14 Increases to cost of living, as measured by the Consumer Price Index, have stabilised:

The cost of living in Australia, as measured by CPI, has moderated over the past year. Headline CPI is 1.2 per cent higher through the year to the June quarter 2012, down from 1.6 per cent through the year to the March quarter 2012....

Both the underlying and headline inflation rates are then expected to ease to the middle of the RBA target band at 2.5 per cent through the year to the June quarter of 2014.<sup>5</sup>

1.15 Wages continue to increase, but not at the same rate as previous years, and growth is uneven across the economy. Wages growth is forecast to be modest over the next two years and will be offset by increases in unemployment and inflation:

Wages growth is currently below trend, and is expected to remain modest over the next two years in line with the tick-up in the unemployment rate and moderation in inflation. In the 2012-13 Budget, the Government forecasts WPI growth of 3.75 per cent through the year to the June quarter of both 2013 and 2014, with continued strong wages growth in resources-related industries expected to be offset on average by more modest wage increases in other parts of the economy.<sup>6</sup>

1.16 It is important that the cost of the allowance payment system is sustainable into the future. The Joint Agency submission refers to a 2010 study projecting that:

[Real] GDP growth per person is projected to grow at an average of 1.5 per cent per year over the next 40 years, compared with 1.9 per cent over the previous 40 years. At the same time the number of traditional working age people to support each retiree is expected to fall from 5 people in 2010, to 2.7 people in 2049-50.<sup>7</sup>

1.17 The committee notes this evidence, but observes that the Joint Agency Submission has overlooked increases to cost of living that are not accounted for by the

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3 *Submission 38*, p. 35.

4 *Submission 38*, p. 34.

5 *Submission 38*, p. 36.

6 *Submission 38*, p. 37.

7 *Submission 38*, p. 37.

CPI. Increased cost of living pressures are also discussed in Chapter 3, in the context of the adequacy of income support payments.

### **Recent reviews of allowance payment rates**

1.18 In October 2011, the National Tax Forum highlighted the low rate of income support payments as a key reason for increasing poverty and hardship across marginalised sectors of the community. Representatives from the business sector called for increasing allowance payment rates.

#### ***The Harmer Review***

1.19 The Pension Review Report (the Harmer Review) was completed by Dr Jeff Harmer in February 2009. The review looked at the Age Pension, Carer Payment and Disability Support Pension with a view toward strengthening the financial security of seniors, carers and people with a disability. The review operated within the following terms of reference:

- the appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment;
- the frequency of payments, including the efficacy of lump sum versus ongoing support; and
- the structure and payment of concessions or other entitlements that would improve the financial circumstances and security of seniors, carers and people with disability.<sup>8</sup>

1.20 The review concluded that the single pension rate was too low by international standards, and urged reform.

#### ***The Henry Tax Review***

1.21 Established in 2008 to examine Australia's tax and transfer system, including state taxes, Australia's Future Tax Review made recommendations designed 'to position Australia to deal with the demographic, social, economic and environmental challenges of the 21<sup>st</sup> century.'<sup>9</sup> This section outlines the key elements of the final report which pertain to the committee's inquiry.

1.22 The final report defines the primary objective of income support systems as 'poverty alleviation through the provision of a minimum standard of living to people unable to support themselves through work, savings or other means,' and describes three avenues open to policymakers: negative income taxes, social insurance and category-based mean-tested social security.

1.23 Most countries, including Australia, provide assistance through category-based systems, the two main models being social insurance and general revenue-

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8 See <http://www.fahcsia.gov.au/our-responsibilities/seniors/programs-services/the-pension-review> (accessed 15 October 2012).

9 See [http://www.taxreview.treasury.gov.au/content/Content.aspx?doc=html/the\\_review.htm](http://www.taxreview.treasury.gov.au/content/Content.aspx?doc=html/the_review.htm) (accessed 10 October 2012).

financed, means tested support payments. The Australian system centres on category-based, means-tested financial assistance payments which are supplemented by private superannuation, including a mandatory component (the superannuation guarantee), industrial entitlements (such as sick leave) and workers' compensation schemes administered by state and territory governments.

1.24 Systems involving social insurance are based on income-related contributions and income-related benefits for individuals. Although the report does not rule out a major policy change in the future which would see a major shift towards social insurance, the authors see little scope for support for such a move in the near future. This is in part due to the underlying preference for payments to target poverty alleviation directly, rather than for income maintenance, and partly due to the high transition costs which would likely be required. This high cost would necessitate higher taxes on those in the workforce regardless of insurance payment levels.

1.25 Currently, Australians wishing to pay for insurance against possible unemployment can opt to do so.

1.26 A negative income tax system can be based on a single basic level of income paid to all and taxed at a single rate, or on a number of category-based, minimum income levels taxed at different rates. A pure negative tax system of this kind, the report states, would require a very high income tax rate since every single person would be paid a transfer by the state, regardless of need or behaviour. No country to date has introduced such a system.

#### *Section F1 – Income support payments*

1.27 The report held that current policy settings failed to adequately reflect evolving employment patterns and changes in the composition of Australia's working-age population.

1.28 The authors of the report saw potential for the large differentials in allowance and pension payment rates to incentivise people to switch to more generous allowances, which carry greater risk of long-term welfare dependency. To help combat this, the report supported restructuring income support within three categories (pension, participation and student) in order to balance allowance payment adequacy and incentives to work or study, while at the same time recognising that the payment rate for pensions should be higher in recognition of the fact that pension recipients were not expected to work.

1.29 The report recommended reducing the overall difference in payment rates between the three categories, particularly for singles. To achieve this, the report advocated establishing 'proper payment relativities' by increasing payment rates for the participation and student categories. The payment relativity would be maintained by applying a consistent approach to indexation across the three payment categories.<sup>10</sup>

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10 Australia's Future Tax System, Chapter 12, List of Recommendations, available at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/chapter\\_12.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/chapter_12.htm) (accessed 15 October 2012).

### *Section F2 – Means testing*

1.30 Australia's social security means testing protocol is a two-part means test, consisting of an income test and an assets test. Some assets are assessed under both tests, while others are only assessed under the assets test. This, the report concluded, produced inequitable and unfair results, with people with like needs and like means receiving different rates of support. People were therefore being incentivised and indirectly rewarded for strategically confining wealth to particular types of assets. To address and correct this, the report recommended broadening the means test to include returns on a greater range of assets.<sup>11</sup>

### *Section F3 – Assistance for families and young people*

1.31 Family assistance payments are designed to ensure that all children have access to a basic acceptable living standard. Whilst primary responsibility for the financial support of children rests with their parents, the system must account for the fact that some people do not have a high enough income to provide the necessary support for their children. In cases where parents already receive income support themselves, family assistance payments are quite distinct from allowance payments. The former are designed to be adequate only for the recipient, necessitating further financial assistance where allowance recipients have children.

1.32 The authors of the Henry Tax Review concluded that current family financial assistance arrangements were complex, due in part to the number of different payments available, and in part to the design of those payments and their interaction with the tax system. The final report also concluded that current rates of assistance, whilst adequate for very young children and larger families (because the rate increases with each additional child), did not sufficiently cover the cost of older children. The report recommended establishing a single, simple family assistance payment which would rise as children grow older.

1.33 The Review held that family payments should comprise the main form of assistance until children turn eighteen or complete secondary school, after which youth payments should be available to the young person and should be designed to encourage study, training or transition to employment. In all, the report made eight recommendations designed to improve assistance for families and young people.<sup>12</sup>

### *Section F4 – Child care assistance*

1.34 Child care assistance works on the premise that payments should facilitate parents' workforce participation and support the development needs of children.

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11 Australia's Future Tax System, Chapter 12, List of Recommendations, available at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/chapter\\_12.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/chapter_12.htm) (accessed 15 October 2012).

12 Australia's Future Tax System, Chapter 12, List of Recommendations, available at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final\\_Report\\_Part\\_1/chapter\\_12.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/Final_Report_Part_1/chapter_12.htm) (accessed 15 October 2012).

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1.35 As with family payments, the authors of the review suggested that child care payments would benefit from simplification and increased transparency. Three recommendations were made to improve child care assistance.<sup>13</sup>

1.36 Over the course of this inquiry the committee was cognisant of the recommendations emerging from the Henry Tax Review, and bore them in mind during its own deliberations.

1.37 In the following chapter the committee provides an overview of the allowance payment system in Australia.

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13 Australia's Future Tax System, Chapter 12, List of Recommendations, available at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/FinalReport\\_Part\\_1/chapter\\_12.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/FinalReport_Part_1/chapter_12.htm) (accessed 15 October 2012).





# CHAPTER 2

## An overview of the allowance payment system

### Introduction

2.1 This chapter provides an overview of the allowance payment system in Australia.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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

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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.<sup>4</sup>

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).<sup>5</sup>

### **Newstart Allowance**

2.9 Newstart Allowance is the primary working age payment.<sup>6</sup> 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.<sup>7</sup>

2.10 The following table shows the rate of payment of Newstart Allowance over March to September 2012.<sup>8</sup>

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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.<sup>9</sup>

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.<sup>10</sup>

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).

<sup>9</sup> Submission 38, p. 19.

<sup>10</sup> 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.<sup>11</sup>

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.<sup>12</sup>

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

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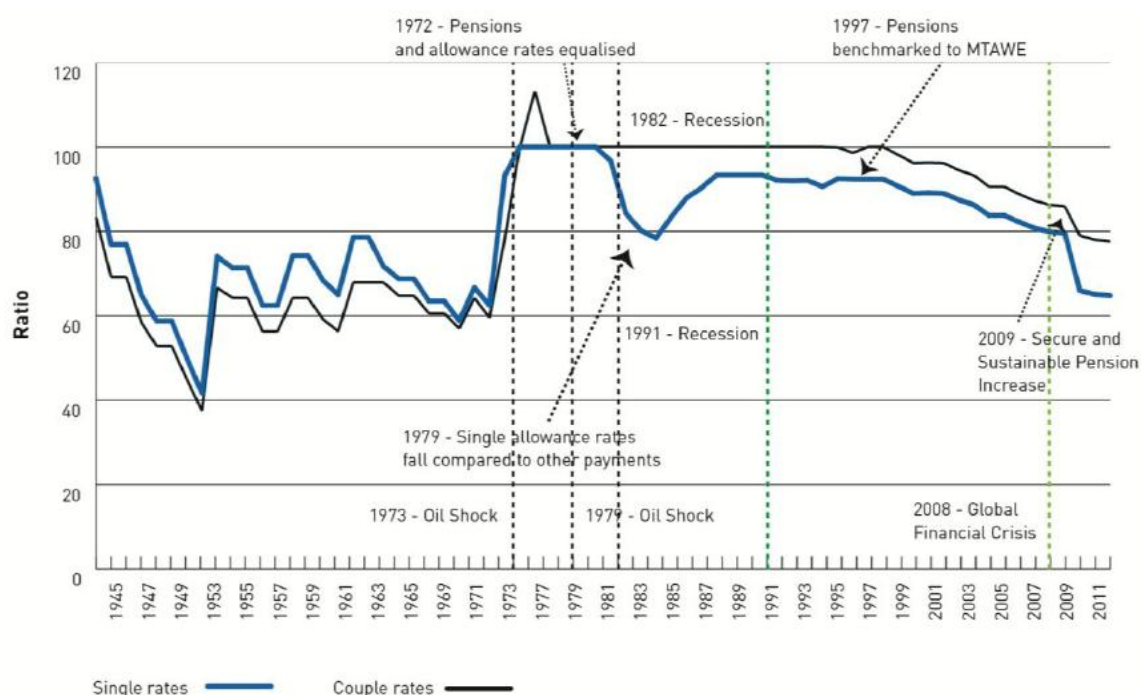
11 *Submission 38*, p. 20. Note that for Parent Payment (Single) the rate increases with each additional child.

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.<sup>13</sup>

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.<sup>14</sup>



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.<sup>15</sup> 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.

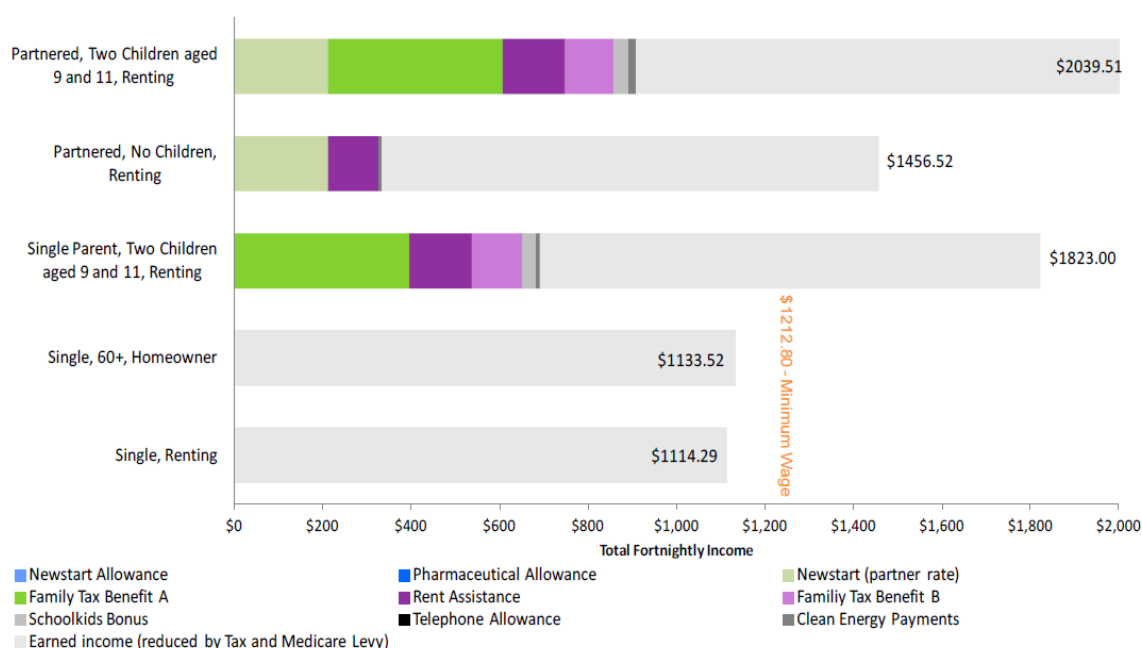
examples of the following pages illustrate how this additional support is provided in a range of different circumstances.<sup>16</sup>

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
<b>Newstart Allowance</b>	\$489.70	\$529.80	\$529.80	\$442.00	\$442.00
<b>Pharmaceutical Allowance</b>		\$6.20	\$6.20		
<b>Newstart Allowance (Partner Rate)</b>				\$442.00	\$442.00
<b>Family Tax Benefit A</b>			\$395.08		\$395.08
<b>Rent Assistance</b>	\$120.20		\$140.98	\$113.20	\$140.98
<b>Family Tax Benefit B</b>			\$114.24		\$64.72
<b>School kids Bonus</b>			\$31.54		\$31.54
<b>Telephone Allowance</b>		\$3.88	\$3.88		
<b>Clean Energy Payments</b>	\$8.42	\$9.47	\$18.15	\$15.79	\$24.74
<b>Final Income</b>	<b>\$618.32</b>	<b>\$549.35</b>	<b>\$1,239.87</b>	<b>\$1,012.99</b>	<b>\$1,540.79</b>

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.<sup>17</sup> 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.<sup>18</sup>

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.<sup>19</sup>

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.<sup>20</sup>

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.<sup>21</sup>

### ***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.<sup>22</sup> 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.<sup>23</sup>

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.<sup>24</sup>

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.<sup>25</sup> EPPs may require a mix of the following:

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

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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.<sup>26</sup>

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.<sup>27</sup>

#### *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.<sup>28</sup>

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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
<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

### *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.<sup>29</sup>

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.<sup>30</sup>

#### **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

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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.<sup>31</sup>

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

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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 <sup>th</sup> 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.<sup>33</sup> 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.<sup>34</sup> 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.<sup>35</sup> 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.<sup>36</sup>

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.<sup>37</sup>

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.<sup>38</sup>

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

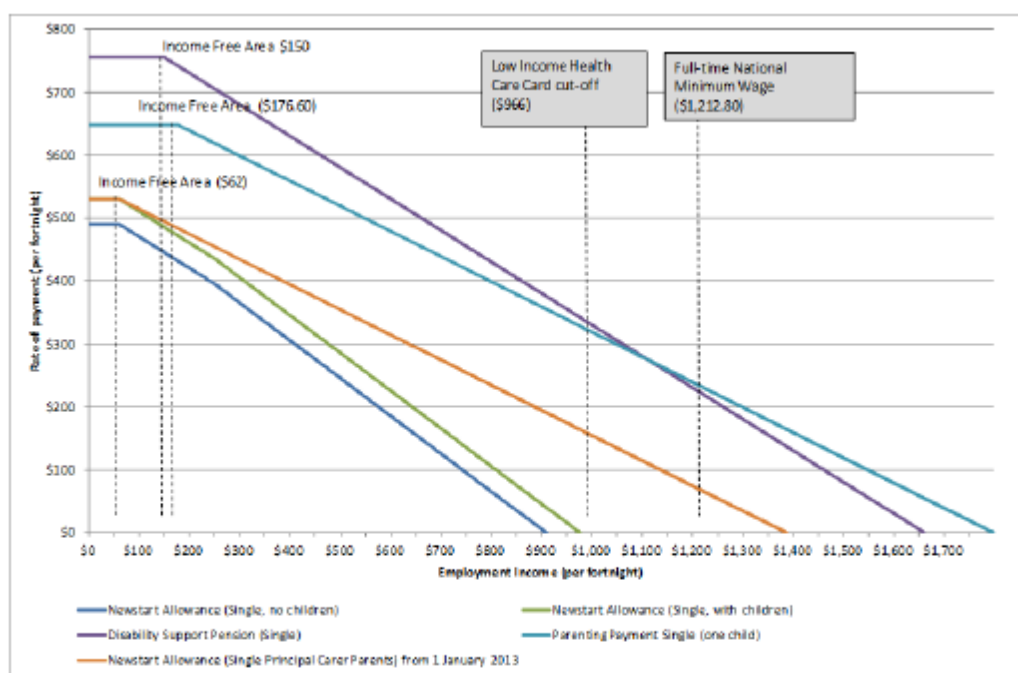
34 Department of Education, Employment and Workplace Relations, *Response to question take on notice*, 17 September 2012 (received 24 October 2012).

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.<sup>39</sup>

### *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.<sup>40</sup> 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.<sup>41</sup> The table below illustrates the shift in full-time and part time share of employment over May 1982 – May 2012.<sup>42</sup>

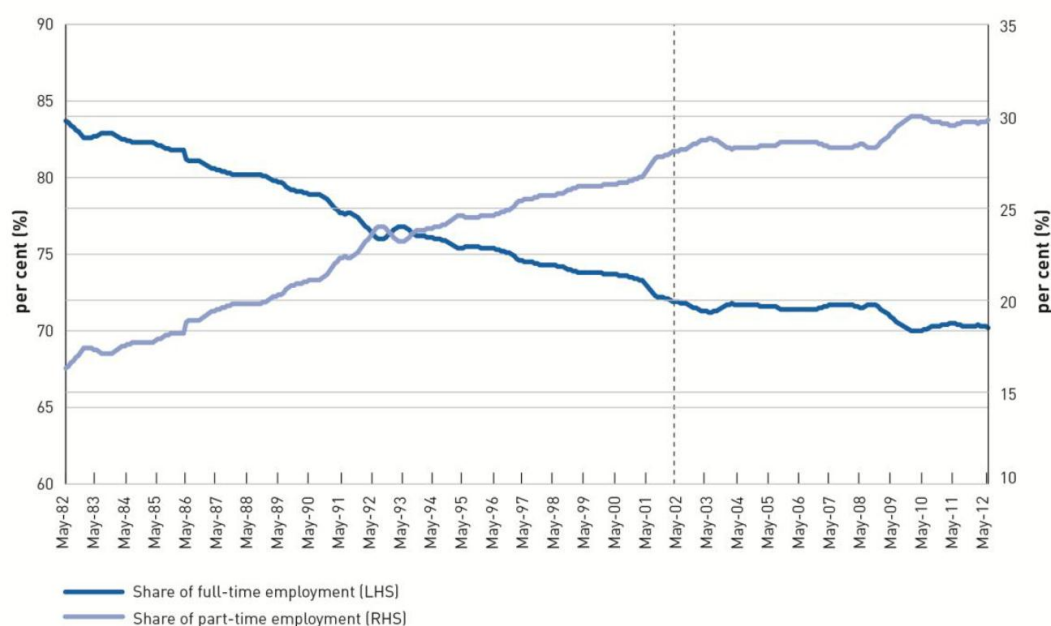
<sup>39</sup> Submission 38, p. 34.

<sup>40</sup> Submission 38, p. 40.

<sup>41</sup> Submission 38, p. 40.

<sup>42</sup> 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.<sup>43</sup> 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.<sup>44</sup>

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.<sup>45</sup> 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.<sup>46</sup>

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.<sup>47</sup>

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.<sup>48</sup>

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.<sup>49</sup>

2.57 The table below depicts the participation rates of men and women between the years 1982–2012.<sup>50</sup>

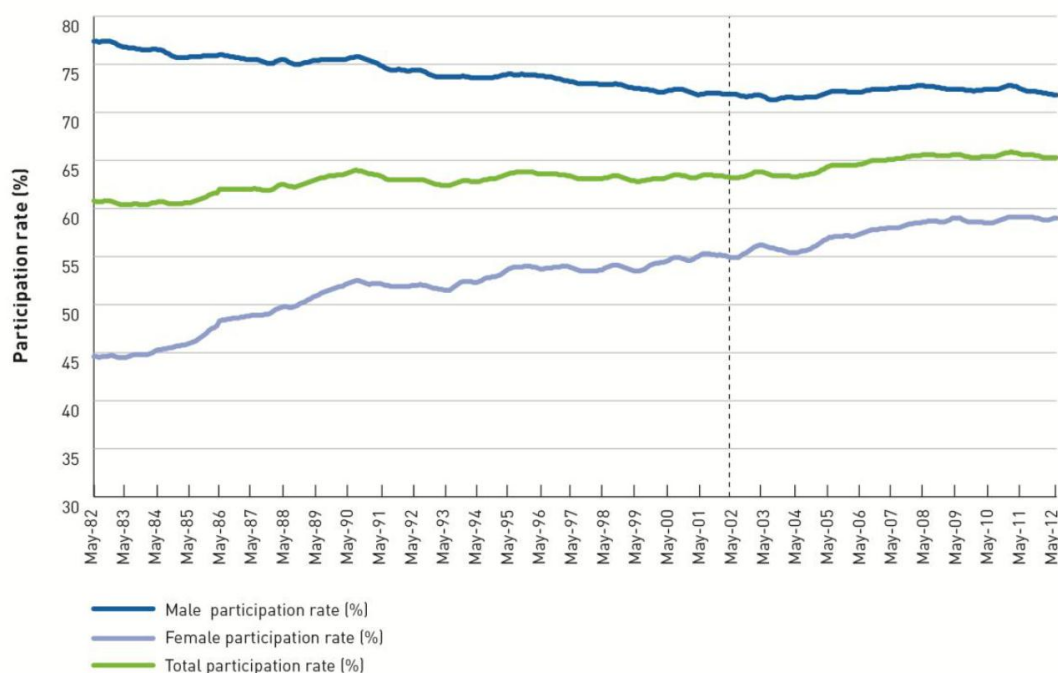
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47 Submission 38, p. 39.

