

Chapter 2

Government changes to Newstart

2.1 The committee is concerned that certain measures in the 2014-15 Budget (the budget) will affect young Australian jobseekers. These measures include changes to the Newstart Allowance, which supports jobseekers while they are looking for work:

- from 1 January 2015, increasing the age of eligibility for claiming the Newstart Allowance¹ from 22 to 24 years of age; and
- introducing a six-month waiting period before payment commences for new claimants of Newstart and the Youth Allowance,² unless exemption criteria are met.

2.2 The committee received evidence suggesting these measures will seriously affect young jobseekers by increasing disadvantage, particularly among already marginalised groups, which will put many at risk of poverty and homelessness.

Changes to Newstart in the budget

2.3 According to the government, the rationale for lifting the Newstart eligibility age is to 'strengthen the incentive for young unemployed people to participate in education, training and employment'³, as jobseekers between the ages of 22 and 24 will be placed on Youth Allowance, which has a much lower payment rate than Newstart.⁴

2.4 The budget also contains provisions to introduce a six-month waiting period for Newstart payments for all new claimants under 30 years of age:

1 Newstart Allowance is: Financial assistance while an individual seeks employment. Eligibility: aged 22 years or more but under Age Pension age; looking for paid work; prepared to meet the activity test while looking for work; and meet an income and assets test. Fortnightly payments currently range from \$515.60 for a single to \$720.30 for a single principle carer granted activity test exemption. See www.humanservices.gov.au/customer/services/centrelink/newstart-allowance (accessed 27 November 2014)

2 Youth Allowance is: Financial help for people aged 16 to 24 years who are studying full-time, undertaking a full-time Australian Apprenticeship, training, looking for work or sick. Eligibility: 16 to 21 years old and looking for full time work or undertaking approved activities; 18 to 24 years old and studying full time; 16 or 17 years old and have completed year 12 or equivalent, or undertaking full time secondary study and need to live away from home in order to study, or are considered independent for Youth Allowance; or 16 to 24 years old and undertaking a full-time Australian Apprenticeship. Fortnightly payments range from \$226.80 for a single under 18 living at home to \$720.30 for a single job seeker principle carer granted an activity test exemption. See www.humanservices.gov.au/customer/services/centrelink/youth-allowance (accessed 27 November 2014)

3 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 203.

4 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 203.

From 1 January 2015, all new claimants of Newstart Allowance and Youth Allowance (Other) who are under 30 years of age must demonstrate appropriate job search and participation in employment services support for six months before receiving payments. Prior workforce participation may reduce the waiting period. After six months, claimants will be required to participate in 25 hours per week Work for the Dole to receive income support, and following this may continue to access employment services for a further six month period, including access to a wage subsidy in lieu of income support.⁵

2.5 Some exemptions will apply. New claimants will have one month discounted for every year of full time work, or pro-rata for part-time work, up to a maximum of five months.⁶ There are also exemptions for individuals who only have a partial capacity for work, those who are the principal carer of a child or part-time apprentices. Exemptions will also apply to job seekers assessed as having relatively significant or severe barriers to employment by Disability Employment Services (DES) or Job Services Australia (JSA).⁷

2.6 The government claims lifting the eligibility age for Newstart will achieve savings of \$508.1 million over five years and that the six-month waiting period for Newstart will save a further \$1.2 billion over the forward estimates.⁸

Criticisms of the government's changes to Newstart

2.7 Grave concerns about these measures were raised by a number of organisations, who told the committee these changes would increase unemployment and poverty among young people, that the policies are based on false assumptions about the job market and jobseekers, and that changes to Newstart would lead to increased costs for the Commonwealth over the long term.

Inadequacy of Newstart

2.8 The Grattan Institute pointed out that there was already a consensus among welfare groups, economists and the business sector that Newstart payments are too low to provide an adequate minimum standard of living.⁹

5 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 210.

6 *Budget Fact Sheet : Working Age Payments*, available from www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-working-age-payments (accessed 10 November 2014)

7 These assessments are categorised as Stream 3 (relatively significant barriers) or Stream 4 (severe barriers) by DES and JSA providers. See Department of Employment, 'Job Services Australia eligibility and how to register' at <https://employment.gov.au/job-services-australia-eligibility-and-how-register> (accessed 17 November 2014).

8 *Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 210.

9 *Submission 44*, p. 10.

2.9 This was supported by Dr John Falzon, Chief Executive Officer, St Vincent de Paul, who told the committee that current rates of Newstart are already 'unconscionably low'.¹⁰

2.10 The Grattan Institute explained that the low Newstart rate is a potential barrier to employment as 'low payments erode the capacity of individuals to present themselves well or to maintain their readiness for work'.¹¹ Youth Connections also emphasised that young people deprived of income support will find it difficult to cover the basic costs of applying for jobs.¹²

Young people with no family support have not been adequately considered

2.11 In addition to the low payment of Newstart acting as a barrier to young people finding employment, the Grattan Institute also noted the deleterious effects of young people being left without a source of income for long periods, especially those who have no support or family network to draw on:

Budget measures that in effect cut Newstart payments by up to 50 per cent over the course of the year will increase youth poverty and barriers to workforce entry. Young jobseekers are likely to find it very difficult to maintain a minimum standard of living without family support. However, young people from families that are less well-off are less likely to be supported by their parents with housing and finance. Further, the mechanism for reducing Newstart payments – cycling between periods of payment and non-payment – will reduce the likelihood of young people being able to secure permanent housing, compounding barriers to job search.¹³

2.12 Youth Connections indicated it did not believe the Federal Government had given consideration to how a young person without family assistance would support themselves during non-payment periods:

The assumption that young people will be supported by family until they transition into employment is a fallacy...For many young people, living in the family unit is not safe or possible. Issues such as family violence, systemic family dysfunction, re-partnering of parent or relocation of parent often leaves young people instable and negotiating the housing market independently.¹⁴

2.13 Mr Kunal Luthra, Vice President External, Australian Medical Students Association, cautioned the committee that changes to Newstart could leave many new graduates without any support whatsoever:

10 *Committee Hansard*, 16 October 2014, p. 44.

11 *Submission 44*, p. 10.

12 *Submission 7*, pp 3-4.

13 *Submission 44*, p. 10.

14 *Submission 7*, p. 3.

Throughout the year we have spoken to many, many students on the ground and consistently what they have said is that they are really quite horrified at the prospect of graduating university and not being able to find work despite their best efforts and being left with no support. Often these students cannot rely on their families either because those families choose not to or do not have the capacity to support them. These students are very concerned that if the changes to Newstart manage to go through that will leave them in a really dire state.¹⁵

There are not enough jobs for young jobseekers

2.14 Witnesses told the committee that the government's adjustments to Newstart were founded on false assumptions. For example, Mr Dave Oliver, Secretary, Australian Council of Trade Unions, suggested the six-month waiting period for Newstart payments was based on a false understanding there are plenty of jobs for young Australians:

The budget included a so-called earn-or-learn policy which means job seekers aged 29 or younger will be denied income support for up to six months at a time. The assumption behind this seems to be that there are plenty of jobs for younger workers and all they need to do is be forced to take them. We know that is not true. There are currently almost 800,000 unemployed Australians. Youth unemployment is 13.2 per cent yet there are only 150,000 jobs vacancies—800,000 does not go into 150,000. The vast majority of unemployed people are out of work because employment is not available. The government's response will only force these people further into poverty.¹⁶

2.15 This position was supported by the Grattan Institute, which highlighted the difficult employment market for young people:

...incentive measures can only improve youth employment outcomes where there are jobs available. Youth unemployment rates are more sensitive to business cycle conditions than the adult unemployment rate. The principle cause of the decline in youth employment rates since 2008 has been the slowdown in hiring because of the economic downturn – a factor clearly outside of the control of young job seekers.¹⁷

The government should be supporting jobseekers more

2.16 Ms Jenny Lambert, Director, Employment, Education and Training, Australian Chamber of Commerce and Industry (ACCI), told the committee the

15 *Committee Hansard*, 16 October 2014, p. 49.

16 *Committee Hansard*, 16 October 2014, p. 59. See ABS, 6202.0 – Labour Force, Australia, October 2013; ABS, 6105.0, Australian labour market statistics, July 2014; and ABS, 6354.0, Job Vacancies, August 2014 which show an unemployment rate at 6.2 per cent and youth unemployment at 13.1 per cent in Sept 2013. In Sept 2014 around 745, 500 Australians were looking for work in a period when only 137, 122 jobs were advertised.

17 *Submission 44*, p. 10.

government was concentrating too heavily on punitive measures rather than assisting young people to find employment:

We say the focus should not be on the six months; the focus should be on the job. The focus of the whole system has to be on what employment strategy is in place and what is going to lead to a job, because it will only be a six months wait if there is no job. The assumption that the wait is going to be six months long is an assumption that we have not got the settings right to get that person into work.¹⁸

2.17 The ACTU agreed with this perspective. Mr Dave Oliver, ACTU, told the committee that, alongside cuts, the budget has:

...at a time when unemployment is at its highest levels in a decade, it has done nothing to promote jobs and training opportunities.¹⁹

Newstart adjustments will be counterproductive over the long term

2.18 The goal of the government's changes to the Newstart Allowance is saving money in the short term. However, the committee heard these changes will cost the government more over the longer term, as they will result in greater unemployment, disadvantage and disengagement among young people.

2.19 Dr Falzon, St Vincent de Paul, told the committee the budget measures relating to Newstart would increase levels of unemployment and disengagement:

...the reality is that, if we acquiesce to an Australia that is quite comfortable with lowering the level of social expenditure and increasing the burden on the poor, we will see greater social unrest and even higher levels of unemployment. This absurd notion that, by reducing the level of income support, you increase the incentive for people to get job flies in the face of all evidence....we will actually see increased levels of unemployment, of disengagement, of exclusion, of alienation and of disorientation.²⁰

2.20 The Grattan Institute supported the view the Newstart adjustments outlined in the budget would entrench youth unemployment, which 'would result in negative consequences for the budget over the long term – reducing the tax base and increasing the costs of welfare and