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.<sup>51</sup>

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.<sup>52</sup> 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).<sup>53</sup>

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.

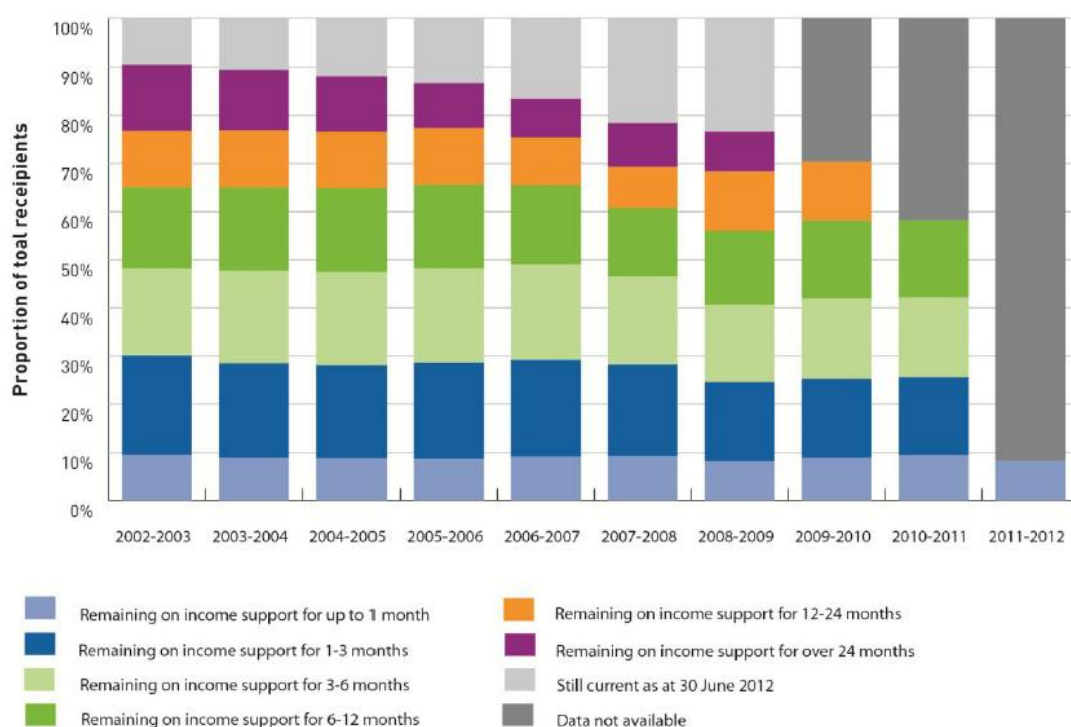
### Newstart recipient trends

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'.<sup>54</sup> 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.<sup>55</sup> 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.

<sup>53</sup> Submission 38, p. 46.

<sup>54</sup> Submission 38, p. 58.

<sup>55</sup> 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.<sup>56</sup>

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.<sup>57</sup>

## 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.<sup>58</sup>

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

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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).

# CHAPTER 3

## The adequacy of Newstart Allowance and related issues

3.1 The committee received and considered a large body of evidence concerning the adequacy of the allowance payment system, much of it focused and unambiguous in its criticism of Newstart Allowance. Very early on in this inquiry, it became clear that this payment was the main point of stakeholder concern.

3.2 This chapter looks at arguments presented by submitters challenging the adequacy of allowance payments and examines whether the Newstart Allowance payment is fit for purpose.

3.3 The second part of the chapter examines the budgetary implications of raising the allowance and identifies ways in which the resulting concerns could be addressed.

### Measuring adequacy

3.4 At its core this inquiry relates to whether a person dependent on income support can meet their basic, everyday living costs in a manner acceptable in the Australian context. Adequacy is, therefore, about more than the ability to simply pay for food and shelter. As put by the Business Council of Australia:

Adequacy refers to the minimum standards required to meet basic needs and sustain some level of social engagement.<sup>1</sup>

3.5 The overwhelming majority of submissions expressed the view that the current rate of payment was inadequate, impeding recipients' ability to meet their basic costs of living in an acceptable manner.

3.6 The scope of this report being too limited to do every submission justice, a few examples are cited below. These reflect the flavour and unanimity of the large number of submissions received.

3.7 The Salvation Army summed up its views thus:

The Salvation Army...asserts that the current payment system does not provide recipients with adequate income, as defined by internationally recognised human rights standards, to meet even the most basic of underlying essential guarantees for social support systems.

The Salvation Army believes that significant inequity has developed between Australian receiving different forms of income support allowances, and that this has resulted in unacceptable levels of disadvantage and further entrenched individuals and families in poverty.<sup>2</sup>

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1 Business Council of Australia, *Submission 46*, p. 3.

2 The Salvation Army, *Submission 25*, p. 4.

3.8 Mission Australia pointed to the maximum fortnightly rate of Newstart Allowance for a single person being less than half the Australian minimum wage. Research cited by the submission estimates that, after rent, the average single Newstart recipient living in Sydney is left with approximately \$16.50 per day to cover all other costs of living.<sup>3</sup>

3.9 ANGLICARE Sydney not only considered the allowance inadequate, but went so far as to call Newstart 'the most significant barrier to assisting long-term unemployed people return to meaningful employment.'<sup>4</sup>

3.10 In a joint submission, Community Information and Support Victoria and Good Shepherd Youth and Family Service came to the stark conclusion that Newstart Allowance was now so low that it has become a pathway to poverty instead of to employment.<sup>5</sup>

3.11 The views above were by no means unique. Submission after submission stated that allowance payments were inadequate, and many supported calls from welfare agencies such as the Australian Council of Social Service and UnitingCare Australia for allowance payments for single people to be increased by \$50 per week.<sup>6</sup>

3.12 However, the needs and realities facing people living on income support are many and varied.

3.13 The committee is cognisant of the fact that the allowance payment system interacts with and supports many different groups of people. When thinking of Newstart Allowance, it is easy to think of people of working age who are unemployed. However, it is important to remember that Newstart recipients include older Australians, people who were formerly on different pensions, single parents with children and families with two unemployed adults. Newstart recipients can be people on the fringes of society, who need tremendous support to reintegrate into the community:

Jesuit Social Services works with people involved in the justice system, individuals with drug and alcohol problems, those affected by mental illness, young people at risk of homelessness, as well as refugee and newly arrived migrants. Many of these individuals are recipients of allowance payments. The inadequacy of allowances often presents a barrier which hinders the ability of our clients to realise their aspirations and more fully participate in the life of the community.<sup>7</sup>

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3 Mission Australia, *Submission 33*, p. 4.

4 ANGLICARE Sydney, *Submission 21*, p. 5.

5 Community Information & Support Victoria and Good Shepherd Youth & Family Service, *Submission 13*, p. 11.

6 Australian Council of Social Service, *Submission 64*, p. 43; UnitingCare Australia, *Submission 12*, p. 3; Macarthur Future Food Forum, *Submission 14*, p. 2; United Voice, *Submission 49*, p. 3.

7 Jesuit Social Services, *Submission 27*, p. 6.



3.14 As put by Jesuit Social Services, the allowance payment system is part of a 'broader framework of institutions and support services that promote a more inclusive society by providing a basic safety net for members of our community.'<sup>8</sup>

### *Singles*

3.15 Many submissions argued that single recipients of Newstart Allowance, both with and without dependents, were the group in greatest financial hardship, as they receive the lowest rate of payment and least additional assistance.<sup>9</sup> The Australian Council of Social Service (ACOSS) pointed out that the maximum single rate for Newstart was \$245 in March 2012, or \$133 less per week than the rate of payment for singles on the age and disability pensions.<sup>10</sup>

3.16 Single parents also receive less on Newstart Allowance than on the Parenting Payment Single (PPS). This last point is of particular concern given the government's introduction of the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012 in June of this year. This legislation changed eligibility requirements for Parenting Payment (PP) from 1 January 2013, with parents who no longer qualify for PP to be moved onto Newstart Allowance instead. For parents coming to Newstart Allowance from PPS, this will mean a lower rate of payment.

3.17 The joint submission described how the income required by various types of households may be determined:

A commonly cited approach to determining the amount of income that different households require to attain the same living standard is the OECD Modified Equivalence Scale. The scale is calculated by adding together a factor of 1 for the first adult and a factor of 0.5 for each subsequent person aged 14 and over and 0.3 for each child under 14 for a particular household. Once this sum has been calculated, a household's disposable income can then be divided by the scale, providing an equivalent to a single person's income, facilitating comparison between different household types.<sup>11</sup>

3.18 The difference in rates of payment for single and partnered recipients reflects the economies of scale that are achieved by sharing living costs with another person. The OECD modified equivalence scale described above suggests that:

...an appropriate relativity for the single rate of allowances would be approximately two-thirds of the combined couple rate.<sup>12</sup>

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8 Jesuit Social Services, *Submission 27*, p. 5.

9 See for example Australian Council of Social Service, *Submission 64*; Australian Human Rights Commission, *Submission 43*; Jesuit Social Services, *Submission 27*; Business Council of Australia, *Submission 46*; and Professor Peter Whiteford, *Submission 60*.

10 Australian Council of Social Service, *Submission 64*, p. 5.

11 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*, p. 100 (Hereafter '*Submission 38*')

12 *Submission 38*, p. 100.

3.19 This is the relativity settled on for single and partnered pension rates settled on following the Harmer Review. However, the agencies explained, a set relativity between single and partnered Newstart Allowance rates does not exist. The committee understands that this relativity currently sits at approximately 55 per cent and that its alternation would require a change in policy.<sup>13</sup>

### ***Older Australians on Newstart Allowance***

3.20 Australia has an ageing labour market. Whereas in 1983 approximately 56 per cent of 45–64 year olds were in the labour force, by 2003 that percentage had risen to 69 per cent. We are now, therefore, seeing the emergence of a growing and vulnerable group of older people seeking employment.<sup>14</sup>

3.21 This cohort faces unique obstacles:

Age discrimination and disability discrimination is rife in Australia, and is acknowledged as a major barrier to the employment of people in mature age. Once unemployed, older people find it very difficult to find work again. Their average time spent on NSA is 70 weeks; double that of their younger peers.<sup>15</sup>

3.22 Given that the qualifying age for receipt of the Age Pension is set to increase to age 67 by 2023, the number of older Australians in the labour market will continue to expand.

3.23 Australia's ratification of the *International Covenant on Economic Social and Cultural Rights* (ICESCR) carries obligations to provide all citizens the right to social security, work, and technical and vocational training.<sup>16</sup> These rights are echoed in the United Nations *Principles for Older Persons*, which Australia supports and which promotes the rights of the older person:

- to work or access other income-generating opportunities;
- to participate in determining when, and at what pace, to withdraw from the labour force; and
- to access educational and training opportunities.<sup>17</sup>

3.24 Older workers, the AHRC advised, face particular obstacles to finding employment. These obstacles are such that older Australians in the labour force are far more likely to be long-term unemployed than their younger counterparts, with 33 per cent of unemployed 55–64 year olds being long-term unemployed in 2010–11. This

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13 *Submission 38*, p. 100.

14 Australian Human Rights Commission, *Submission 43*, p. 4.

15 National Welfare Rights Network, *Submission 68*, p. 11.

16 Australian Human Rights Commission, *Submission 43*, p. 4.

17 Australian Human Rights Commission, *Submission 43*, p. 4.

percentage fell to 22 for unemployed people aged 35–44, and to 13 per cent for unemployed 15–24 year olds.<sup>18</sup>

3.25 Mr Dennis Trewin, Chair of the Academy of Social Sciences in Australia, provided the committee with the following table, depicting a breakdown of Newstart recipients by age and gender:<sup>19</sup>

**JOB SEEKERS RECEIVING NEWSTART ALLOWANCE AND YOUTH ALLOWANCE (OTHER) BY AGE AND SEX, AS AT MAY 2012**

Age	Short-term job seekers		Long-term job seekers		Total job seekers	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
<b>MALES</b>						
Less than 18 years	1,150	1.2	1,087	1.0	2,237	1.1
18 - 20 years	6,183	6.3	9,805	9.1	15,988	7.8
21 - 24 years	18,107	18.4	17,440	16.1	35,547	17.2
25 - 29 years	16,483	16.8	16,382	15.2	32,865	15.9
30 - 39 years	23,698	24.1	24,753	22.9	48,451	23.5
40 - 49 years	17,383	17.7	19,848	18.4	37,231	18.0
50 - 59 years	11,373	11.6	13,676	12.7	25,049	12.1
60 years and over	3,868	3.9	5,048	4.7	8,916	4.3
<b>Total</b>	<b>98,245</b>	<b>100.0</b>	<b>108,039</b>	<b>100.0</b>	<b>206,284</b>	<b>100.0</b>
<b>FEMALES</b>						
Less than 18 years	1,098	2.2	1,282	1.7	2,380	1.9
18 - 20 years	5,074	10.2	9,726	13.0	14,800	11.9
21 - 24 years	9,801	19.7	11,656	15.6	21,457	17.2
25 - 29 years	6,288	12.6	7,717	10.3	14,005	11.3
30 - 39 years	8,082	16.2	12,816	17.2	20,898	16.8
40 - 49 years	9,814	19.7	16,722	22.4	26,536	21.3

<sup>18</sup> Australian Human Rights Commission, *Submission 43*, p. 5.

<sup>19</sup> Mr Dennis Trewin, *Answer to question on notice*, received 1 November 2012.

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50 - 59 years	7,552	15.2	12,053	16.2	19,605	15.8
60 years and over	2,078	4.2	2,643	3.5	4,721	3.8
<b>Total</b>	<b>49,787</b>	<b>100.0</b>	<b>74,615</b>	<b>100.0</b>	<b>124,402</b>	<b>100.0</b>

#### PERSONS

Less than 18 years	2,248	1.5	2,369	1.3	4,617	1.4
18 - 20 years	11,257	7.6	19,531	10.7	30,788	9.3
21 - 24 years	27,908	18.9	29,096	15.9	57,004	17.2
25 - 29 years	22,771	15.4	24,099	13.2	46,870	14.2
30 - 39 years	31,780	21.5	37,569	20.6	69,349	21.0
40 - 49 years	27,197	18.4	36,570	20.0	63,767	19.3
50 - 59 years	18,925	12.8	25,729	14.1	44,654	13.5
60 years and over	5,946	4.0	7,691	4.2	13,637	4.1
<b>Total</b>	<b>148,032</b>	<b>100.0</b>	<b>182,654</b>	<b>100.0</b>	<b>330,686</b>	<b>100.0</b>

3.26 The committee received a great deal of evidence on programs available to assist people in finding employment, as well as on how older workers can benefit from these. This is discussed in the next chapter.

#### *People with dependents*

3.27 The committee received disturbing evidence concerning children living in poverty in Australia:

It has been estimated that 12% to 15% of all children in Australia are living in income poverty (UNICEF, 2007; Whiteford and Adema, 2007). Further to this, Abello and Harding (2006) estimated in their three-year Australian study of income mobility transitions that around 12% of children experienced persistent financial disadvantage for three years and that another 28% of children experienced financial disadvantage for at least one year. Of those children born into the lowest quintile of income, only one in four transitioned to higher income quintiles over the three-year period. This lack of mobility for some children appears to be directly related to the wage and educational outcomes of their parents (Cassells et al, 2011).<sup>20</sup>

3.28 Many Newstart Allowance recipients have at least one dependent child in their household.<sup>21</sup> Given the difficult circumstances many people face when reliant on

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20 ANGLICARE Sydney, *Submission 21*, p. 9.

21 For more on dependent children in households reliant on Newstart Allowance, see ANGLICARE Sydney, *Submission 21*, p. 9.

Newstart Allowance as their primary source of income, and the potential consequences on their children, the committee is particularly concerned about the need to help parents make the transition from welfare to work.

3.29 Further to this is the generational effect of long term unemployment. The committee is aware that relatively little research exists in Australia on intergenerational unemployment. What is clear, however, is that a positive correlation does exist between labour market outcomes of parents and their children.<sup>22</sup>

3.30 The committee was very pleased to learn that payments are determined with a view to ensuring that households with dependent children receive higher overall rates of payment.

### **The real value of Newstart Allowance**

3.31 To better understand cost of living pressures faced by Newstart Allowance recipients, the committee considered evidence on the real value of the payment.

3.32 The Australian Council of Trade Unions (ACTU) pointed out to the committee that the real, Consumer Price Index (CPI)-adjusted value of Newstart has remained almost constant for the past two decades:

In constant 2011 dollars, the unemployment benefit was around \$188 per week in March 1982, compared with \$244.85 in 2012. When the unemployment benefit became Newstart Allowance in July 1991, it was worth \$233.80 in 2011 dollars. Eighty per cent of the real increase in the payment rate therefore occurred in the 1980s; the payment has remained more or less constant in real (CPI-adjusted) terms for the past two decades.<sup>23</sup>

3.33 To illustrate the point, the ACTU provided the following graph<sup>24</sup> showing that the real value of Newstart Allowance has remained more or less constant in CPI-adjusted terms since 1982:

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22 Mr Dennis Trewin, Chair, Policy and Advocacy Committee of the Academy of Social Sciences, *Response to question taken on notice*, received 1 November 2012.

23 The Australian Council of Trade Unions, *Submission 62*, pp 7–8.

24 The Australian Council of Trade Unions, *Submission 62*, p. 8.



### 3.34 ACOSS added:

Since 1994, the single rate of NSA has fallen from 92% to 72% of the poverty line and from 26% to 21% of the fulltime median wage. Its purchasing power has declined by \$8 a week since the cost of essential goods and services such as rent and utilities has risen more quickly than the CPI.<sup>25</sup>

## Financial pressures on welfare recipients

3.35 A number of submissions discussed the unique financial pressures faced by Newstart Allowance recipients.

3.36 Submissions posited that welfare recipients not only have to make their payments stretch to meet the basic costs of living, such as food and housing, but also need to spend a substantial portion of their welfare income on the not inconsiderable cost of job hunting. As put by the St Vincent de Paul Society, Newstart recipients are caught in a 'poverty trap' whereby they often pay more for basic needs precisely because of their circumstances:

For example, if public transport is available where people live, then it usually costs more (as they typically live further out from the cities), and is much sparser and less frequent. If indeed, Newstart recipients run a car, it will usually be older and is likely to cost more to run. Credit costs more, in particular small amount short-term credit contracts where the interest payable may sometimes be in excess of 50%. They cannot lower their bills by taking advantage of government assistance for things like solar panels or water tanks, because they don't run their own house.<sup>26</sup>

3.37 The committee heard from ACOSS that welfare recipients face a large amount of financial stress, which is different to and comes on top of their deprivation. Surveys

25 Australian Council of Social Service, *Submission 64*, p. 6.

26 St Vincent de Paul Society, *Submission 26*, p. 5.

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looking at whether respondents suffered financial stress over a particular period consider whether respondents:

- could not pay household bills on time;
- could not pay the rent or mortgage on time;
- had to pawn or sell belongings for cash;
- had to go without meals;
- were not able to heat the home in cold weather;
- had to seek financial assistance from family and friends; and
- had to seek assistance from welfare organisations.<sup>27</sup>

3.38 ACOSS provided the following Australian Bureau of Statistics (ABS) table showing how financial stress is experienced by households:

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27 Questions taken from a Household, Income and Labour Dynamics in Australia (HILDA) survey cited by *Submission 38*, p. 101.

	Payment type					
	Age pension	DSP & Carer	NSA, Youth & study	Parenting Payment	Other	Total
<b>Number of indicators of financial stress experienced by households in the last 12 months</b>						
None	53.6	23.7	9.2*	8.8	39.3	31.5
One	16.2	11.7	6.5*	6.7	18.4	12.2
Two	8.8	7.6	5.5*	7.4	9.6*	8.0
Three or more	21.4	57.0	78.7	77.0	32.7	48.3
<b>Proportion of persons in household that experienced indicator in the last 12 months</b>						
Unable to raise \$2000 in a week for something important	13.7	45.0	56.8	57.0	19.8	34.5
Spent more money than received	10.3	20.3	36.7	31.2	19.5	21.6
Could not pay electricity, gas or telephone bills on time	5.5	24.9	40.0	43.4	12.9	23.6
Could not pay car registration or insurance on time	2.1*	7.8	15.0	15.8	6.8*	8.6
Pawned or sold something	0.6*	7.4	12.3*	13.9	1.5*	6.8
Went without meals	0.9*	7.4	13.0*	12.4	2.1*	7.4
Unable to heat home	1.8*	8.4	10.0*	8.8	6.3**	5.6
Sought assistance from welfare/community organisations	0.4*	9.0	14.1	16.9	4.0*	8.8
Sought financial help from friends or family	2.9*	16.9	27.0	30.0	7.9*	15.6
Could not afford holiday for at least one week a year	28.0	56.2	75.3	74.2	39.4	49.8
Could not afford a night out once a fortnight	25.3	48.0	63.2	58.3	32.5	40.8
Could not afford friends/family over for a meal once a month	9.7	19.8	34.7	28.2	9.5	19.3
Could not afford a special meal once a week	17.1	33.0	41.6	43.7	21.4	29.6
Could only afford second hand clothes most of the time	11.2	33.0	46.1	45.7	15.2	27.8
Could not afford leisure or hobby activities	12.9	37.0	51.7	48.1	18.3	29.3
* estimate has a relative standard error of 25% to 50% and should be used with caution						
** estimate has a relative standard error greater than 50% and is considered too unreliable for general use						

3.39 The Joint Agency Submission also discussed financial stress experienced by allowance payment recipients, citing ABS research:

Analysis by the ABS (2011b) shows that households who rely on government pensions and other benefits as their main source of income experience higher levels of financial stress than the general population. Around forty-eight per cent of these households reported experiencing three or more indicators of financial stress in the previous twelve months, which was more than double the rate of financial stress for all households (22.1 per cent). For people receiving allowance payments such as Newstart



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Allowance, Youth Allowance, Austudy and ABSTUDY, the rate of reported financial stress was higher, at around 79 per cent.<sup>28</sup>

3.40 The departmental submission noted, however, that financial stress indicators must be used with caution when determining whether a person has adequate income or is in poverty:

Some people on low incomes do not report any financial stress, while others with moderate to high incomes report problems meeting expenses. New Newstart Allowance recipients could also be expected to have difficulties adjusting to lower incomes following a job loss. Certain factors not directly related to income, such as consumption patterns, debt levels, budgeting and money management skills, or certain life events (e.g. loss of employment or death of a spouse) may also contribute to a person's likelihood of experiencing financial stress.<sup>29</sup>

3.41 The departments also outlined how payment arrangements are made more flexible for people having difficulty managing on low incomes. To demonstrate this flexibility, the joint submission described how allowance payments may be made weekly, instead of fortnightly, to 'alleviate the hardships faced by the most vulnerable people.' This flexibility in how payments are made:

...does not change entitlements but helps people to stabilise their circumstances, meet their expenses more readily and reduce their risk of financial crises and homelessness.<sup>30</sup>

### ***Cost of job hunting***

3.42 Submissions pointed in particular to the costs unemployed people faced when looking for work, concluding that many struggle to meet those costs after paying for essential living costs:

Many of these [unemployed] people find it difficult to pay rent, buy food and meet other essential costs. The costs of job hunting (making phone calls, travelling to and from interviews, and buying suitable interview clothes) are, for some people, simply untenable. The point is that finding a job requires resources, and these resources are not available to people who rely on Newstart for their income.<sup>31</sup>

3.43 The Business Council of Australia (BCA), for example, argued that the low payment rate of Newstart Allowance had in itself become a barrier to employment:

Trying to survive on \$35 a day is likely to erode the capacity of individuals to present themselves well or maintain their readiness to work.<sup>32</sup>

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28 *Submission 38*, p. 101.

29 *Submission 38*, pp 102–103.

30 *Submission 38*, p. 103.

31 Community Information & Support Victoria and Good Shepherd Youth & Family Service, *Submission 13*, p. 11.

32 Business Council of Australia, *Submission 46*, p. 4.

3.44 The BCA explained that people spending longer periods of time unemployed faced greater risks of homelessness, which in turn entrenches their poverty and unemployment:

While the combined Newstart and rental allowance may tide people through relatively short periods of unemployment, for those out of work for long periods of time, such low levels of support greatly increase the risk of homelessness. Once homeless, job seekers are severely disadvantaged in their ability to maintain active job search and present themselves decently for job interviews.<sup>33</sup>

3.45 The committee was interested to hear about the additional financial support available to allowance recipients for the purposes of seeking work. This is discussed in the next chapter.

### ***Housing affordability***

3.46 A common conclusion among submitters was that, at its present rate of payment, Newstart Allowance did not enable people to house themselves in a manner conducive to finding employment:

[Newstart Allowance] does not permit people to establish a sufficiently adequate or stable home as a base from which to engage in paid employment, associated vocational training, or other steps toward gaining employment.<sup>34</sup>

3.47 This, Homelessness Australia contended, places people in housing crisis – even at risk of homelessness.<sup>35</sup>

3.48 Most people on Newstart Allowance are people who do not own their own homes. Renters as a group are particularly vulnerable to sudden loss of income due to unemployment. As pointed out by ACOSS:

Only 18% of people on NSA own or are purchasing their home. Half rent privately and they have faced sharp increases in rents over the last five years. A single person on NSA receives up to \$60 a week in Rent Allowance, or \$71 per week if they have children, but this covers only a fraction of market rents. For example, the median rent for a two bedroom flat in Sydney is \$450 and that in Melbourne is \$295.<sup>36</sup>

3.49 The committee heard that housing affordability had decreased in recent years. VincentCare Australia provided the following graph<sup>37</sup> reflecting rental affordability in Melbourne to illustrate the point:

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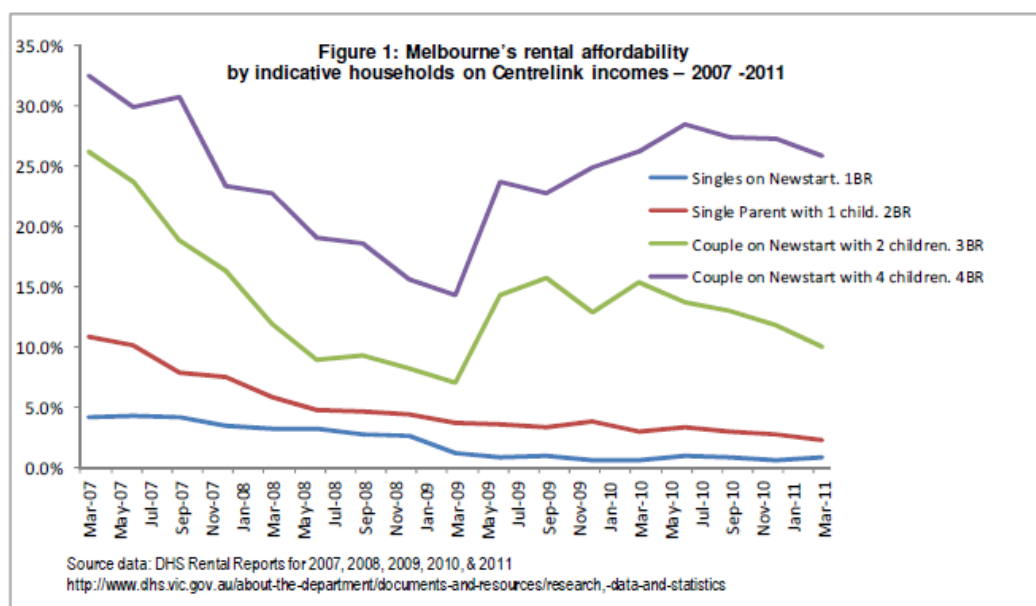
33 Business Council of Australia, *Submission 46*, p. 4.

34 VincentCare Victoria, *Submission 17*, p. 2.

35 Homelessness Australia, *Submission 31*, p. 3.

36 Australian Council of Social Service, *Submission 64*, p. 6.

37 VincentCare Victoria, *Submission 17*, p. 4.



3.50 Mr Dennis Trewin, discussing the conclusions of a 2011 expert roundtable looking at social security, suggested that raising the amount of rental assistance would be a good way of improving housing affordability:

Increasing the rent allowance especially for those renting privately might be an effective way of reducing the gap, as it ensures that additional money is actually spent on housing, which is of course an area of real need. All participants agreed that any revision of the arrangements for the Newstart allowance should not reduce the incentive to find work, and this has to be a special consideration in any redesign work on the scheme. The most common argument for keeping the Newstart allowance low is to increase incentives to find work, but there is no evidence that lowering of the real value of the allowance is resulting in a significant decrease in those seeking Newstart allowance.<sup>38</sup>

3.51 The joint submission addressed the standard of living of allowance recipients in detail, pointing out from the outset that judgements are inherently subjective:

Assessing living standards is highly complex and there is no agreed way to accurately quantify and compare living standards between individuals and households. The concept of 'adequacy' is problematic in that it relies on subjective judgements on an appropriate living standard and there is no conclusive measure of adequacy. It is also inappropriate to consider allowance payment rates in isolation as they are one component of a broader package of assistance that is targeted to the needs of the recipients.<sup>39</sup>

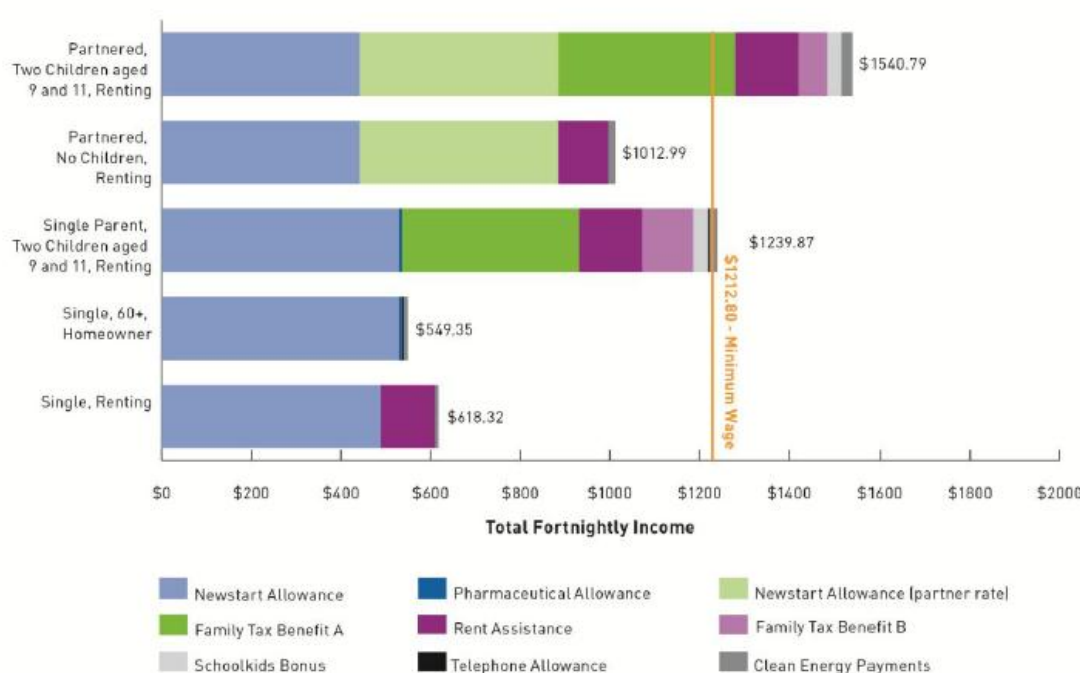
3.52 To explain how payment rates interact with changing living costs and specific concerns around housing affordability, the agencies described how payment levels

38 Mr Dennis Trewin, Chair, Policy and Advocacy Committee of the Academy of Social Sciences, *Proof Committee Hansard*, 24 October 2012, pp 1–2.

39 *Submission 38*, p. 96.

differ between household types by offering four different figures. The first of these<sup>40</sup> compares household types without any earned income.

**Figure 33: Total package of assistance for different Newstart Allowance households (per fortnight) with no earnings**



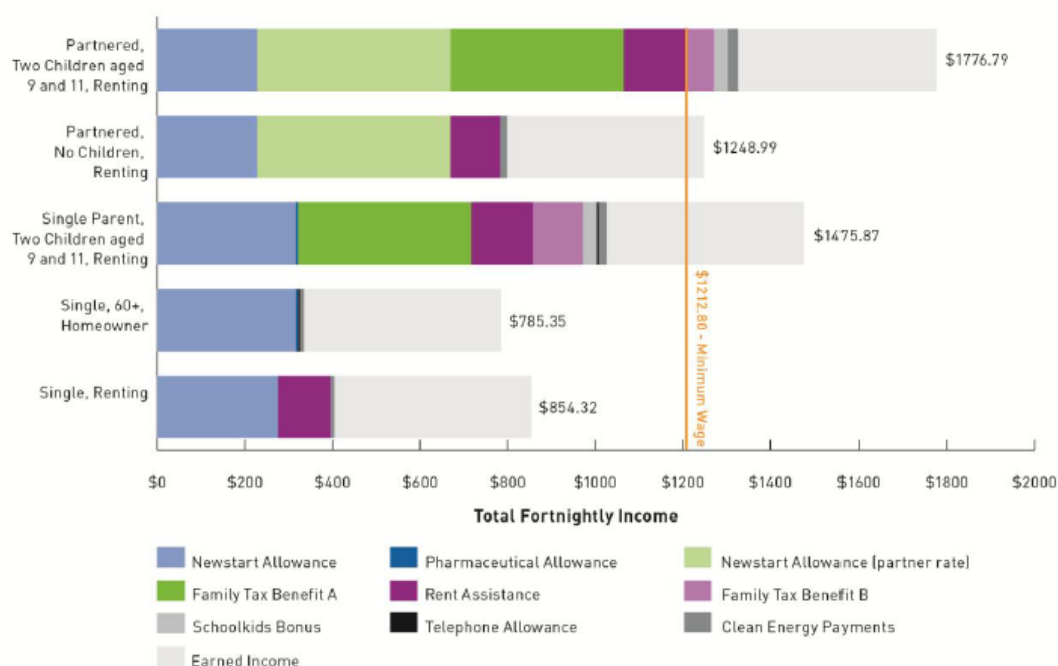
Source: DEEWR analysis based on rates at 1 July 2012.

3.53 The second figure<sup>41</sup> compares allowance payment rates for households with \$450 in earnings per fortnight:

<sup>40</sup> Submission 38, p. 98. For data on the amount of income received by families who earn the minimum wage (once Family Tax Benefit A and B and other supplements are included), see paragraph 2.25 of this Report. Also, Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012).

<sup>41</sup> Submission 38, p. 99.

**Figure 34: Total package of assistance for different Newstart Allowance households (per fortnight) with \$450 earnings**



Source: DEEWR analysis based on rates at 1 July 2012.

3.54 The final figure shows the package of assistance by type of household where income is \$900 per fortnight:



3.55 What the figures above illustrate is that different types of households have different living costs. So, for example, a household with dependent children has higher costs than a household without children. Similarly, 'a single person living alone cannot achieve the same economies of scale as a couple household, a sharer household of a family with children might.'<sup>42</sup>

### ***Food insecurity***

3.56 Food insecurity was described to the committee in the following way:

The experience of food insecurity involves not being able to afford enough food, and enough of the right kinds of food, which can be obtained in ways that are considered socially acceptable. It may involve worrying about food running out, cutting meal sizes, and going without meals.<sup>43</sup>

3.57 The committee was struck by the fact that, as of June 2012, approximately 50 per cent of Newstart recipients were receiving some form of food assistance from emergency relief centres run by Anglicare Sydney.<sup>44</sup> The same organisation completed a pilot study of 117 clients at its emergency relief centre in Wollongong, approximately a third of whom received Newstart Allowance as their principal source of income. The study revealed that 95 per cent of respondents were 'food insecure':

Outlining the experience of food insecurity in households revealed that 80% cut the size of their meals, 74% skipped meals, and 52% did not eat for a whole day. Amongst households with children, 67% of respondents could not afford to feed their children the variety of food they thought their children needed. Parents were forced to cut the size of their child's meal in 35% of cases and 14% of children skipped meals.<sup>45</sup>

3.58 A further study involving fifteen different Anglicare agencies was conducted in early 2012 and looked at 590 emergency relief clients from all states and territories. The final report, *2012 State of the Family: When there's not enough to eat*, was released in October 2012 and found that:

- 96% of respondents were food insecure with 3 in 4 (76%) experiencing severe insecurity.
- 3 out of 4 adults regularly ran out of food in the last three months and could not afford to buy more. 73% of adults were cutting the size of meals and 62% were regularly skipping meals altogether.
- 1 in 3 adults regularly did not eat for an entire day.
- Living in a food insecure household did not necessarily mean that children were food insecure.

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42 *Submission 38*, p. 100.

43 ANGLICARE Sydney, *Submission 21*, p. 8.

44 ANGLICARE Sydney, *Submission 21*, p. 8.

45 ANGLICARE Sydney, *Submission 21*, p. 8.

- 79% of children presented in the sample experienced some level of insecurity however more than 1 in 3 were severely food insecure.
- Surveyed adults appear to build in protection for children in those same households from the effect of food insecurity: 97% of adults living in households with children fell into either a more severe category than children in the household (55%) or the same (43%) food insecurity category.
- 65% of households with children said they regularly could not provide enough variety of food for their children,
- 38% said their children were regularly not eating enough and 29% of cases they said children were regularly going hungry.
- In 7% of households children did not eat for a whole day either weekly or some weeks.
- Children have been described as being ‘grumpy’, ‘upset’, ‘embarrassed’ and exhibiting behavioural problems.<sup>46</sup>

3.59 The committee received the following table from Jesuit Social Services,<sup>47</sup> showing how much individuals and families spend on food:

<b>Average fortnightly cost of a Victorian Healthy Food Basket</b>	<b>Family of 2 adults and children</b>	<b>Single parent family with 2 Children aged 5-12 years</b>	<b>Single adult</b>	<b>Elderly adult</b>
Disadvantaged areas (mean cost)	\$448.5	\$307.5	\$141	\$108
Comparatively advantaged areas (mean cost)	\$429.5	\$295	\$135	\$103.5
Disadvantaged areas – Major	\$422.5	\$289.5	\$133.5	\$101.5

46 2012 *State of the Family: When there's not enough to eat*, Anglicare Australia, factsheet available at: [http://www.anglicare.asn.au/site/sof12\\_notenoughtoeat.php](http://www.anglicare.asn.au/site/sof12_notenoughtoeat.php) (accessed 16 October 2012).

47 Jesuit Social Services, *Submission 27*, p. 9.

City				
Disadvantaged areas – Inner Regional	\$457.5	\$313	\$144.5	\$110
Disadvantaged areas – Outer Regional	\$484.5	\$333	\$151	\$117.5

3.60 The table below, also from Jesuit Social Services,<sup>48</sup> depicts typical allowance payment rates and the percentage of these payments taken up by the average cost of purchasing healthy food:

<b>Percentage of fortnightly income support to afford the Victorian Healthy Food Basket</b>	<b>Family of adults and 2 children aged 5 – 12 years</b>	<b>Single parent family with 2 children aged 5 – 12 years</b>	<b>Single adult</b>	<b>Single person receiving aged pension</b>
Income from allowance payments (net of Rent Assistance)	<b>\$1,418</b>	<b>\$1022.76</b>	<b>\$489.70</b>	<b>\$695.30</b>
Disadvantaged areas (mean cost)	31.6%	30%	28.7%	15.5%
Comparatively advantaged areas (mean cost)	30.3%	28.8%	27.6%	14.9%
Disadvantaged areas – Major City	29.8%	28.3%	27.3%	14.6%

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48 Jesuit Social Services, *Submission 27*, p. 10.



Disadvantaged areas – Inner Regional	32.3%	30.6%	29.5%	15.8%
Disadvantaged areas – Outer Regional	34.1%	32.6%	30.8%	16.9%

### *Measuring changes in the cost of living*

3.61 The most commonly employed methods of measuring living costs were outlined in the Joint Agency submission. These include the Analytical Living Cost Indexes (ALCI), which reflects changes over time in household after-tax income purchasing power, and the Pensioner and Beneficiary Living Cost Index (PBLCI), which is a combination of the age pensioner and 'other government transfer recipient' indexes.<sup>49</sup>

3.62 ALCIs are produced by the Australian Bureau of Statistics. One particular index specifically measures cost of living changes for households whose principal source of income is a government payment (other than Age or Veterans' Affairs Pension). The difference between this ABS index and the CPI is twofold:

- ALCI is calculated by looking at a basket of goods reflecting typical spending patterns of allowance recipient households; and
- Since 1998 CPI has been based on goods acquired by households, while ALCI is based on households' actual outlays.<sup>50</sup>

3.63 The ACTU advised that allowance recipients' ALCI rose in line with the CPI between 1998 and 2005. In total, CPI has risen by 48.3 per cent since 1998, while the ALCI has grown by 55.4 per cent. CPI therefore, is not a good measure of the change in recipient households' cost of living. The ACTU concluded that the living standards of Newstart recipients have worsened over time despite the real, CPI-adjusted value of the allowance remaining constant:

When Newstart is adjusted for price changes over time by using a cost of living index based on the expenditure patterns or income support recipients rather than the CPI, it is apparent that the real purchasing power of the allowance has fallen over time. The absolute living standards of Newstart recipients have thus fallen.<sup>51</sup>

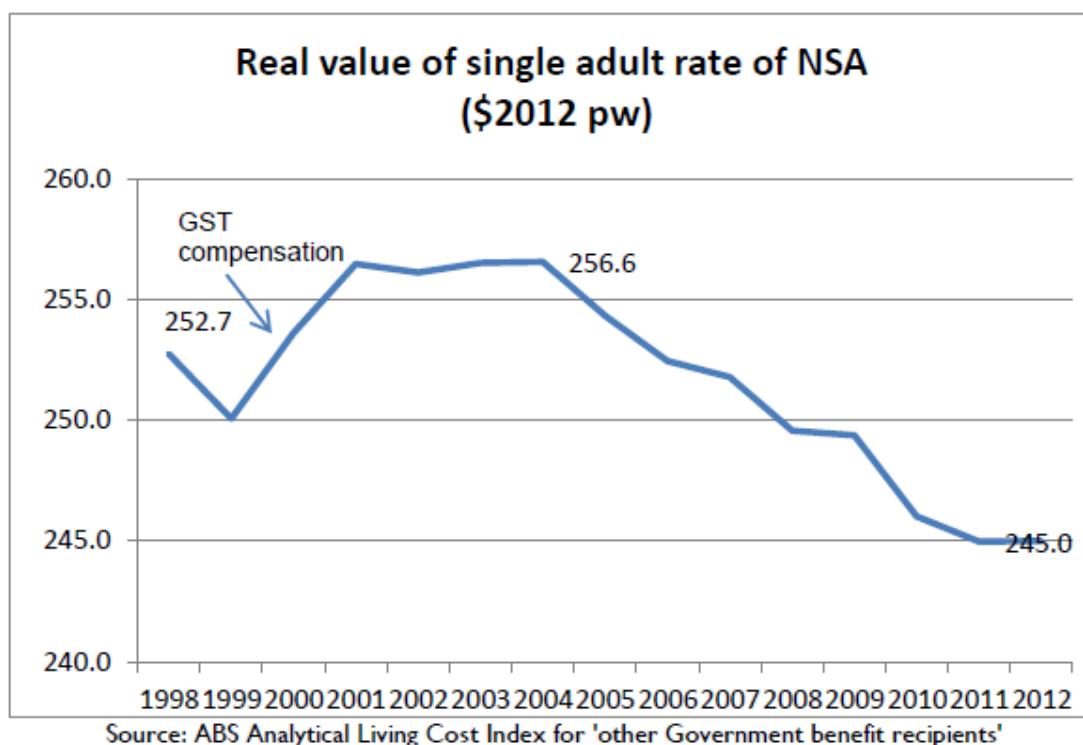
3.64 ACOSS provided the graph below, which adjusts trends in the single rate of Newstart Allowance to movements in the ALCI since 1998:

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49 Submission 38, p. 36.

50 The Australian Council of Trade Unions, *Submission 62*, pp 8–9.

51 The Australian Council of Trade Unions, *Submission 62*, p. 7.



3.65 The graph shows that the purchasing power of recipients of the single rate of Newstart Allowance has fallen by \$8 per week since 1998. This, ACOSS stated, effectively means that 'the living standards of people receiving NSA payments are likely to be lower now than those of their counterparts 15 years ago.'<sup>52</sup>

### ***Committee view***

3.66 On the weight of evidence, the committee questions whether Newstart Allowance provides recipients a standard of living that is acceptable in the Australian context for anything but the shortest period of time. This being the case, the only conclusion the committee could reach was that one of two possible solutions must be pursued: either Newstart Allowance should be increased to raise the standard of living available to recipients, or more careful thought needs to be applied to how best to ensure that people spend as little time as possible on welfare in between jobs. For this reason, the committee sought evidence on both the cost of raising Newstart Allowance, which is covered later in this chapter, and on how policymakers can improve job services, a topic to which Chapter four of this report is devoted.

### **Indexing Newstart**

3.67 One method of raising the amount of money recipients of Newstart Allowance receive would be to change how the allowance is indexed. There was a great deal of support for this among submitters.

<sup>52</sup> Australian Council of Social Service, *Submission 64*, p. 35.

3.68 Pensions are indexed twice per year 'by the greater of the movement in CPI and the PBLCI'.<sup>53</sup> Furthermore, the combined couple pension rate is also benchmarked to 41.76 per cent of Male Total Average Weekly Earnings (MTAWE).<sup>54</sup> This approach ensures that people reliant on pensions have their payments increased in line with current living costs.

3.69 As noted in Chapter 2, most allowances are increased on 20 March and 20 September in order to maintain the real value of payments over time. Unlike pensions, allowance increases occur each year in line with movements in only the CPI.<sup>55</sup>

By comparison, people who rely on allowances as their sole source of income live below the poverty line and are often unable to afford basic necessities such as accommodation, food and healthcare.<sup>56</sup>

3.70 This divergence in indexation methods between pensions and allowances can be traced back to 1997. From that point on, while allowances continued to be indexed to the CPI, 'pensions were indexed to CPI and benchmarked to 25 per cent of MTAWE'.<sup>57</sup>

3.71 Many submissions argued that the indexation of Newstart Allowance compounded its inadequacy, with some calling for the allowance to be indexed to the average male wage rather than CPI.<sup>58</sup>

3.72 ACOSS pointed out that wages had risen more than inflation over the past two decades. Given that allowance payments have been indexed to CPI over this same period, their value has fallen further behind other household incomes. ACOSS added:

From the time of the last increase in NSA in 1994 up to 2011, the single rate of NSA has fallen from 43% to 41% of the fulltime minimum wage, before tax. Over the same period, it fell from 26% to 21% of the fulltime median wage.

If the single NSA rate had been consistently indexed over that period to movements in median fulltime earnings, it would now be approximately \$45 per week higher.<sup>59</sup>

3.73 The committee discussed the issue of indexation with the departments, however notes that indexation methods can only be changed by a change in government policy.

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53 *Submission 38*, p. 18.

54 *Submission 38*, p. 21.

55 *Submission 38*, p. 21.

56 Community Information & Support Victoria and Good Shepherd Youth & Family Service, *Submission 13*, p. 9.

57 *Submission 38*, p. 18.

58 See for example Community Information & Support Victoria and Good Shepherd Youth & Family Service, *Submission 13*, p. 9.

59 Australian Council of Social Service, *Submission 64*, p. 34.

### **The cost of raising Newstart**

3.74 Having considered arguments from welfare agencies calling for the base rate of Newstart Allowance to be increased by \$50 per week, the committee examined the budgetary implications of such a move.

3.75 Giving a broad initial indication, representatives of the Department of Education, Employment and Workplace Relations (DEEWR) put the estimated cost of such an increase at \$2 billion over a full year.<sup>60</sup>

3.76 Offering to provide the committee with more detail, DEEWR looked at the cost of increasing the single rate of allowances by \$50 per week, starting from March 2014 and indexing payments to growth in MTAW. That cost, DEEWR estimated, would approach approximately \$8 billion over four years.<sup>61</sup> That estimate, DEEWR added, 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.<sup>62</sup>

3.77 The estimate does not include costs associated with changes to Department of Veterans' Affairs payments, nor does it include around '500,000 recipients each year who are predominantly partnered recipients for all payments', young people receiving Youth Allowance or ABSTUDY who are living at home, and DSP recipients under the age of 21 who do not have children and who are dependent. If DEEWR's estimates for increasing allowances by \$50 per week were expanded to include the

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60 Ms Jennifer Taylor, Deputy Secretary, Department of Education, Employment and Workplace Relations, *Proof Committee Hansard*, 17 September 2012, p. 3.

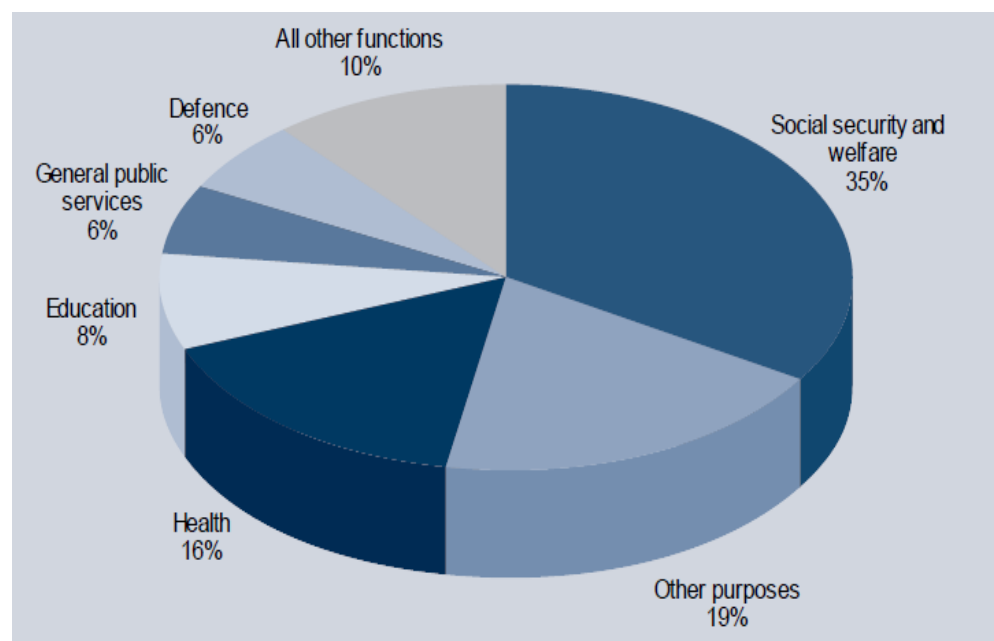
61 Department of Education, Employment and Workplace Relations, *Question on Notice 17*, received 24 October 2012, p. 1.

62 Department of Education, Employment and Workplace Relations, *Question on Notice 17*, received 24 October 2012, p. 1.

abovementioned groups, the cost of the increase would blow out to \$15 billion over four years.<sup>63</sup>

3.78 The committee sought to establish where the required savings for such an increase in expenditure on Newstart Allowance could be found.

3.79 The committee started by looking at projected expenditure in 2012–13,<sup>64</sup> illustrated in Budget Paper no. 1:



3.80 The chart above shows that approximately 35 per cent of the budget is already allocated towards social security. Given that the defence budget has been reduced in 2012 and will have to increase in following years, that improving the education system will also require growing expenditure, that health costs will continue to be pushed up by an ageing population, the committee struggled to identify where extra billions could be found to be put towards an increase in allowance payments.

3.81 In its efforts to determine where and how savings could be made in the social security sector, the committee approached a number of witnesses with this question, but was unable to find a satisfactory answer that did not involve raising the percentage of the national budget allocated to social security even higher.

3.82 Instead, the committee heard that improvements could be made to how existing money is utilised within the sector. As put by Jesuit Social Services:

I think maybe not savings, but I think definitely the money that is in there could probably be used to greater effect. The classic example is the JSA and the amount of time and resources that are put towards compliance and enforcing the rules. If there were more freedom and flexibility for those

<sup>63</sup> Department of Education, Employment and Workplace Relations, *Question on Notice 17*, received 24 October 2012, p. 2.

<sup>64</sup> Budget 2012–13, Budget Paper no. 1, Statement 6, p. 7. Available at: <http://www.budget.gov.au/2012-13/content/bp1/html/index.htm> (accessed 2 November 2012).

organisations that are delivering those services to put the time aside to work and work through the issues, then definitely—and, yes, I think within cross-working and partnerships. A big issue with the group of people that we work with is that their involvement is not just with the Commonwealth allowance payment system; it is with a range of services that are usually funded and delivered at a state level. There, as well, clearly duplication of processes and different points can result in costs such that probably, if you looked at more efficient ways of working in partnership, you could produce savings and then use the funding that is already there more effectively.<sup>65</sup>

### *Committee view*

3.83 The committee considered a great deal of evidence on the adequacy of allowance payments, most of which focused on Newstart Allowance. Understandably, submitters and witnesses turned their attention largely to the areas that were lacking, convincingly exposing how difficult it is to eke out an existence and secure paid employment while living on Newstart Allowance.

3.84 The committee agrees that Newstart Allowance does not allow people to live at an acceptable standard in the long term. It is important, however, to note that the allowance was never intended to be a long term solution to unemployment. The allowance has a strong history of directing available resources to the most needy. For this reason, the committee is forced to focus on how policymakers can best use the resources available to help move people from Newstart and into paid employment. The committee believes that in the long run, for both the individual and society, the best form of welfare is a job. Pouring money into policies which leave people floundering on prohibitively low welfare incomes instead of helping them stand on their own two feet would be a disgrace.

3.85 The current allowance payment system is, nevertheless, a system that can be improved, specifically through better, stronger investment in employment assistance. As noted by the Salvation Army, which called for an increase in Newstart Allowance, an increase alone is not a panacea:

The danger is that that will just be absorbed in the general depression and 'overwhelmingness' of the situation.

We certainly believe that alongside of that assistance has to come a rethinking and a retailoring and a recommitment to what will work best for people who are long-term unemployed, who have lived in this lifestyle and this sense of almost helplessness for so long.<sup>66</sup>

3.86 Helping people get on their own two feet is the committee's preferred means of poverty alleviation, and the subject of the next chapter of this report.

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65 Mr Michael Livingstone, Research, Policy and Media Officer, Jesuit Social Services, *Proof Committee Hansard*, 27 August 2012, p. 34.

66 Major Paul Moulds, Territorial Mission and Resource Director, Social, The Salvation Army, *Proof Committee Hansard*, 27 August 2012, p. 38.

# CHAPTER 4

## From social security to work

### Introduction

4.1 In chapter 3, the committee concluded that there were two options: either increase Newstart Allowance or focus efforts to ensure that jobseekers are able to quickly transition back to the workforce. In keeping with the widely held view that the best form of welfare is a job, the committee commences this chapter with the observation that it is of critical importance for job seekers to be equipped with the skills and confidence to obtain secure employment for themselves.

4.2 Job Services Australia and other employment support programs have a central role to play in assisting people to move from welfare to work. It is for this reason that the committee has given particular attention in this chapter to the ability of such programs to support job seekers as they move to full employment.

4.3 In the second part of this chapter the committee examines how casual and part time work can be an important first step for long term unemployed job seekers as they begin to transition to full time work. Unfortunately some current policies discourage job seekers to take up casual and part time work.

### Quality of employment services for job seekers

4.4 Job Services Australia (JSA) provides employment assistance to unemployed people and those who are transitioning to work for the first time. Payments to JSA under its contract with the Commonwealth from 1 July 2009 to 30 June 2012 ran to \$4.362 billion. This comprised service fees, job placement and outcome fees and expenditure through the Employment Pathway Fund.<sup>1</sup> On 30 June 2012, 509,000 Newstart Allowance recipients were receiving support from JSA.<sup>2</sup>

4.5 More than half of people who began to receive Newstart Allowance last financial year, had moved off the payment in less than 12 months. This is a good outcome, and demonstrates that Newstart Allowance is working well as a short term payment as people transition back to paid employment. However, a growing number of recipients have remained on the payment for more than 12 months. The table below

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1 Ms Moya Drayton, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations, *Proof Estimates Committee Hansard*, 17 October 2012, p. 71.

2 An additional 59,000 Newstart Allowance Recipients were receiving support from a Disability Employment Service provider due to a disability that meant they had a partial capacity to work: 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*, p. 71. (Hereafter '*Submission 38*').

reveals that some Newstart Allowance recipients have been on the payment for many years.<sup>3</sup>

Previous duration in receipt of income support on 1 July 2007	Percentage who were not in receipt of income support in 2012	Percentage who were on another income support payment in 2012	Percentage who were in receipt of Newstart Allowance in 2012
Less than 3 months	56	21 (9% DSP)	23
3-6 months	50	25 (11% DSP)	25
6-12 months	43	30 (14% DSP)	27
12-24 months	36	35 (17% DSP)	29
24 months or more	25	41 (23% DSP)	34

4.6 It is clear from this table and from the committee's discussion in chapter 3 that the longer a person is unemployed the more likely they are to continue to remain on income support for some time. It is crucial that appropriately targeted services are provided to job seekers to give each person the best chance of finding sustainable employment.

4.7 The committee received evidence from witnesses and submitters about the effectiveness of JSA programs. In the following pages the committee outlines key issues raised in relation to classification of job seekers into streams, provision of work experience, measures to address intergenerational, youth and mature unemployment and the inadequacy of job support services for carers.

### ***Streams***

4.8 As discussed in chapter 2, following an assessment by the Department of Human Services or JSA each job seeker is placed in a stream, based on need. All job seekers have access to the Employment Pathway Fund, although the amount available does vary according to stream. The committee heard concerns that job seekers are not always accurately classified and placed in the most effective stream, and that not enough support is provided in the first few months of unemployment.

4.9 Jesuit Social Services believes that more time and care needs to be devoted to setting up participation plans with jobseekers, to ensure that jobseekers are placed in appropriate streams. The questions asked in the first interview are very personal and it may take some time and sensitivity for a job seeker to feel comfortable disclosing all their circumstances. Mr Michael Livingstone explained to the committee:

One of the things we know is that, if the JSA providers and Centrelink are putting together the participation plans, they are short on time. It can often be one or two meetings where this is worked out. When you are talking about people who have complex histories with multiple and complex needs,

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3 Submission 38, p. 69.



we know from our work that it takes time to build that relationship and work out what the fundamental issues are.<sup>4</sup>

4.10 Mission Australia noted that while in theory a person can be quickly reclassified, it had found in the past year that 'despite presentation of significant evidence that the person has more barriers than originally disclosed, they are simply not able to gain restreaming'.<sup>5</sup>

4.11 In response to questions from the committee, the Department of Human Services advised that if an error is identified a re-assessment can be done 'immediately'.<sup>6</sup> Additionally, a service review is conducted every 12 months to ensure that job seekers are appropriately streamed.<sup>7</sup>

4.12 Some witnesses also expressed concern that the level of support to job seekers placed in Stream 1 is inadequate, and in particular that job service providers receive only \$60 to support these job seekers for the first 13 weeks. Dr Prins Ralston, Acting Chief Executive Officer, Mission Australia, told the committee that this means the job seeker receives very limited assistance and risks sliding 'into the long-term unemployed'.<sup>8</sup>

4.13 At the other end of the spectrum, the Benevolent Society called for more targeted and flexible assistance for job seekers in Stream 4 (those job seekers have multiple and complex barriers to work participation). The Benevolent Society argued that the service provided should recognise that these individuals may not be immediately ready to commence vocational education and training. Ms Annette Michaux told the committee:

We have 30 per cent dropout rates in TAFE courses when people are being referred through JSA when they are in stream 4, I think. For us, that is such a waste of resources. Let us first do something around coaching or building parental confidence to make sure people are more likely to succeed when they are ready to go to that next step. So it is looking at the individual in front of you and working out how you are going to build that confidence and self-esteem so that people can endure a TAFE course and not feel completely embarrassed about their literacy or whatever it is. It is building something so people can experience the system as positive, and sometimes we are finding that needs some work first. We were working with a lot of

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4 Mr Michael Livingston, Research, Policy and Media Officer, Jesuit Social Services, *Proof Committee Hansard*, 27 August 2012, p. 32

5 Ms Kylee Bates, General Manager, Mission Australia, *Proof Committee Hansard*, 27 August 2012, p. 12.

6 Ms Michelle Lees, Service Leader, Department of Human Services, *Proof Committee Hansard*, 24 October 2012, p. 28.

7 Ms Moya Drayton, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations, *Proof Committee Hansard*, 17 September 2012, p. 19.

8 Dr Prins Ralston, Acting Chief Executive Officer, Mission Australia, *Proof Committee Hansard*, 27 August 2012, pp 8–9.

people with mental health issues, and we are finding we need to build quite a bit around them first, or it might be low literacy.<sup>9</sup>

4.14 The committee considers that more support should be provided up front to jobseekers when they first become unemployed.

### **Work experience**

4.15 Employment service providers are also funded to work with employers, particularly with a view to finding work experience opportunities for the long term unemployed and young people. On 31 August 2012, 180 513 job seekers were undertaking work experience.<sup>10</sup>

4.16 Dr Richard Denniss, Executive Director, Australia Institute observed that work experience for jobseekers can be just as useful for the employer as the employee:

As a rule I think work experience is very useful, in part because it helps to overcome the barriers in the employers' minds. A lot of employers are quite concerned about employing someone who has been unemployed for 12 months. If someone comes to a job interview and is competing against three other people, one of whom has just moved into town, one of whom has just finished school and one of whom has been unemployed for 12 months, a rational employer would think, 'In every other interview you have sat in for the last 12 months, someone sitting in my seat has seen something that I haven't seen. So, all other things being equal, I'm not going to bet on you.'

Work experience is very useful for confidence and experience for employees; it is also a low-cost way to say to employers: 'You can get a good look at this person. Even though on paper or in a job interview perhaps you would not have put them at the top of the list, they are pretty good. They fit in.' We have to understand there are structural impediments for employers who literally see long-term unemployment as an adverse signal.<sup>11</sup>

4.17 Mr David Thompson, from Jobs Australia, noted that in his experience employers are very willing to give young unemployed people the opportunity to participate in work experience, however better support should be provided to employers who do this:

[T]he great majority of employers who take on people who are long-term unemployed are small and small-medium businesses and they do not have HR departments and they are very busy. One of the things that we are looking at for the next iteration of Australia's public employment service is how to get the system to provide better assistance to employers in addition

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9 Ms Annette Michaux, Benevolent Society, *Proof Committee Hansard*, 28 August 2012, p. 43. See also, Benevolent Society, *Submission 23*, p. 13.

10 Ms Moya Drayton, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations, *Proof Estimates Committee Hansard*, 17 October 2012, p. 72.

11 Dr Richard Dennis, Executive Director, Australian Institute, *Proof Committee Hansard*, 28 August 2012, p. 5.

to job seekers. That would be so that there is provision of more support to them as employers to be able to take some of these people on and, importantly, to support them as well as the employees so that they stay in the job.<sup>12</sup>

4.18 The committee heard that work experience has become a more important feature in the Job Services system recently. However, it is too early to tell whether this renewed focus will result in improved employment outcomes for job seekers in the long term.<sup>13</sup>

### ***Promoting mobility***

4.19 The labour market in Australia increasingly requires workers to be mobile, however the committee heard that many job seekers are still reluctant to move or travel for work.

4.20 Job seekers can access funds to assist with the travel costs associated with looking for work through the Employment Pathway Fund (EPF), as discussed in Chapter 2. From 1 July 2009 to 19 August 2012, more than \$37 million has been released from the EPF to assist with transport costs and to provide licencing assistance and nearly \$1.5 million has been released to provide relocation assistance.<sup>14</sup>

4.21 To promote mobility the government established the *Connecting People with Jobs* program. The \$29.2 million program, administered by Job Services Australia, is targeted at jobseekers living in areas with high unemployment rates. Eligible applicants may receive relocation assistance of up to \$9,000. While there are 4,000 places available on the program, the committee understands that as at September 2012 only 369 people had taken part.<sup>15</sup> The committee did not receive sufficient evidence to assess this program, but senses that either the attitude of job seekers needs to change or the program is poorly targeted and needs to be reformed.

4.22 Mission Australia reported that long commute or travel times can present barriers for job seekers based in regional or remote areas. For example, even in Wollongong where there are solid public transport links to Sydney, the organisation struggles to motivate jobseekers to travel to work 90 minutes away.<sup>16</sup> Nevertheless, there are some success stories. For example:

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12 Mr David Thompson, Chief Executive Officer, Jobs Australia, *Proof Committee Hansard*, 27 August 2012, p. 26.

13 Ms Sally Sinclair, Chief Executive Officer, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, p. 56.

14 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012). This figure represents the amount spent on jobseekers in receipt of Newstart Allowance. The average cost of each travel transaction is \$87 and the average cost of relocation transaction is \$335.

15 Patricia Karvelas, 'Paying people to relocate for jobs has failed', *The Australian*, 25 September 2012.

16 Dr Prins Ralston, Acting Chief Executive Officer, Mission Australia, *Proof Committee Hansard*, 27 August 2012, p. 10.

[Mission Australia] have just been engaged with a large mining [project] that have given us 2,500 jobs to fill. The plan to fill that number will see us identify the right people, train them, get them work experience and so forth. It will take something like seven or eight months according to our plan to actually get them on site. We will engage them through that period of time in order to prep them up and get them the basic skills to get them on site. That is a significant investment. That is an investment by Mission Australia and the mining company.<sup>17</sup>

4.23 The committee considered that many young people in receipt of Newstart Allowance would be particularly well placed to move for work. The Australian Youth Affairs Coalition advised that while it supported incentives to encourage young people to move for work, it did not believe that this should ever be a condition of payment.<sup>18</sup>

4.24 During the hearing in Canberra, Mr Thompson explained to the committee that for some jobseekers the incentives just need to be calibrated effectively:

There is no doubting the fact that the nature of the contemporary labour market in Australia creates the need for some people to be more mobile, and it is also clear that the current incentives that are provided for people to relocate are not sufficient to motivate people to do things like move from a place where there are limited job prospects but where housing rentals and so on are very low, and they might have the support of family and so on, to relocate to somewhere where housing costs are extremely high, where family supports and other things are not there and where, if they lose a job, they could find themselves in quite significant hardship and trouble. We are currently working with our member organisations to see if we can find some examples of ways in which people can be supported and helped, but it is not a simple story by any means. For people that have significant barriers, I suspect the answer is that we may be doing them more damage and harm by putting them at risk in some of those situations. For people that do not have barriers, we just have to find some ways of constructing the incentives.<sup>19</sup>

### ***Jobless families***

4.25 The committee was alarmed to learn that approximately one in ten families with children do not have at least one parent working full time.<sup>20</sup> It is far more

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17 Dr Prins Ralston, Acting Chief Executive Officer, Mission Australia, *Proof Committee Hansard*, 27 August 2012, p. 10.

18 Ms Polly Henry, Board Member and Advocate and Mr Andre Cummings, Executive Director, Australian Youth Affairs Coalition, *Proof Committee Hansard*, 28 August 2012, pp 18–19.

19 Mr David Thompson, Chief Executive Officer, Jobs Australia, *Proof Committee Hansard*, 27 August 2012, p. 22.

20 *Submission 38*, p. 87. The Joint Agency Submission notes that the majority of these families are single parent families, and that there are no activity requirements for such parents until the youngest child is 6 years old. The package for these families with one child is around \$30,000 p.a. and so the incentives to work are diminished due to the 'largesse' of the social security system.

important that job seekers are equipped with the skills and confidence to find and secure employment for themselves than that they are simply given handout. Since the 2006 *Welfare to Work* changes, government policy has gradually increased the participation requirements of parents who receive Newstart Allowance. These changes have resulted in an increase of participation rates.<sup>21</sup>

4.26 Further, DEEWR has a number of pilot projects targeted at addressing the needs of people who are experiencing generational unemployment.<sup>22</sup> For example, the Family Centred Employment Project sites in Goodna and Broadmeadows. Ms Sally Sinclair, National Employment Services Association, explained that anecdotal evidence suggests that this project is 'producing good results'.<sup>23</sup>

4.27 A number of charitable organisations who submitted to this inquiry are working to address intergenerational unemployment.<sup>24</sup> Ms Annette Michaux, from the Benevolent Society, explained to the committee that education and encouraging helpful home learning environments will also assist in breaking these cycles.<sup>25</sup> The committee is considering the impact of the home environment on student outcomes in a separate references inquiry, which will report on this issue in more detail during the course of 2013.<sup>26</sup>

4.28 Job Services Australia also has recently commenced a number of projects to target 'entrenched disadvantage amongst jobseekers'. These projects are still in their infancy so data does not exist yet to explain their efficacy.<sup>27</sup>

4.29 The committee is pleased to hear that there have been some improvements in the participation rates of parents in jobless families. However there clearly need to be more improvements in this area.

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21 *Submission 38*, p. 45.

22 *Submission 38*, pp 31–32.

23 Ms Sally Sinclair, Chief Executive Officer, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, p. 56. See also, Benevolent Society, *Submission 23*, pp 14–16.

24 See for example: Anglicare Australia, *Submission 70*; Catholic Social Services Australia, *Submission 61*; The Salvation Army, *Submission 25*; Uniting Care Australia, *Submission 66*; the Benevolent Society, *Submission 23*.

25 Ms Annette Michaux, Benevolent Society, *Proof Committee Hansard*, 28 August 2012, p. 41.

26 Senate Education, Employment and Workplace Relations References Committee, Inquiry into Teaching and Learning (see website for further details: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=eet\\_ctte/teaching\\_learning/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/teaching_learning/index.htm) )

27 Ms Sally Sinclair, Chief Executive Officer, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, p. 56. See also, Ms Sandra Parker, Deputy Secretary, Department of Education, Employment and Workplace Relations, *Proof Estimates Committee Hansard*, 17 October 2012, p. 69.

***Support for youth***

4.30 The committee was pleased to hear of some case studies illustrating job services providers developing creative solutions to assist unemployed young people engage with work.

4.31 For example, during the Melbourne hearing the committee heard about an innovative program developed by the Salvation Army to support unemployed young people to find work on Hamilton Island. Major Moulds told the committee:

[We] have a relationship at the moment with Hamilton Island. We have 16 young people, all of whom were formerly homeless, employed or working on traineeships on that island. We have a worker who visits there monthly, does a debrief with every one of those young people and is on the phone constantly...And it is working brilliantly. Hamilton Island are so thrilled with the results of that, they are talking to Uluru resort at the moment and to all the big resort owners, because they have an unemployment problem when it comes to getting young people to come and work for them, and we have in some way helped them solve that.<sup>28</sup>

4.32 However, the committee heard that the Salvation Army struggled to receive support from JSA to implement these programs:

The Salvation Army struggles, can I say, to convince the Job Services Australia providers to actually pay for an airfare to get them there, with the guarantee of a job. They say, 'It's too risky. We might lose that amount of money.' We have some runs on the board now, so it is not as hard, but can you get support out of them? These guys are going to need a bit of support, but Job Services will not provide it, so we pay for that. There is a flaw in the system around the way that this group of people is supported and the money is made available to provide that support.<sup>29</sup>

4.33 Jesuit Social Services has run social enterprise schemes to provide training to young jobseekers. This can be challenging at times but the scheme has produced reasonable results. Particular success has been experienced with skilled members of the African community who face language barriers to employment. Jesuit Social Services believes that after several years of hard work it has developed 'a very solid model that we can replicate in other places'.<sup>30</sup>

4.34 The committee recognises the need for employment services programs to cater to the needs of different cohorts and in turn deliver innovative programs.

***Support for mature aged recipients***

4.35 Mature aged Newstart Allowance recipients are defined by the government as between 55 and 64 years of age.<sup>31</sup> This group represents 18 per cent of the Newstart

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28 Major Moulds, The Salvation Army, *Proof Committee Hansard*, 27 August 2012, p. 39.

29 Major Moulds, The Salvation Army, *Proof Committee Hansard*, 27 August 2012, p. 40.

30 Ms Sally Parnell, Acting Chief Executive Officer, Jesuit Social Services, *Proof Committee Hansard*, 27 August 2012, p. 33.

31 *Submission 38*, p. 92.

population. Additional supplements and concessions are available to this cohort, including a higher rate of payment to recipients who have relied on income support for 9 months or longer and reduced activity requirements.<sup>32</sup>

4.36 Employment outcomes for mature age recipients are not as strong as for other cohorts, and a considerable proportion remain on Newstart Allowance until transferring to either the Disability Support Pension or the Aged Pension.<sup>33</sup> The consequences of this trend are significant. A study undertaken by Deloitte Access Economics, funded by the Age Discrimination Commissioner, reported that if the workforce participation of people over 60 was increase by 3 per cent the benefit to the Australian economy would be \$48 billion a year.<sup>34</sup>

4.37 Mr Thompson, Chief Executive Officer, Jobs Australia, advised that older jobseekers face particular discrimination – and many people mistakenly assume they only want part time work:

There is no getting away from the fact that there is very significant discrimination against older workers more generally. I think there is also a common misconception that many of them just need some part-time work. Many of them need full-time work and probably need full-time work for longer than they first thought because of the state of their super and for all sorts of other reasons. I think the biggest problem in that space is being able to recognise the contribution they can make rather than imagining they cannot.<sup>35</sup>

4.38 The government has developed some specific programs to assist mature aged jobseekers re-enter the workforce, for example wage subsidy schemes.<sup>36</sup> The Council of the Aging explained that while well-intentioned, these schemes could be improved. During the Sydney hearing Ms Josephine Root, National Policy Manager, provided a frank assessment to the committee:

We think that probably the wage subsidy level is not high enough, and the period of time for which people have to be employed is not long enough, to significantly make a difference to an employer's decision to take on a longer-term older employee. If they have a built-in view that an older person is not good enough, then \$1,000 is probably not going to be enough. Three months is a very short period of time for a person to gain the skills to do the job competently and be seen as a valuable employee.

The other thing about wage subsidies, particularly targeted at older people, is that it is almost reinforcing this view of the employers that these

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32 *Submission 38*, p. 92.

33 *Submission 38*, p. 92.

34 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 20.

35 Mr David Thompson, Chief Executive Officer, Jobs Australia, *Proof Committee Hansard*, 27 August 2012, p. 28.

36 *Submission 38*, p. 10.

employees are somehow second-rate and so they almost have to be bribed to take them.<sup>37</sup>

4.39 Ms Root argued that rather than reinforcing the mistaken belief of some employers that mature workers are 'second-rate', employers and the government need to recognise that 'there are a lot of older people out there who have all the skills' and who have 'done the work to make their skills current'.<sup>38</sup>

4.40 The committee is also aware of anecdotal evidence that some individual JSA officers also have similar views.<sup>39</sup> The Age Discrimination Commissioner advised that no formal complaint had been received about such discrimination by JSAs, although she too had spoken with people who had raised similar concerns.<sup>40</sup>

4.41 The Council of the Aging called for mature age job seekers to be 'given heavier weighting in assessing which stream people go into', noting that some older workers will not require this additional assistance and will transition to work very quickly.<sup>41</sup> The Council of the Aging stated that the Employment Pathway Fund and JSA were failing older people and identified a range of possible reasons for this:

It could be that older people are reluctant to undertake the training, undertake skills. We know that a lot of training at the moment, in the way it is being delivered, is not geared towards older people. We often hear people saying that the training needs to be paced at a different level or it needs to be delivered in a different way. For example, delivery of training online for people who are perhaps in their late 50s or 60s and have not done any learning online is not actually very constructive. It is what is offered and how it is offered. We would probably say that the funding is not sufficient to help move people from unemployment to employment.<sup>42</sup>

4.42 Dr Susan Ryan, Age Discrimination Commissioner, told the committee that many mature age workers become unemployed because of discrimination and struggle to obtain employment also because of discrimination. Dr Ryan called for targeted support to be provided by JSA immediately, not months after a person has lost their job:

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37 Ms Josephine Root, National Policy Manager, Council of the Aging, *Proof Committee Hansard*, 24 October 2012, p. 10.

38 Ms Josephine Root, National Policy Manager, Council of the Aging, *Proof Committee Hansard*, 24 October 2012, p. 10.

39 Ms Josephine Root, National Policy Manager, Council of the Aging, *Proof Committee Hansard*, 24 October 2012, p. 10.

40 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 21.

41 Ms Josephine Root, National Policy Manager, Council of the Aging, *Proof Committee Hansard*, 24 October 2012, p. 10.

42 Ms Josephine Root, National Policy Manager, Council of the Aging, *Proof Committee Hansard*, 24 October 2012, p. 11.



If I could get a message through to you today it would be that it is imperative that, as soon as an older worker loses his or her job, assistance to get them back into the workforce is immediately available. If they have to spend a year or two without much support, constantly putting in CVs, constantly being knocked back, not being told why they are being knocked back, they do deteriorate understandably and they can develop mental health problems which in some cases lead them eventually to go onto the disability benefit. That is a very negative result all round.<sup>43</sup>

4.43 In response to the suggestion that an alternative JSA stream could be developed for older workers, the Department of Education, Employment and Workplace Relations (DEEWR) responded that JSA was based on individual needs regardless of age:

JSA operates on the basis of the individual, not the fact that they are 50, 60 or 20. It is assessing the barriers that the individual has, which is why the streams are set up so that the most disadvantaged get into the higher streams and get access to the most intensive support. The system as it currently operates would take into account the barriers to workforce participation that the individual has, rather than setting up specific streams. Our experience is that within cohorts people can do very well; they can get back into the workforce quite easily. Other people, because of their individual circumstances, take a bit longer or need more help.<sup>44</sup>

4.44 DEEWR also advised that older job seekers tend to be in the higher streams, and therefore are receiving a higher level of support.<sup>45</sup>

4.45 The committee considered whether support could be provided to employers, so that older workers do not become unemployed in the first place. The Council of the Aging agreed with this approach, arguing that employers should be encouraged to develop transitional arrangements with older workers who would like part time or more flexible hours, or who need to change the nature of their work duties.

4.46 Dr Ryan told the committee that she was conducting a study into ageism and negative stereotypes of older workers. During the Sydney hearing the committee heard that many employers hold negative views of older workers that are not supported by the evidence. For example, studies indicate that older workers have lower rates of

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43 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 19.

44 Ms Moya Drayton, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations, *Proof Committee Hansard*, 24 October 2012, p. 31.

45 In part, this is because the Job Seeker Classification Instrument used to measure a job seeker's relative level of disadvantage gives weighting to factors such as age; Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 24 October 2012 (received 14 November 2012). In part, this is because the Job Seeker Classification Instrument used to measure a job seeker's relative level of disadvantage gives weighting to factors such as age.

absenteeism and sick days than other workers.<sup>46</sup> The Age Discrimination Commissioner advised that she has focused her efforts on employers because 'they are the ones who are laying these people off too soon and who are very reluctant to rehire or hire older people'.<sup>47</sup>

### ***Support for carers transitioning to work***

4.47 Carers perform an important function in Australian society and provide an essential support and service to those for whom they care. In some cases, the caring relationship can last for years or decades. When this relationship ends, the change for the carer can be quite abrupt. The carer's payment ceases, and in many cases the carer will move to the lower rate of Newstart Allowance and have activity requirements.

4.48 The committee heard during the Canberra hearing that neither the Department of Human Services or DEEWR have specific programs in place to support people who are transitioning from a carers role to employment.

4.49 In its submission to this inquiry Carers Australia made a wide range of recommendations. Of particular interest to the committee were recommendations directed at supporting carers who seek to transition to paid employment. In this respect Carers Australia called for:

- Transitional arrangements to be put in place over a 12 month period for carers who move from the higher carer payment (at the pension rate) to a allowance payment (such as Newstart Allowance);
- Participation requirements to be graduated over time to 'allow for readjustment' and 'take into account any ongoing caring needs' (such as where the person cared for has moved to residential care); and
- Specific access to appropriate education and training, and other measures, to support carers capable of re-entering the workforce to develop appropriate skills and experience.<sup>48</sup>

4.50 During the Canberra hearing the committee was privileged to receive evidence from Mr Terry Stroud, who was a fitter and turner in the power industry for more than a decade before becoming a carer. Mr Stroud told the committee:

I was a carer for 17½ years. That began in 1991. My mother suffered a stroke and was in a wheelchair, paralysed on the right side, and could not speak. I worked full time in the power industry as a tradesman in the Latrobe Valley in Victoria for five years after my mum had a stroke. My father was very ill with a heart condition and he passed away in 1995. I worked for another year, with some assistance to look after my mum in our family home. She was rated as a full nursing care person. My sister suffered

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46 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 22.

47 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 22.

48 Carers Australia, *Submission 51*, p. 22.

a stroke so I left work in 1996 and went on the carer payment full time. I cared for mum until she passed away in January 2009. On average I got up about 1½ times a night over the 17½ years to care for my mother.<sup>49</sup>

4.51 Mr Stroud's role as a carer ended when his mother passed away, and this is when he visited Centrelink:

When mum passed away I had the three months bereavement time and went to Centrelink. In my first contact with them after that I had to tell I was a carer; they just thought I was a Newstart person. They said they had no record that I was even a carer. My mum and I ran the house between us—my mum was mentally fine and she liked to run the house side of things—and we shared everything. I transported Mum everywhere.

My income dropped about 60 per cent in that grieving period. It was very difficult and I did not know what to do. I had to be assessed and I had to really stand up for myself and say I had been a carer for 17½ years and that mentally I felt I was not ready to concentrate or focus on work or what to do. I had not even thought about what I would do next—my mum had got ill suddenly.

4.52 Mr Stroud advised the committee that Centrelink were generally understanding of his circumstances, however as a former long term carer he simply did not fit easily into any particular job seeker profile. Following 'a couple of assessments' he received a six month exemption from work, and was then transferred to Newstart Allowance. However, Centrelink did not have any employment support services which were appropriate and Mr Stroud was sent to the Commonwealth Rehabilitation Service (CRS). Mr Stroud explained that Centrelink 'do not know how to approach it' and this was frustrating:

It is like you fall through the cracks and you do fit any existing category after being a carer and on the carer payment so you are not recognised as being a carer and you are just a Newstart person that was a carer.<sup>50</sup>

4.53 Mr Stroud continues to look for work and has had some short contracts recently. However, it is challenging because he has been out of the workforce for so long and needs to update and refresh his skills.

4.54 The committee asked Mr Stroud to identify particular measures that he believe should be taken by the government to ensure that carers are treated fairly and sensitively by the allowance payment system. In a two page response Mr Stroud echoed the recommendations made by Carers Australia in its submission. He also detailed some other suggested changes, calling for:

- Centrelink to flag former carers when they first make contact after the caring relationship has ended;
- The first appointment with Centrelink to be in a private space with appropriately trained staff who can respond sensitively to the carer;

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49 Mr Terry Stroud, Carers Australia, *Proof Committee Hansard*, 28 August 2012, p. 61.

50 Mr Terry Stroud, Carers Australia, *Proof Committee Hansard*, 28 August 2012, pp 63–64.

- A separate stream or pathway through the JSA system (including appropriate support for study and retraining); and
- Appropriate counselling to assist the carer to re-enter the workforce.<sup>51</sup>

4.55 Mr Stroud emphasised that the needs of individual carers will vary, and that the allowance payment system needs to sensitively accommodate these needs as carers transition to paid employment.

4.56 In responses to questions during the Canberra hearing, DEEWR advised that:

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.<sup>52</sup>

4.57 DEEWR's response to further questions during the Sydney hearing confirmed for the committee that the process that Mr Stroud went through from Carer's Payment to Newstart was typical, and there are no targeted job services for former carers.<sup>53</sup>

### ***Committee view***

4.58 Overall, Job Services Australia and other employment support programs are effectively assisting people to move from welfare to work. There are some areas where these services can be improved and better targeted, particularly for carers and people who have only recently become unemployed. For other job seekers – such as parents in jobless families – it is too early to tell how effective government pilot programs will be.

4.59 Stream 1 jobseekers tend to move relatively quickly into employment within a few months. However, too many do not, and for those the support provided by JSA in stream 1 is extremely limited. The committee believes that Stream 1 jobseekers should receive more intensive support up front, at a time when they are most employable.

4.60 On balance the committee accepts DEEWR's evidence that people are placed on streams based on their personal circumstances, including their age, and that this is the best way to account for any discrimination they face.

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51 Carers Australia, *Response to question taken on notice*, 28 August 2012 (received 12 September 2012).

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

53 Ms Michelle Lees, Service Leader, Department of Human Services and Ms Moya Drayton, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations, *Proof Committee Hansard*, 24 October 2012, p. 30.

4.61 Nevertheless, training and support opportunities provided by Job Services Australia could be better tailored to the needs of older job seekers and carers.

4.62 In relation to older workers, the committee has heard that some training within these streams is ineffective and anecdotal evidence suggests that some JSA providers themselves are not aware of the benefits that older workers can offer.

4.63 The committee also is cognisant of the need to educate employers about the particular skills and experience that older workers can offer, and notes with approval the study currently undertaken by the Age Discrimination Commissioner. The government should continue to work with employers and older workers to ensure that these workers have appropriate transition arrangements where this is appropriate.

4.64 While existing programs provide discretion, and the committee was assured that DHS and DEEWR are accommodating of the particular vulnerabilities of former carers, the committee was disappointed to hear that there are no specifically targeted programs to assist former carers transition from caring to work.

4.65 The committee has considered the experiences of long term carers, and believes that DHS and DEEWR should carefully consider these valuable insights and suggestions and develop a targeted program of support for former carers who are transitioning from a caring role to work or study.

### **Recommendation 1**

**4.66 The committee recommends that the government consider increasing the resources available to Stream 1 jobseekers, to ensure that prompt and effective support is provided in the first weeks and months of unemployment.**

### **Recommendation 2**

**4.67 The committee recommends that the Department of Education, Employment and Workplace Relations work with Job Services Australia to ensure that training and support programs for workers aged 45–64 are appropriately targeted.**

### **Recommendation 3**

**4.68 The committee recommends that the government develop targeted and tailored programs for former carers as they move to Newstart Allowance or another payment once their caring responsibilities end.**

4.69 The actual experience of working is the best way for people to move from unemployment to sustainable work. In the remainder of this chapter the committee examines how Newstart Allowance can be better structured to ensure that the appropriate incentives are in place to encourage jobseekers to find employment. It is important to first consider employment trends for Newstart recipients, before turning to focus on the amount of employment income that recipients can earn before the payment rate reduces, and whether or not recipients are able to easily determine the financial benefit of work.

## Employment trends for Newstart recipients

4.70 The majority of Newstart recipients who transition to work initially do so through casual and part time work. This trend is consistent with broader changes to the Australian labour market. As discussed in Chapter 2, the proportion of workers who are employed part-time (rather than full time) has increased considerably since 1982. For example, in 1982 only 16.3 per cent of employment was part-time, thirty years later this has increased to 29.7 per cent in 2012.<sup>54</sup>

4.71 Casual and part time work is also consistent with the changing demographic of Newstart Allowance recipients. Since the 2006 *Welfare to Work* reforms, Newstart has shifted from a payment designed only for people who have the capacity to work full time to also support people who have less capacity to work due to caring responsibilities or a disability.<sup>55</sup>

4.72 Almost a fifth of Newstart Allowance recipients are combining the allowance payment with employment income, and this proportion has nearly doubled in the past decade.<sup>56</sup> Some recipients are also cycling on and off Newstart. Nineteen per cent of Allowance recipients who find work with the help of JSA, lose that employment within 26 weeks.<sup>57</sup> DEEWR does not monitor or collect data after 26 weeks.<sup>58</sup> However, the DEEWR has tracked the current status of people who were receiving Newstart Allowance recipients on 1 July 2007, as the table below illustrates.<sup>59</sup>

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54 *Submission 38*, p. 40.

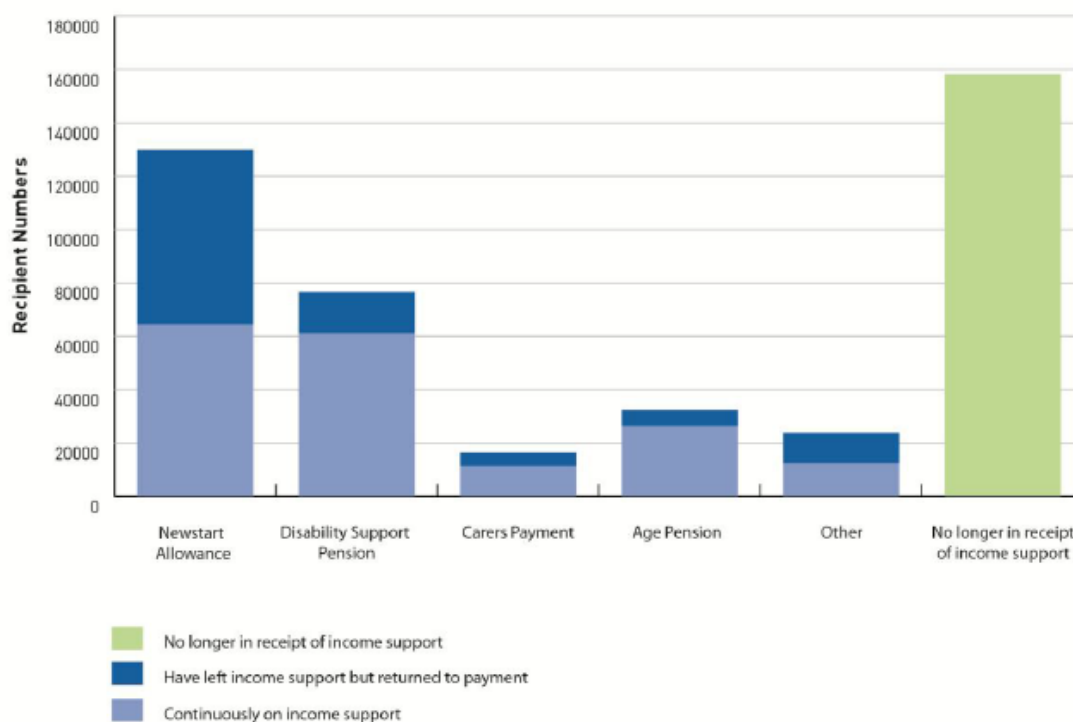
55 *Submission 38*, p. 70.

56 *Submission 38*, p. 74.

57 Ms Sandra Parker, Deputy Secretary, Department of Education, Employment and Workplace Relations, *Proof Estimates Committee Hansard*, 17 October 2012, p. 69.

58 Ms Sandra Parker, Deputy Secretary, Department of Education, Employment and Workplace Relations, *Proof Estimates Committee Hansard*, 17 October 2012, p. 70.

59 *Submission 38*, p. 68.



4.73 As illustrated above, a fair proportion of Newstart Allowance recipients in 2007 have remained on, or returned to, that payment (around 15 per cent). The Newstart allowance payment should be structured to recognise these practical realities and ensure that appropriate incentives to work remain – even as job seekers commence casual or part time work.

### ***Income test***

4.74 Newstart Allowance is designed to facilitate transition to full time work, and for this reason recipients can combine employment income and allowance income up to a point. The government advises that recipients 'are generally required to accept any suitable work, including casual or part time work, which is offered to them'.<sup>60</sup>

4.75 As discussed in Chapter 2, Newstart Allowance recipients may earn \$62 a fortnight before income support is impacted. If a person earns more than this amount per fortnight their payment gradually decreases.

4.76 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).<sup>61</sup>

<sup>60</sup> Submission 38, p. 75.

<sup>61</sup> Submission 38, p. 20.

4.77 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.<sup>62</sup>

4.78 Recipients can build up a 'working credit' if their total income is less than \$48 a fortnight (this figure has not been indexed since the scheme commenced in 2003). 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, until the credits are exhausted. However, a Newstart Allowance recipient can only build up a \$1000 worth of credit.<sup>63</sup> As a consequence, this credit cannot effectively be used for seasonal employment where an employee may work intensively for weeks or months, but not for the rest of the year.

4.79 If over a 13 week period a recipient's employment income is too high to receive an allowance payment, the Newstart Allowance eligibility is terminated.<sup>64</sup> If that individual subsequently became unemployed, they would need to meet the Newstart Allowance income and asset tests in order receive the allowance.

4.80 The committee received evidence from a range of witnesses and submitters which questioned whether the income free area and taper rates provide sufficient incentive for recipients to work.

### **Building incentives to take up casual, part time or seasonal work**

4.81 The committee heard that the taper rate was too high and the income free area was too low, and also that waiting periods associated with signing back onto Newstart acted as disincentives for Newstart recipients to take up employment in casual, insecure or seasonal roles.<sup>65</sup> This is problematic because part time and casual work is the starting point for many jobseekers as they transition to sustainable full time work.

4.82 During the Melbourne hearing, Major Paul Moulds from the Salvation Army, explained to the committee that incentives and support need to be in place to ensure that this first step is successful and the economic benefits are clear:

Some of them—and I speak from experience here—really struggle to make that first step into full-time employment simply because of the fear and the newness of it all, and I think that even that needs to be a well supported step. The more we can make that a positive and enriching experience which makes them say, 'I've got more disposable income—this is good for me,' the better things will be. It is that sort of mind shift. In many of the people we work with who come from a generation of not working, it is really changing that mindset so that they get that moment of saying, 'This is great,' and then the doors open. So we would certainly be supportive of—and maybe it is for that group, though I am not trying to differentiate here—a change to that

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62 *Submission 38*, p. 20.

63 *Submission 38*, p. 20.

64 *Submission 38*, p. 63.

65 See for example: Benevolent Society, *Submission 23*; Australian Council of Trade Unions, *Submission 62*.



provision which allows people to benefit more from that experience of work, even if it is casual or part-time.<sup>66</sup>

4.83 Major Moulds advised the committee that once a person has success in part time work 'their capacity to go on into further and full-time work is infinitely greater'.<sup>67</sup>

4.84 Mr Michael Livingstone, Jesuit Social Services, also emphasised to the committee the importance of casual and part time work, arguing that 'any type of engagement and involvement in the labour market is a positive step and something that we welcome'.<sup>68</sup> However, other issues can arise as a result of returning to casual and insecure work, such as subsequent unemployment and re-engagement with the income support system.<sup>69</sup> Jesuit Social Services observed that for some the difficulties associated with going back onto Newstart Allowance following retrenchment can act as a disincentive to pursue casual and insecure work in the first place. To protect against this, Ms Parnell reported to the committee that the system needs to have more flexibility so that:

[there] is no disincentive for people to be getting off benefits. Many of the people we see may have opportunities to be involved in the casual labour market and that may be the first part of that intermediary step. We would like to see is more flexibility around people getting on and off their benefits without disincentives.<sup>70</sup>

4.85 The Australian Council of Trade Unions submitted that the income free threshold is too low, particularly given the minimum wage and minimum number of hours work. During the hearing in Melbourne Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, explained to the committee:

We noted in our submission that the current level of \$31 per week is less than two hours of work at the national minimum wage. Most modern awards—they are minimum industrial instruments—have a minimum engagement period of three hours of work per week, so, if you were employed under an award, say, in the retail sector or the hospitality sector, you would need to be put on for a shift of at least three hours. Thereby, by working at all, you are automatically going over that free area and you are seeing your income support payment reduced. So we say that as a minimum it should be increased such that it is equal to at least three hours work at the

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66 Major Paul Mouds, Territorial Mission and Resource Director, Social, The Salvation Army, *Proof Committee Hansard*, 27 August 2012, p. 41.

67 Major Paul Mouds, Territorial Mission and Resource Director, Social, The Salvation Army, *Proof Committee Hansard*, 27 August 2012, p. 41.

68 Mr Michael Livingstone, Policy and Media Officer, Jesuit Social Services, *Proof Committee Hansard*, 27 August 2012, p. 31.

69 Mr Michael Livingstone, Policy and Media Officer, Jesuit Social Services, *Proof Committee Hansard* 27 August 2012, p. 31.

70 Ms Sally Parnell, Acting Chief Executive Officer, Jesuit Social Services, *Proof Committee Hansard* 27 August 2012, p. 31.

national minimum wage, so that people can do some work before their payment rate starts to be reduced.<sup>71</sup>

4.86 The National Employment Services Association advised the committee that any changes to taper rates will have flow on effects for payments to employment services providers. For example, if due to a change in taper rates a recipient who is working receives even \$1 in thirteen weeks from Newstart Allowance, this significantly reduces the income that the Job Services Provider receives. Ms Sally Sinclair, Chief Executive Officer, explained:

In Job Services Australia effectively you are paid primarily on outcomes and your outcomes are determined by the levels of withdrawal from income support. The more generous the taper rate is generally the harder it is to achieve the outcome and therefore to have the requisite investment in services. That is why we are saying that we believe the inquiry needs to look at those two systems in an integrated way to make sure that there are not unintended consequences of addressing some of the deficiencies in the payment system when it comes to the impact on employment services.<sup>72</sup>

4.87 The ACTU observed that to increase the income free area *and* raise Newstart by \$50 a week would result in an unintended consequence of some full time workers being eligible for Newstart Allowance.<sup>73</sup>

4.88 The process of returning to Newstart Allowance after a short term contract finishes may also provide a disincentive for applicants to work. This is because once they lose that job, they have to go through the process of signing back onto Newstart Allowance and often serve a waiting period (while they receive neither employment income or support income).

4.89 Ms Amelia Christie, Combined Pensioners and Superannuants Association Victoria agreed that the current taper rates did not 'create much of an incentive to take up short-term, insecure work'.<sup>74</sup> Dr Prins Ralston, Mission Australia, submitted that the current taper rates 'can create a barrier to employment', particularly in relation to 'short-term or insecure work' because of the 'waiting periods associated with going back to Newstart'.<sup>75</sup>

4.90 To avoid this, some job seekers will deliberately earn just under the full cut off point to ensure that if they lose their current employment they are still engaged

71 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, *Proof Committee Hansard*, 27 August 2012, p. 47. See also, Australian Council of Trade Unions, *Submission 62*, p. 3.

72 Ms Sally Sinclair, Chief Executive Officer, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, pp 54, 57.

73 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, *Proof Committee Hansard*, 27 August 2012, p. 47.

74 Ms Amelia Christie, Combined Pensioners and Superannuants Association NSW, *Proof Committee Hansard*, 27 August 2012, p. 16.

75 Dr Prins Ralston, Acting Chief Executive Officer, Mission Australia, *Proof Committee Hansard*, 27 August 2012, p. 7.

with the system and can revert immediately to the full rate of Newstart Allowance. The National Employment Services Association told the committee that:

We have heard people saying that sometimes there is a risk seen in going out and testing yourself in the labour market. When people actually get into work sometimes they will want to hang on, even by getting that dollar, because they are scared of the process of getting back in, which means that they are actually holding themselves back to avoid the potential risk of not qualifying to get back on again.<sup>76</sup>

4.91 Dr Susan Ryan called for the government to consider the return on investment that may accrue from raising the amount recipients can earn in paid work:

At the moment we understand that the limit on what you can earn and maintain Newstart is too low. Although we understand that there are cost implications for the federal budget, this is really a case where we would hope the longer term outcome would prevail. If that person can get some part-time work while they are looking for work, they are much more likely to find a job. We all know that. If you are in work it is easy to find another job. If you are completely out of work and cut off from everything, then your chances get worse and worse. So even though there would be a cost in lifting the amount that the part-time Newstart person is allowed to work, I am sure that the many economists you had coming before the committee would agree that the savings you had on getting that person back to full-time work possibly for another 20 years and therefore saving their superannuation, delaying the time they go onto age pension and all of would mean those budget benefits would be realised.<sup>77</sup>

4.92 In response to questioning by the committee, DEEWR has estimated that to increase the income free threshold to \$96 a fortnight for all Allowance recipients would cost \$220 million over four years.<sup>78</sup>

### ***Committee view***

4.93 The current income free threshold for Newstart Allowance recipients is too low, at less than three hours work a week at the minimum wage. Given that each casual or part time shift must be at least three hours, this means that jobseekers cannot work a shift a week and still receive the full rate of Newstart Allowance. For this to occur, the income free area would need to be increased by a modest \$34 to approximately \$96 per fortnight. The committee believes that by increasing the income free threshold for long term job seekers – those who face the most barriers to participation – this group will be better able to transition to full time work.

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76 Ms Sally Sinclair, Chief Executive Officer, National Employment Services Association, *Proof Committee Hansard* 27 August 2012, p. 57. See also, Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 20.

77 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 19.

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

4.94 DEEWR has advised that to increase the income free threshold to \$96 a fortnight for all Allowance recipients would cost \$220 million over four years.<sup>79</sup> This estimate is significantly less than the \$8 billion estimated cost of increasing the single rate of Allowances, outlined in Chapter 3.<sup>80</sup>

4.95 The committee also believes that job seekers are more likely to take up short term contract and casual employment if they know that once the contract ends or they again become unemployed through no fault of their own, they are able to quickly sign back onto Newstart Allowance. The committee heard that some recipients will refuse work short term full time work opportunities because of the mandatory waiting periods before they can sign back onto Newstart Allowance. Efforts should be made to remove this disincentive. This initiative would also enable the government to track how regularly people are coming back onto Newstart in a 12 month time period.

4.96 The committee accepts that any decision to increase taper rates must also take into account the impact this will have on JSA funding and eligibility for Newstart Allowance. The committee acknowledges the concerns expressed by Employment Services providers that contractual earnings will decrease if the income free threshold is raised. However, the committee is also mindful that if the income free threshold is increased then JSA contractors may in fact earn more as recipients are more likely to go off Newstart altogether if they have the security of knowing they can sign back on within 12 months. These interests would need to be carefully balanced by the government.

#### **Recommendation 4**

**4.97 The committee recommends that the government identify savings in the existing social security expenditure to increase the income free threshold for long term Newstart Allowance recipients to 6 hours work per fortnight at the minimum wage.**

#### **Recommendation 5**

**4.98 The committee recommends that the working credit for Newstart recipients be increased from \$1000 to the equivalent of three months' work at the minimum wage.**

#### **Recommendation 6**

**4.99 The committee recommends that the government reform its processes to enable departing Newstart recipients to remain active on departmental systems for one year after they cease receiving payment.**

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

80 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 24 October 2012). See paragraphs 3.74 – 3.82 of Chapter 3 for detail.

## **Simplification of the allowance payment system**

4.100 The committee heard that the current system is very complex and many job seekers struggle to understand what is required of them and what support is available. For this reason it is not always clear to jobseekers what the incentives are to work. Ms Annette Gill, National Employment Services Association, described the type of information that jobseekers need:

You need to be able to work out the benefit of work—being able to work out how you will be better off in work by being able to put together everything you have and how it would be different if you were in a job, and being able to calculate a taper rate. Our providers are used to the system, but even for them to try to work through where a person would be in terms of income reduction with partial employment is highly challenging. Consumers cannot do that on their own.<sup>81</sup>

4.101 Unfortunately this information is not easily available to jobseekers, particularly for those who are engaged in part time work and in receipt of Newstart Allowance. As a consequence, the economic benefit of work is not always clear to people.

4.102 Ms Annette Gill, Policy Manager, National Employment Services Association, referred the committee to a facility in the United Kingdom that provides clear and accurate information to applicants about the impact of work on their payments:

[The] UK in particular used to have a very good ability for the employment service providers to say, 'If you take this job which is offering 20 hours a week, this is where you will be in terms of your income support. You can see where you are better off in work.' Now with partial employment—and given its prevalence in Australia—we cannot do that clearly to people. We know that they can work two hours and that they start to reduce the money. That is a disincentive for those transitional pathways.<sup>82</sup>

### ***Committee view***

4.103 The allowance payment system is too complex. The committee has received evidence of the difficulties that recipients and their advocates have encountered as they attempt to navigate the web of entitlements, exclusions and supplements. Indeed the committee itself has struggled at time to comprehend the material presented to it by the government.

4.104 The committee believes that the allowance payment system can, and should, be simplified and streamlined. This reform would benefit both applicants and their service providers, and be a much need efficiency and cost saving measure. In the

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81 Ms Annette Gill, Policy Manager, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, p. 60.

82 Ms Annette Gill, Policy Manager, National Employment Services Association, *Proof Committee Hansard*, 27 August 2012, p. 53.

meantime, the government needs to better communicate the financial benefits of working to recipients.

## **Recommendation 7**

**4.105 The committee recommends that the government assess the viability of creating an online calculator for Newstart and other recipients to enable jobseekers to easily calculate the costs and benefits of work, and the impact of work on allowances and other payments.**

## **Conclusion**

4.106 Throughout this inquiry the committee has heard from witnesses how important work is to an individual and to families. In addition to the obvious financial and economic benefits, work also builds up confidence and skills, and entrenches dignity and a sense of wellbeing. Parents who work are more likely to have children who will successfully participate in the labour market as adults, and in so doing break the cycle of intergenerational unemployment.<sup>83</sup>

4.107 Higher workplace participation also benefits Australian society. Work contributes to tax revenues, and with an aging workforce, ensures that spending on health and education, and the aged pension, remain adequate.<sup>84</sup>

4.108 When individuals remain unemployed for long periods of time the consequences for that person are dire. The individual will lose skills and capabilities, will become detached from the workforce, whittle away savings and fail to contribute to superannuation. Widespread unemployment brings about significantly reduced taxation revenue and greatly increased expenditure on income support payments such as Newstart Allowance. The children of long term unemployed people are more likely themselves to become dependent on income support payments.<sup>85</sup>

4.109 The committee agrees that 'the best way that a person can keep their attachment to the workforce while they look for a full-time job is doing part-time work'.<sup>86</sup> To this end the committee has made a number of recommendations to create further incentives for Newstart Allowance recipients to undertake part time and casual work. The committee has also considered the particular needs of carers who are re-entering the workforce after a period of caring, and the particular challenges faced by mature age workers.

4.110 Witnesses and submitters to this inquiry have identified a number of other areas where reforms could be made, and new policies initiated, particularly in relation to adequacy. However for the committee to make such recommendations would be fiscally irresponsible in the current economic climate.

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83 Joint Agency, *Submission 38*, p. 32.

84 Joint Agency, *Submission 38*, p. 32.

85 Joint Agency, *Submission 38*, p. 32.

86 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 19.

4.111 Throughout this inquiry the committee has been reminded of the singular importance of employment. It is the view of the committee that the attention and effort of policy makers should be focused on equipping and assisting job seekers to find jobs, rather than increasing financial incentives that will result in jobseekers languishing on income support payments for generations to come.

**Senator Chris Back**

**Chair**





# GOVERNMENT SENATORS' ADDITIONAL COMMENTS

1.1 Labor senators support the seven recommendations made by the committee. These additional comments elaborate further on Labor senators' views.

## **Labor government investment in skills and education**

### *Policies to support jobs and job seekers*

1.2 Since 2007 the Labor government reformed job support services to ensure that job seekers receive adequate support and participate in activities and develop skills that will assist them to find work and sustainable employment.<sup>1</sup>

1.3 Job Services Australia (JSA) is the employment services system administered by the Department of Education, Employment and Workplace Relations (DEEWR). Over the past three years the Labor government has invested \$4.5 million in assisting job seekers find work. During this period more than 1.2 million job placements have been made (39 per cent of which have been for disadvantaged job seekers in streams 3 and 4).<sup>2</sup>

1.4 Over March 2011–March 2012 nearly 50 per cent of all job seekers who received assistance from JSA were employed within three months of obtaining assistance – 41 per cent in full time employment.<sup>3</sup> The table below illustrates this success rate<sup>4</sup>:

	Employed			Unemployed	Not in the labour force
	Full-time	Part-time	Total		
Newstart Allowance	20.7%	27.3%	48.0%	36.0%	16.0%
All job seekers	20.2%	28.8%	49.0%	34.8%	16.2%

Note: the income support types refer to the job seekers' income support type at the commencement of assistance.

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1 Joint Agencies, *Submission 38*, p. 9. (Submitters are 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).

2 Joint Agencies, *Submission 38*, p. 71.

3 Joint Agencies, *Submission 38*, p. 71.

4 Joint Agencies, *Submission 38*, p. 71.

1.5 Disability Employment Services (DES) is the primary employment program to assist people with a disability. As the support provided by DES is uncapped, every eligible job seeker may have immediate and ongoing access to job support services.<sup>5</sup>

1.6 The DES program has also experienced success. Since DES was implemented in March 2010, more than 102,000 job seekers have obtained employment.<sup>6</sup> More than a third of participants assisted by DES over March 2011–March 2012 were employed within 12 months, of which 26 per cent obtained full time employment, as the table below illustrates.<sup>7</sup>

DES	Employed			Unemployed	Not in the labour force
	Full-time	Part-time	Total		
Newstart Allowance	11.1%	26.3%	37.3%	36.4%	26.3%
All job seekers	9.8%	28.1%	37.9%	35.6%	26.5%

Note: the income support types refer to the job seekers' income support type at the commencement of employment assistance.

1.7 The successful job placement outcomes obtained by JSA and DES are more cost effective than the previous services established by the Howard government. The Joint Agency submission explained that:

For 2010–11, each employment outcome in Streams 1-3 was achieved at an average cost of \$2,332 (this equates to approximately 9.5 weeks of Newstart Allowance) and \$8,524 for Stream 4 (17.5 weeks of Newstart Allowance). For Job Network, which assisted a similar cohort of job seekers to those assisted in Streams 1-3 under JSA it reported a higher cost per employment outcome of \$3,933 for 2008–09. Similarly, the former Personal Support Programme (PSP) assisted the most disadvantaged job seekers, a comparable cohort of job seekers those now serviced in Stream 4. The estimated average cost per employment outcomes under PSP was \$11,503.<sup>8</sup>

1.8 In addition to the support provided by DES and JSA, the Labor government has also developed a number of initiatives to support jobseekers as they look for work. For example:

- Through the Harvest Labour Services program job service providers collect vacancies in harvest labour and provide workers to the employer.

5 Joint Agencies, *Submission 38*, p. 137.

6 Joint Agencies, *Submission 38*, p. 138.

7 Joint Agencies, *Submission 38*, p. 72.

8 Joint Agencies, *Submission 38*, p. 72.

- The New Enterprise Incentive Scheme program provides assistance to up to 6300 eligible job seekers who want to start up and run a small business. Support includes accredited small business training, business advice and mentoring, as well as income support for up to a year.
- The Wage Connect program is designed to find sustainable and ongoing employment for jobseekers who have been unemployed for more than 2 years. Employers who employ a job seeker through this scheme may offset some of the costs associated with wages and training in the first six months that the person is employed. This subsidy is around \$5900 for each job placement.
- Connecting People with Jobs is a government initiative to promote labour mobility across Australia. The \$29.2 million program provides up to \$9000 to 4000 unemployed jobseekers who move for work.<sup>9</sup>

1.9 The Labor government has invested heavily in additional support to jobseekers – on top of allowance payments and JSA. For example, in the 2012–13 budget the government announced new measures such as:

- \$225 million to improve child care assistance so that unemployed parents can obtain training and skills to enter or return to work
- A new supplementary annual allowance, to assist recipients meet unexpected cost of living expenses (\$210 for singles and \$175 for members of couple).<sup>10</sup>

1.10 Other Labor government policy initiatives that support jobs and grow the productive capacity of the economy include:

- tripling the tax-free threshold, increasing the returns from work for low and middle income earners;
- significant new investment to lift the overall educational achievement and skill level of the community to meet the labour market needs of the future, including a new national entitlement which will ensure that everyone who wants training can get it, with expanded access to HECS-style income contingent loans;
- support to help job seekers adapt to an economy in transition through reforms to the national training system and delivering the most effective employment services possible;
- intensive support for mature aged job seekers through a new Mature Age Participation Job Seeker Assistance Package, announced in Budget 2012–13 and funded to commence from 1 January 2013, to provide job seekers aged over 55 with more intensive job seeker assistance including

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9 Joint Agencies, *Submission 38*, p. 137.

10 Joint Agencies, *Submission 38*, p. 10.

refresher training in information technology, skills reviews and peer support;

- targeted labour market programs in areas of high unemployment including the Priority Employment Area program, introduced as a response to the GFC and continuing to June 2013, which identifies and implements locally relevant employment development initiatives in 20 areas experiencing the most acute rates of unemployment or vulnerable to unemployment due to their location, demographics or industry structure and economic circumstances;
- additional services for jobless families through a trial of new approaches to tackling entrenched disadvantage and roadblocks to work in 10 locations (Kwinana (WA); Playford (SA); Hume and Greater Shepparton (Vic); Burnie (Tas); Bankstown, Shellharbour and Wyong (NSW) and Logan and Rockhampton (Qld)); and
- investing around \$3.4 billion over ten years to work in partnership with Aboriginal people and the Northern Territory Government to continue efforts to close the gap in Indigenous disadvantage through the Remote Jobs and Communities Program, announced in Budget 2012–13 and commencing from July 2013, which will deliver important reforms including integration of community development, economic development and employment initiatives and stronger job seeker support.<sup>11</sup>

### **Labor government reforms to the aged pension**

1.11 Following the findings of the Harmer Pension Review of 2009, the Labor government implemented the \$14.2 billion Secure and Sustainable Pensions package in the 2009–2010 budget.<sup>12</sup> A significant measure was the increase of the single rate pension rate to approximately two thirds of the partnered pension rate. This ensures that that single pensioners can maintain a comparative standard of living as partnered pensioners.<sup>13</sup> Other measures included new indexing arrangements and cost of living benchmarks (which are used to determine future increases to the pension).

1.12 However, no such reforms have been set for Newstart recipients who did not enjoy the same indexing or bench marking arrangements, and in the case of single recipients of Newstart Allowance, only receive 55 per cent of the partnered rate.

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11 Joint Agencies, *Submission 38*, p. 10.

12 Dr Jeff Harmer, *Pension Review Report*, February 2009. Available online: <http://www.fahcsia.gov.au/about-fahcsia/publications-articles/corporate-publications/budget-and-additional-estimates-statements/pension-review-report> (accessed 14 November 2012). For more information about the 2009-2010 budget pension reforms see: [http://www.budget.gov.au/2009-10/content/glossy/pension/html/pensions\\_overview\\_01.htm](http://www.budget.gov.au/2009-10/content/glossy/pension/html/pensions_overview_01.htm) (accessed 14 November 2012).

13 Joint Agencies, *Submission 38*, p. 100.

## Newstart Allowance

### *Payment rate*

1.13 As well as helping people in immediate need, designing an adequate allowance payment system is also about recognising that in spite of the best intentions and efforts, policies and services, unemployment will always exist. People will always lose their jobs. Some will find new jobs quickly, others will take longer and need assistance. No Australian government has achieved or even promised zero unemployment—no government could. Social security is a safety net for all Australians, not only the ones currently reliant on government assistance.

1.14 Labor senators took note of and were impressed with the quality of evidence presented on the inadequacy of Newstart Allowance throughout this inquiry. Multiple respected welfare groups and professionals with extensive experience in the social security field presented the committee with a clear, well-argued message which could not be ignored: the real value of Newstart Allowance has receded so significantly that it is exacerbating poverty and becoming an impediment to employment for many.

1.15 The Benevolent Society, as one example, provided a succinct explanation of how unemployment can be difficult to overcome, pointing out that while the majority of people who lose their jobs remain unemployed for under one year, approximately 19 per cent are classified as long-term unemployed, and half of them remain unemployed for two years or more.<sup>14</sup> There are many and multifaceted reasons for long-term unemployment:

Those who are unemployed for more than a year find it increasingly difficult to find work and are 50% more likely to remain unemployed for a further year. Low education levels are a contributory factor, as almost half of those who are long-term unemployed did not complete secondary school. Other barriers faced by this group, as reported by the Australian Bureau of Statistics (ABS), include ill health and disability; lack of skills and education; not enough or not recent enough work experience; age discrimination against older workers; and, simply, too many applicants for each available job. Older people, people with disabilities and Aboriginal and Torres Strait Islander peoples are overrepresented amongst the long-term unemployed.<sup>15</sup>

1.16 It is also not helpful to start with the assumption that people who are long-term unemployed do not want to work, and can somehow be 'encouraged' to work by being driven into poverty. This, the Benevolent Society said, is not the case for the vast majority of people in this difficult and complex situation:

There is no reliable evidence that people who are in receipt of allowances do not want to work, as appears to be implied by the term 'incentive into work'. On the contrary, the low level of payment, combined with the extremely low income test free area and stringent participation

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14 The Benevolent Society, *Submission 23*, p. 9.

15 The Benevolent Society, *Submission 23*, pp 9–10.

requirements, are frequently a hindrance to an individual's attempts to find work.<sup>16</sup>

1.17 While Labor senators maintain that keeping social security payments below minimum wage is an important lever to incentivise people to work, there must be limits to how low payments are allowed to fall. If payments are so low that welfare agencies and social security experts tell us that being reliant on Newstart Allowance actually impedes people's ability to gain employment, then this is counterproductive to the very objective of the allowance payment, which is to support people temporarily as they transition into paid employment. Labor senators support the policy objective of Newstart Allowance as a transitional payment, but draw attention to the fact that, for a proportion of recipients, Newstart Allowance has become a long-term support payment.<sup>17</sup>

1.18 Labor senators lend their in-principle support to an increase in Newstart Allowance, and note that many in the welfare sector advocate an increase of \$50 per week, as explained in the committee report.

1.19 Such an increase would ensure that the same ratio is applied between single and partnered payment rates for Newstart Allowance as for pensions, as advocated by the authors of the Australia's Future Tax System report (the Henry Tax Review).<sup>18</sup> It would also restore the allowance to the same proportion of the minimum wage as in 1996, and the same proportion of average wages as in 2002.<sup>19</sup>

The Henry Report [Australia's Future Tax System Final Report] therefore recommended that the formula applied by the Harmer Report to pensions – a single rate equal to 66.3% of the combined partnered rate – should apply to Allowance payments. Currently, that would require an increase of approximately \$50 per week in the single rate of the relevant Allowance payments. It also recommended that allowance payments be indexed in similar fashion to pensions to prevent the payment gap from growing further. That implies indexation of allowances to a measure of wages as well as the CPI [Consumer Price Index], though the Report did not specify exactly how this should be done.<sup>20</sup>

1.20 Labor senators agree that a more consistent approach to payment relativities within allowance and pension payment categories is desirable. The committee did not conduct an in-depth analysis of methods of achieving this consistency and Labor senators agree that it is difficult to assess what the quantum of an increase should be given the different supplementary payments that individuals and couples may receive

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16 The Benevolent Society, *Submission 23*, p. 9.

17 For example, for Principal Carer Parents: National Council of Single Mothers and their Children, *Submission 55*.

18 See Recommendation 83, Australia's Future Tax System, Chapter 12, available at: [http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/FinalReport\\_Part\\_1/chapter\\_12.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/papers/FinalReport_Part_1/chapter_12.htm) (accessed 23 November 2012).

19 Australian Council of Trade Unions, *Submission 62*, p. 3.

20 Australian Council of Social Service, *Submission 64*, p. 22.

depending on their particular circumstances. Nevertheless, Labor senators believe that Newstart Allowance Single should be promptly increased, while more detailed assessments are conducted.

### ***Indexing***

1.21 Labor senators agree with the premise that Newstart Allowance should be set below the minimum wage to ensure that adequate incentives to work are built into the payment system. However, as pointed out in the committee report, evidence suggests that each year Newstart Allowance decreases in real terms due to inflation and cost of living pressures.

1.22 The committee report outlined the key differences in how allowances and pensions are adjusted to ensure that their buying power is not lost over the years. Whereas Newstart Allowance is indexed to the Consumer Price Index (CPI) and therefore does not rise automatically in real terms, the Disability Support Pension is maintained at a fixed proportion of, and therefore moves with, male total average weekly earnings (MTAWE). Clearly, many submitters and witnesses before the committee were of the view that reforms were needed to indexing arrangements for Newstart Allowance. As put by the Australian Council of Trade Unions (ACTU):

The adequacy of an income support payment should be defined with reference to the standard of living generally prevailing in the community, and thus the payment rate should rise in line with community standards. The current indexation arrangements for Newstart Allowance do not satisfy this test. Because real wages are growing over time, Newstart Allowance will fall further behind community standards and behind the DSP unless the indexation arrangements are changed.<sup>21</sup>

1.23 The Australian Council of Social Service (ACOSS) explained the impact of the different indexing arrangements for allowances such as Newstart:

Due to the different indexation arrangements for pensions and allowances, the gap between the single pension and Newstart Allowance payments rose from \$55 per week in September 2008 to \$133 per week today. On current trends, by 2040 the single Newstart rate will be just half that of the pension.<sup>22</sup>

1.24 Labor senators believe that the question of indexing is a serious matter worthy of further exploration and analysis. It is highly likely that, without changes to the indexing arrangements for Newstart Allowance, the real value of the payment will again fall over time despite any increase applied today, necessitating further increases down the track.

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21 Australian Council of Trade Unions, *Submission 62*, p. 34.

22 Australian Council of Social Service, *Submission 64*, p. 6.

### ***Changing nature of the labour market***

1.25 The committee report provides an overview of the changing nature of the labour market, with a particular focus on the increase in part time, casual and insecure work.<sup>23</sup>

1.26 The proportion of workers who are employed part-time (rather than full time) has increased since 1982. For example, in 1982 only 16.3 per cent of employment was part-time, thirty years later this has increased to 29.7 per cent in 2012.<sup>24</sup> Some workers are also returning to Newstart Allowance after finding employment and others are remaining on Newstart Allowance for years. For example, since 2007 around 15 per cent of recipients at that time have remained on, or returned to, Newstart Allowance.

1.27 It is important that Newstart Allowance is structured to recognise these practical realities and that appropriate work incentives and support are present as job seekers commence casual and part time work.<sup>25</sup> The recommendations contained in the committee report go some way to addressing these concerns. However Labor senators believe that more needs to be done to support people as they return to work. In particular, recommendation 4 in the committee report should be expanded to include all Newstart Allowance recipients (including principal carer parents) and the income free threshold should be increased to the equivalent of 8 hours work per a fortnight at the minimum wage.

### ***Time for review***

1.28 The McClure Review on welfare in Australia was provided to the government in August 2000, and substantial reforms were initiated.<sup>26</sup> Throughout this inquiry the committee has heard that it is timely to revisit the fundamentals of the allowance payment system and conduct a fresh review.

1.29 For example, the Australian Council of Social Services submitted that 'the system of social security payments and employment supports for people of working age be independently reviewed'.<sup>27</sup> ACOSS advised that the terms of reference of the review should include:

- recent labour market trends and future employment prospects for people on working-age income support payments
- trends in reliance on income support including the current and likely future profiles of people on social security

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23 See Chapters 2 and 4. See also, for example, Australian Council of Trade Unions, *Submission* 62; The Australian Institute, *Submission* 28, p. 4.

24 *Submission* 38, p. 40.

25 *Submission* 38, p. 68.

26 Australian Government Reference Group on Welfare Reform, *Participation support for a more equitable society*, 2000 (Commonly referred to as the 'McClure Report', named after the Deputy Chair of that committee, Mr Patrick McClure). See further, Australian Council of Social Service, *Submission* 64, p. 8.

27 Australian Council of Social Service, *Submission* 64, p. 9.



- the adequacy, targeting and employment effects of income support payments for people of working age, and options for reform to facilitate transitions to employment, improve fairness and simplify the system
- the effectiveness of employment services for disadvantaged jobseekers (Job Services Australia and disability employment services), including how these might be better integrated with vocational training, work experience, and social support services.<sup>28</sup>

1.30 Support for a review also came from the Australian Council of Trade Unions, who called for the review to focus on:

- Current trends in the labour market, including insecure employment, and the implications of these trends for the income support system.
- The movement towards a common base payment for people of working age, with supplements for people who face additional costs or barriers, such as those associated with disability or caring responsibilities.
- The appropriate level of income for allowances to be withdrawn completely, as well as the taper rates and thresholds that apply as the allowance is withdrawn.
- The operation of a range of technical and administrative aspects of the allowance system, outlined in detail in this submission.
- The operation of the Job Services Australia system, including the efficacy of the structure of payments to providers and the interactions between JSA agencies and other aspects of the income support system.<sup>29</sup>

1.31 General support for a review was offered by a number of other submitters.<sup>30</sup>

## Conclusion

1.32 While the recommendations in the committee's report go some way to address the immediate concerns of Labor Senators, it is plain that Newstart Allowance is too low, particularly for single recipients. For this reason Newstart Allowance Single should be increased, taking into account other potential increases consequential to recommendations made in the committee's report. Labor Senators believe that indexing arrangements for Newstart Allowance need to be reviewed, with consideration given to whether, like pensions, the payment should not decrease in real terms each year.

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28 Australian Council of Social Service, *Submission 64*, p. 11. These terms of reference were endorsed by a number of organisations, for example, UnitingCare Australia, *Submission 66*, p. 9; Anglicare Australia, *Submission 70*, p. iii.

29 The Australian Council of Trade Unions, *Submission 62*, p. 3.

30 See for example, National Welfare Rights Network, *Submission 68*, p. 3–4; Brotherhood of St Lawrence, *Submission 65*, p. 4; Professor Andrew Podger, *Submission 60*, pp 1–2; Business Council of Australia, *Submission 46*, p. 1 (*Note: The BCA calls for a review into income support payments as part of a review of taxation arrangements*).

1.33 Labor senators note that recommendations 4, 5 and 6 in the committee report are targeted at increasing incentives for Newstart recipients to engage with the workforce as they transition away from the payment. These recommendations are a good beginning. However Labor senators believe that it is more appropriate that the income free threshold for all Newstart Allowance recipients should be increased to the equivalent of 8 hours per fortnight at the minimum wage.

1.34 Twelve years on from the McClure Review, it is timely to conduct another comprehensive review, with a particular focus on Allowance payments. Such a review should consider indexing arrangements, adequate payment rates, participation requirements, incentives and support to work, supplements such as rent assistance, job support services (including the Job Services Australia incentives framework for providers) and the changing nature of the labour market. The review should also consider how tailored assistance can be better provided to people who face particular barriers to employment. For example: young people, sole parents, people with a partial capacity to work and people who have been unemployed for more than a year.

#### **Recommendation**

**1.35 Labor senators recommend that the government increase Newstart Allowance Single, taking into account the relationship to the base rate and other payment design changes recommended by the committee.**

#### **Recommendation**

**1.36 Labor senators recommend that the government review the indexing arrangements for Newstart Allowance and other Allowance payments.**

#### **Recommendation**

**1.37 Labor senators recommend that the government increases the income free threshold for Newstart Allowance recipients to the equivalent of 8 hours work per fortnight at the minimum wage.**

#### **Recommendation**

**1.38 Labor senators recommend that the government commission a comprehensive review of Newstart Allowance and other allowance payments.**

**Senator Gavin Marshall**  
**Deputy Chair**

**Senator Alex Gallacher**

# AUSTRALIAN GREENS

## ADDITIONAL COMMENTS

1.1 The Australian Greens welcome the primary finding in the majority report that current rates of Newstart are inadequate.

1.2 On the weight of evidence presented by 78 submitters, the majority committee report has questioned, 'whether Newstart Allowance provides recipients a standard of living that is acceptable in the Australian context for anything but the shortest period of time.'<sup>1</sup>

1.3 As the committee, 'agrees that Newstart Allowance does not allow people to live at an acceptable standard in the long term'<sup>2</sup> and references the extensive body of significant evidence which demonstrated inadequacy, these additional comments will not cover that evidence any further.

1.4 However, these additional comments are necessary, because despite questioning the adequacy of the payment, the majority report fails to follow through with a comprehensive package of recommendations to government such as increasing Newstart and other allowances, applying appropriate indexation, and improving job services, even though this was the preferred outcome for many submitters.

1.5 The Australian Greens are particularly disappointed with the majority report, because the committee has perceived the resolution to inadequacy to be a choice between:

[One] of two possible solutions... either Newstart Allowance should be increased to raise the standard of living available to recipients, or more careful thought needs to be applied to how best to ensure that people spend as little time as possible on welfare between jobs.<sup>3</sup>

1.6 The committee was not 'forced' to take this approach. It has demonstrated a lack of will to find appropriate and sufficient solutions to resolve the clearly demonstrated inadequacy of the payment.

1.7 The focus on moving people off allowance payments as quickly as possible also seems inconsistent with the assertion in the majority report that, 'since the 2006 *Welfare to Work* reforms, Newstart has shifted from a payment designed only for people who have the capacity to work full time to also support people who have less capacity to work due to caring responsibilities or a disability.'<sup>4</sup>

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1 Majority Report, p. 50.

2 Majority Report, p. 54.

3 Majority Report, p. 50.

4 Majority Report, p. 70.

1.8 Rather than tackling the reality presented by the Australian Council of Social Service (ACOSS) that currently 62 per cent of Newstart recipients have durations of more than a year on the payment<sup>5</sup>, the recommendations by the majority report are primarily set around a superficial analysis of budgetary constraints.

1.9 We strongly disagree with this budget analysis and question the priorities of any Government that cannot find the necessary revenue to implement a \$50 a week increase, while still continuing to give highly profitable multi-national mining companies multi-billion dollar subsidies.

1.10 The Australian Greens also note that there are a number of disguised costs associated with poverty, that impact on a range of other budget areas, from health to the services provided by a range of non-government organisations, and a true costing should also factor in interaction with the justice system, lower educational outcomes and lost productivity. For example, the Aged Discrimination Commissioner highlighted a report which demonstrated that if the workforce participation of people over 60 was increase by just 3% the benefit to the Australian economy would be \$48 billion a year.<sup>6</sup>

1.11 There is also insufficient modelling to effectively measure the costs and benefits of lifting the Newstart payment including the intergenerational benefits of a reduction in the number of children living in poverty. Similarly, there is no assessment of how social security and health expenditure might be reduced if fewer people were entrenched in poverty.

1.12 In the view of the Australian Greens, inadequacy of the payment can only be effectively tackled by an appropriate increase to the current payment rates. A fair and equitable system would lift the payment rates by \$50 per week for Newstart Allowance Single, and adjust all other allowance payments in proportion to the single rate, as recommended by a majority of submitters to the inquiry – including peak bodies such as ACOSS, service providers such as Anglicare and the Business Council of Australia.<sup>7</sup>

1.13 More appropriate indexation is also crucial to ensuring that the purchasing power of the payment does not continue to decline, as it has over the past 8 years, according to evidence provided by ACOSS.<sup>8</sup>

1.14 The majority committee report notes that such a change can be addressed easily through the application of government policy, yet fails to address this as a recommendation.<sup>9</sup> Given that the indexing pensions at a different rate to allowances is

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5 Australian Council of Social Service, *Submission 64*, p.8.

6 Dr Susan Ryan, Age Discrimination Commissioner, Australian Human Rights Commission, *Proof Committee Hansard*, 24 October 2012, p. 20.

7 See for example, Anglicare Australia, *Submission 70*; Business Council of Australia, *Submission 46*; Australian Council of Social Service, *Submission 64*.

8 Australian Council of Social Service, *Submission 64*, p. 6.

9 Majority Report, p. 51.

causing the two payment types to diverge significantly over time, it would be ideal to index allowance payments according to a method that is identical to that which is applied to pensions.

1.15 In the view of the Australian Greens, this remains a core measure that is required to ensure any increases to the base rate are retained into the future, and should have been formally recommended by the majority report, irrespective of the specific policy mechanism which is required to revise the indexation methodology.

### **Recommendation 1**

**1.16 The Australian Greens recommend that the government increase the single rate of New Start Allowance by \$50 a week.**

### **Recommendation 2**

**1.17 The Australian Greens recommend that the government apply proportional increases to all other allowance payments.**

### **Recommendation 3**

**1.18 The Australian Greens recommend that the government index all allowances by the higher of the Consumer Price Index and Male Average Weekly Total Earnings.**

1.19 It is the view of the Australian Greens that these three recommendations are necessary to fully alleviate the current inadequacy of the allowance payments but should be considered alongside programs that deliver targeted job seeker services and facilitate secure, on-going employment.

### **Responding to the inclusion of the Joint Agency Submission's arguments against inadequacy**

1.20 Although the majority report does ultimately concluded that the payment is inadequate, there are two attempts to blunt that central finding in favour of inadequacy – by casting doubt over the capacity of policy makers to judge adequacy and by implying that other government programs and payments are currently offsetting the inadequacy of the base payment.

1.21 Both arguments are drawn from the joint agency submission<sup>10</sup>, and are discussed in the majority committee report.<sup>11</sup> The inclusion of these arguments may be intended to dull the overwhelming number of arguments that point to inadequacy made by other submitters, but such arguments simply cannot disguise the stark reality that the single rate of Newstart is now less than 45 per cent of minimum wage, and \$130 per week below the poverty line or that it is declining in real terms, while cost of

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10 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, p. 96.

11 Majority Report, pp 43–45.

living pressures, particularly relating to energy, food, transport and housing, are increasing.

1.22 The joint agency submission runs an argument that adequacy is a subjective claim that is difficult to measure.<sup>12</sup> This seems an entirely inappropriate argument to be made by government agencies that have often sought to measure their success in areas of social inclusion and poverty. While it is true that over time more nuanced methods such as a measure of multiple deprivations have replaced absolute concepts such as the poverty line as a more appropriate tool for assessing the impact of poverty, this collective shift in policy thinking away from absolute mechanisms does not mean that appropriate measures of capacity and inclusion, and hence adequacy, cannot be found.

1.23 A broad and robust international framework for policy making that takes a capabilities approach has already been well-established, and it is this subjective approach to health and wellbeing that underpins significant international poverty eradication programs such as the Millennium Development Goals.

1.24 Evidence presented to this inquiry clearly demonstrates that capabilities such as the ability to secure appropriate housing; maintain adequate nutrition; and participate in the labour market are significantly diminished by long periods spent on Newstart.

1.25 The impact of sustained poverty is also measurable. Many of the submissions document that poverty has tangible impacts in the form of hunger, psychological impacts, and homelessness, and have clearly demonstrated how these impacts further entrench people in a cycle of poverty.

1.26 The second obscuring aspect that warrants mentioning is the multiple references to the idea that the government provides a package of supports that offsets the inadequacy of the base payment. It is particularly troubling that the graphs found in the majority report compare the income of families to the minimum wage obtained by a single individual working full time.<sup>13</sup>

1.27 There appears to be some confusion on this point, as for example in *Submission 54*. It is important to reiterate the point that current programs such as Family Tax Benefit and Rent Assistance are also extended to families living on the minimum wage. Upon request, the Department produced additional materials that clearly demonstrate this.<sup>14</sup> Yet the graphs that have been transferred through to the final report are still not adequate as a tool for comparing the budgets of families on allowance payments with those receiving the minimum wage.

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

13 Majority Report, p. 44.

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

1.28 Furthermore, while there is clearly a package of supports available from the government that does modestly supplement the income of allowance recipients, particularly families, this still has not been demonstrated to sufficiently lift those families, particularly single parent families, out of poverty. In fact, other submitters such as Anglicare and ACOSS have presented evidence that clearly demonstrates the extent to which families living on Newstart experience poverty, even with the current suite of additional payments.

1.29 Hence, the Australian Greens remain unconvinced by the arguments provided by the Joint Agency Submission that other government policies are sufficient to offset the inadequacy of the base-payment of Newstart and other allowances. Coupled with the recent legislation to shift single parents off the higher Parenting Payment onto Newstart, once their youngest child turns eight, lifting people out of poverty does not seem to be as important as achieving a budget surplus.

1.30 In conclusion, neither of these arguments from the majority committee report significantly alter the central finding that Newstart is simply too low. Therefore, it is extremely disappointing that the majority report does not follow through with an appropriate recommendation to directly tackle its initial finding of inadequacy.

### **Response to the Majority Report Recommendations**

1.31 The Australian Greens acknowledge that the majority committee report has identified some of the key challenges faced by people who are living on allowance payments for more than a very short period of time.

1.32 In particular, the majority committee report has done a good job of recognising the specific needs of unemployed older workers, and of carers who are transitioning into the workforce. The duration of time that older workers spend on Newstart, and the impact that this has on that cohort, is of significant concern to the Australian Greens and we are glad this was covered well in the majority report.

1.33 None-the-less, we are concerned that the report has not given a comprehensive picture of the specific challenges that many long term Newstart recipients face, apart from asserting that, 'since the 2006 *Welfare to Work* reforms, Newstart has shifted from a payment designed only for people who have the capacity to work full time to also support people who have less capacity to work due to caring responsibilities or a disability.'<sup>15</sup>

1.34 Evidence given to the committee demonstrated that long term Newstart recipients are likely to be older workers, to have a partial disability or mental illness, to face communication or language barriers or lack marketable skills and have low level of formal education.

1.35 An excellent overview of the challenges faced by Newstart recipients is provided by ACOSS's 2011 paper, *Beyond Stereotypes: Myths and Facts About Social Security Recipients of Working Age*. This paper presents data provided by DEEWR through Estimates, and reports that:

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15 Majority Report, p. 70.

- One in two have not completed year 12
- One in three is aged over 45
- One in seven has a disability that means they can only work part-time
- One in ten is indigenous
- One in fifteen is a sole parent

1.36 Programs that help overcome these barriers to work are necessary and need to be addressed in the recommendations. However, the majority committee report has failed to demonstrate how specialised services would deal with the multiple barriers to work that some Newstart recipients face; for example, older workers, with a low level of formal education and those with a partial disability will still be left behind.

1.37 It is of concern that these recommendations almost entirely ignore the different supports required by the long term unemployed in comparison to those who have recently left the workforce, even though the report references evidence from the Department of Education, Employment and Workplace Relations (DEEWR) that since 2009, the case load of stream 4 job seekers who are “have been identified to have multiple and complex needs” has doubled from 11 per cent to 22 per cent of total cases.<sup>16</sup>

1.38 Failing to address these concerns will ensure that some Newstart recipients continue to languish in poverty, despite the clear evidence that extended periods of time spent in poverty only diminishes people’s capacity to enter the workforce.

1.39 As a result, we disagree with the premise that the specialised employment supports for carers and older workers that form recommendations 1, 2 and 3 of the majority committee report will fully overcome barriers to work for all Newstart recipients.

1.40 Given that there are significant gaps in the current employment services system, the Australian Greens consider it entirely inappropriate for the committee to merely recommend reorganising the existing Job Services Australia programs in this piecemeal fashion.

1.41 In the view of the Australian Greens a comprehensive, independent review of job seeker services would deliver a more substantial package of reforms in this area with a particular focus on developing support programs for the most disadvantage job seekers.

1.42 We also note that there is still insufficient analysis of how individuals are churning through the job seeker system as a result of cycling in and out of short term employment opportunities. By its own admission, DEEWR has been unable to

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16 Majority Report, p. 17.



effectively measure how many people are in fact cycling through on and off Newstart or at what frequency.<sup>17</sup>

1.43 It is also particularly concerning to note that the answers from DEEWR and the Department of Human Services (DHS) in response to questions about possible churning put to them by the committee were not able to demonstrate effective data sharing between those two important Departments. This indicates a siloed approach to these matters within government that should be reviewed as part of any effort to better address the dynamics of short term and casual work.

#### **Recommendation 4**

**1.44 The Australian Greens recommend that the government initiate an independent inquiry into the functioning of Job Services Australia programs, and assess the effectiveness of its expenditure with regard to helping people into work, particularly those people who face multiple barriers to employment and the long term unemployed.**

1.45 The majority report's recommendations 4 and 5 are geared towards providing greater opportunities for Newstart recipients undertake a very small amount of paid work.

1.46 The Australian Greens recognise the principles behind recommendation 5 which calls for an increase to the working credit thresholds. However, in our view, it is a significantly more complex issue than is presented in the majority report, and if applied in this manner, could increase the exposure of Newstart applicants to a system of payments that is even more difficult to comprehend, and easy to accidentally fail to comply with. The mismatch between government reporting requirements and pay day is well documented problem, which brings an increased risk of misreporting, and swings in income that can be devastating to households without any savings to buffer them.<sup>18</sup>

1.47 Where temporary casual work results in additional financial penalties on low income households it is also more likely to act as a disincentive to employment. As this recommendation requires further development and does not directly tackle adequacy, we do not support this recommendation as it stands.

1.48 The Australian Greens also question the assumption throughout the majority report that casual work will lead to secure, ongoing work in the future. The majority report does pick up on the evidence from submitters that even partial engagement with the workforce ensures that individuals are more work ready than those who are not engaged. However, while improvements to the income free threshold would be welcome, the committee's suggestion of a three hours per week at the minimum wage threshold is the absolutely bare-minimum that a jobseeker could legally work in a

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17 Department of Education, Employment and Workplace Relations, *Response to question taken on notice*, 17 September 2012 (received 14 November, 2012).

18 See for example Welfare Rights, *Submission 68*, p.23; Australian Council of Social Service, *Response to questions taken on notice*, received 14 September 2012.

single shift and is not even close to the equivalent of a full standard 7.5 hour day at work.<sup>19</sup>

1.49 The income free threshold is an important component of support for those on income support, however we do not think the recommended three hour per week limit is sufficient and believe it should be higher.

1.50 Furthermore, there is still no clear explanation as to how casual, part time work leads into secure, full time work, despite the assertion in the majority report that, “The majority of Newstart recipients who transition to work initially do so through casual and part time work.”<sup>20</sup>

1.51 Given that there is no clear evidence to underpin the assertion that casual work will lead to a permanent exit from the allowance payment system, it is the view of the Australian Greens that these matters would be better addressed in conjunction with a review of job services.

1.52 Recommendations 6 and 7 in the main committee report are primarily attempts to tinker with the way in which Centrelink delivers services and information to its customers. These are not necessarily inappropriate tasks for Centrelink to commit to resolving, as there is no reason why the system is not focused on customer service, and the provision of accurate, easily understandable information. However, these recommendations also do not directly tackle the issue of inadequacy.

## **Conclusion**

1.53 In conclusion, it is the view of the Australian Greens that it is irresponsible to ignore the primary finding of this report that Newstart and other allowances are simply inadequate.

1.54 Policy makers should recognise that this inadequacy can only be fully resolved by taking steps to improve the base level of payment, as well as helping to decrease the time that people have to spend on Newstart by providing better employment services and support.

**Senator Rachel Siewert**

**Australian Greens**

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19 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, *Proof Committee Hansard*, 27 August 2012, p. 47. See also, Australian Council of Trade Unions, *Submission 62*, p. 3.

<sup>20</sup> Majority Report, p.70.

# **APPENDIX 1**

## **Submissions received**

<b>Submission Number</b>	<b>Submitter</b>
<b>1</b>	Name Withheld
<b>2</b>	Mr Mark Jeffery
<b>3</b>	Mr Doug Howard
<b>4</b>	Mr Don Stokes
<b>5</b>	Name Withheld
<b>6</b>	Name Withheld
<b>7</b>	Gosnells Community Legal Centre
<b>8</b>	Name Withheld
<b>10</b>	Name Withheld
<b>11</b>	A/Prof Philip Mendes, Social Inclusion and Social Policy Research Unit, Monash University
<b>12</b>	UnitingCare Tasmania
<b>13</b>	Good Shepherd Youth and Family Service and Community Information and Support Victoria
<b>14</b>	Macarthur Future Food Forum
<b>15</b>	Name Withheld
<b>16</b>	Australian Lawyers Alliance
<b>17</b>	VincentCare Victoria
<b>18</b>	Ms Leonie Ramsay
<b>19</b>	Barwon Community Legal Service
<b>20</b>	Financial Counsellors' Association of Queensland (FCAQ)

- 21 ANGLICARE Sydney
- 22 Welfare Rights Centre Qld
- 23 The Benevolent Society  
Attachment 1
- 24 Name Withheld
- 25 The Salvation Army, Australia Southern and Eastern Territories
- 26 St Vincent de Paul Society
- 27 Jesuit Social Services
- 28 The Australia Institute  
Attachment 1  
Attachment 2
- 29 Newcastle University Students' Association Inc. (NUSA)
- 30 Shelter NSW
- 31 Homelessness Australia
- 32 Catholic Social Justice Commission
- 33 Mission Australia
- 34 Australian Association of Social Workers
- 35 Combined Pensioners and Superannuants Association (CPSA)
- 36 Name Withheld
- 37 Women's Equity Think Tank (WETTANK)
- 38 Joint agency submission (DEEWR, DHS, FaHCSIA, DIISRTE)  
Supplementary Submission
- 39 Queensland Council of Social Service (QCOSS)
- 40 Name Withheld
- 41 Unions NSW
- 42 National Employment Services Association (NESA)
- 43 Australian Human Rights Commission

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44	Consumer Action Law Centre and the Consumer Credit Legal Centre NSW
45	Sydney Food Fairness Alliance
46	Business Council of Australia
47	St Kilda Community Housing
48	South Western Sydney and Sydney Local Health Districts
49	United Voice
50	University of Sydney Students' Representative Council
51	Carers Australia
52	Name Withheld
53	Informing You Supplementary Submission
54	Hon. Wilson Tuckey Supplementary Submission
55	National Council of Single Mothers and their Children (NCSMC)
56	Australian Youth Affairs Coalition (AYAC)
57	Mr Marcus L'Estrange
58	COTA Australia
59	Council of Single Mothers and their Children, Vic
60	Prof Peter Whiteford
61	Catholic Social Services Australia Supplementary Submission
62	Australian Council of Trade Unions (ACTU)
63	Western Australian Council of Social Service Inc. (WACOSS)
64	Australian Council of Social Service (ACOSS) Attachment 1 Attachment 2 Supplementary Submission

65	Brotherhood of St Laurence
66	UnitingCare Australia
67	Jobs Australia
68	National Welfare Rights Network (NWRN)
69	Ms Susan Barclay
70	Anglicare Australia Supplementary Submission Supplementary Submission
71	Professor Andrew Podger Attachment 1 Attachment 2 Attachment 3
72	Name Withheld
73	Name Withheld
74	Mr Lee Bolger
75	Name Withheld
76	Mr Ronald Knowles
77	Confidential
78	The Centre for Independent Studies (CIS)

## **Additional information received**

- 1** Additional information provided by National Welfare Rights Network on 21 August, 2012.
- 2** Document tabled by Jobs Australia on 27 August, 2012.
- 3** Document tabled by Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia on 28 August, 2012.
- 4** Additional information provided by ACOSS on 5 September, 2012.
- 5** Additional information provided by Australian Human Rights Commission on 24 October, 2012.
- 6** Additional information provided by DEEWR on 24 October, 2012.
- 7** Additional information provided by National Welfare Rights Network on 1 November, 2012.

## **Responses to questions taken on notice**

- 1** Answers to questions on notice from The Australia Institute received 28 August, 2012.
- 2** Answers to questions on notice from Anglicare Australia received 30 August, 2012.
- 3** Answers to questions on notice from St Vincent de Paul Society received 31 August, 2012.
- 4** Answers to questions on notice from Jobs Australia received 3 September, 2012.
- 5** Answers to questions on notice from St Vincent de Paul Society received 7 August, 2012.
- 6** Answers to questions on notice from Mission Australia received 12 September, 2012.
- 7** Answers to questions on notice from CPSA received 12 September, 2012.

- 8**      Answers to questions on notice from Carers Australia received 12 September, 2012.
- 9**      Answers to questions on notice from Jesuit Social Services received 12 September, 2012.
- 10**     Answers to questions on notice from Catholic Social Services Australia received 13 September, 2012.
- 11**     Answers to questions on notice from ACTU received 13 September, 2012.
- 12**     Answers to questions on notice from DEEWR received 13 September, 2012.
- 13**     Answers to questions on notice from ACOSS received 14 September, 2012.
- 14**     Answers to questions on notice from Informing You received 14 September, 2012.
- 15**     Answers to questions on notice from AYAC received 17 September, 2012.
- 16**     Answers to questions on notice from NWRN received 21 September, 2012.
- 17**     Answers to questions on notice from DEEWR received 24 October, 2012.
- 18**     Answers to questions on notice provided by Mr Dennis Trewin from Academy of Social Sciences Australia. Received 1 November, 2012.
- 19**     Answers to questions on notice from DEEWR received 14 November, 2012.
- 20**     Answers to questions on notice provided by DEEWR from 17 September 2012 public hearing. Received 14 November, 2012.
- 21**     Answers to questions on notice provided by DEEWR from 24 October 2012 public hearing. Received 14 November, 2012.



## **APPENDIX 2**

### **Witnesses who appeared before the committee**

*Melbourne, Monday, 27 August 2012.*

BATES, Ms Kylee, General Manager, National Business Development, Employment Solutions, Mission Australia

BUCKNELL, Mr Angus, President, ACT Branch, Australian Lawyers Alliance

BYRNE, Mr Malachy (Mal), Australian Lawyers Alliance

CHRISTIE, Ms Amelia, Policy and Research Officer, Combined Pensioners and Superannuants Association of NSW Inc.

COWGILL, Mr Matt, Economic Policy Officer, Australian Council of Trade Unions

GILL, Ms Annette, Policy Manager, National Employment Services Association

HARGREAVES, Ms Kim, National Manager Social Policy, Mission Australia

HORTON, Ms Netty, Territorial Social Program Director, The Salvation Army

LIVINGSTONE, Mr Michael, Research, Policy and Media Officer, Jesuit Social Services

LYONS, Mr Tim, Assistant Secretary, Australian Council of Trade Unions

MOULDS, Major Paul, Territorial Mission and Resource Director, Social, The Salvation Army

PARNELL, Ms Sally, Acting Chief Executive Officer, Jesuit Social Services

RALSTON, Dr Prins, Acting Chief Executive Officer, Mission Australia

SCULLY, Ms Amanda, Principal Consultant, informing you

SINCLAIR, Ms Sally, Chief Executive Officer, National Employment Services Association

THOMPSON, Mr David, Chief Executive Officer, Jobs Australia

***Canberra, Tuesday, 28 August 2012.***

BELJIC, Miss Emilija, Research Officer, National Council of the St Vincent de Paul Society

BRADY, Mrs Jackie, Director, Government and Public Relations, Catholic Social Services Australia

CHAMBERS, Ms Kasy, Executive Director, Anglicare Australia

CUMMINGS, Mr Andrew, Executive Director, Australian Youth Affairs Coalition

DAVIDSON, Mr Peter, Senior Policy Officer, Australian Council of Social Service

DENNISS, Dr Richard, Executive Director, Australia Institute

FALZON, Dr John, Chief Executive Officer, National Council of the St Vincent de Paul Society

GILBERT, Mr Travis Scott, Policy and Research Officer, Homelessness Australia

HELYAR, Ms Susan, Director, Services Development, UnitingCare Australia

HENRY, Ms Polly, Board Member/Youth Advocate, Australian Youth Affairs Coalition

HUTCHINS, Ms Jenni, Senior Manager, South West and Western Sydney, Benevolent Society

LAWSON, Mr David, Secretary, Financial Counsellors' Association of Queensland

LAWSON, Ms Georgina, Policy and Communications Officer, Welfare Rights Centre Inc., Brisbane

MANN, Mr Evan, Policy Manager, Carers Australia

MICHAUX, Ms Annette, General Manager, Social Policy and Research, Benevolent Society

O'HALLORAN, Ms Maree, President, National Welfare Rights Network

PHILLIPS, Mr Ben, Principal Research Fellow, NATSEM, University of Canberra

REID, Ms Mary, Business Manager, Carers Australia

RICHARDSON, Mr David, Senior Research Fellow, Australia Institute

STROUD, Mr Terry, Carers Australia

THOMAS, Mr Gerard, Policy and Media Officer, Welfare Rights Centre, Sydney

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***Canberra, Monday, 17 September 2012.***

DAWSON, Ms Sue, Group Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations

DRAYTON, Ms Moya, Group Manager, Job Services Australia, Department of Education, Employment and Workplace Relations

EMERSON, Mr Ty, Branch Manager, Income Support Taskforce, Department of Education, Employment and Workplace Relations

ESSEX, Ms Allyson, Branch Manager, Disability and Carers Payments Policy, Department of Families, Housing, Community Services and Indigenous Affairs

JALAYER, Mr Ali, Branch Manager, Labour Market Policy Branch, Department of Education, Employment and Workplace Relations

MCBRIDE, Mr Paul, Group Manager, Social Policy, Department of Families, Housing, Community Services and Indigenous Affairs

MILLIKEN, Ms Marsha, Group Manager, Income Support and Remote Services Implementation, Department of Education, Employment and Workplace Relations

PARKER, Ms Sandra, Deputy Secretary, Employment, Department of Education, Employment and Workplace Relations

SAKKARA, Ms Mary-Anne, General Manager, Tertiary Strategies, Department of Industry, Innovation, Science, Research and Tertiary Education

SANDISON, Mr Barry, Deputy Secretary, Participation, Families, and Older Australians, Department of Human Services

TAYLOR, Ms Jennifer, Deputy Secretary, Early Childhood, Working Age and Indigenous Participation, Department of Education, Employment and Workplace Relations

VERSPAANDONK, Ms Rose, Branch Manager, Economics and Lifecourse Branch, Department of Education, Employment and Workplace Relations

***Sydney, Wednesday, 24 October 2012.***

BALSAMO, Ms Fabienne Mary, Principal Adviser, Age Discrimination, Australian Human Rights Commission

DRAYTON, Ms Moya, Group Manager, Job Services Australia, Department of Employment, Education and Workplace Relations

LEES, Ms Michelle, Service Leader, Department of Human Services

ROOT, Ms Josephine, National Policy Manager, Council on the Ageing

RYAN, the Hon. Susan, AO, Age Discrimination Commissioner, Australian Human Rights Commission

SANDISON, Mr Barry, Deputy Secretary, Participation, Families and Older Australians, Department of Human Services

TAYLOR, Ms Jennifer, Deputy Secretary, Early Childhood, Working Age and Indigenous Participation, Department of Employment, Education and Workplace Relations

TREWIN, Mr Dennis John, Chair, Policy and Advocacy Committee, Academy of Social Sciences of Australia

WATSON, Mr Stuart, Assistant Secretary, Department of Employment, Education and Workplace Relations

WHITEFORD, Professor Peter, Private capacity

YATES, Mr Ian, Chief Executive, Council on the Ageing

## **APPENDIX 3**

### **Joint agency response to question taken on notice**

**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	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	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 – if assessed as partial capacity to work, or aged 60 or over and in receipt of payment for at least nine months	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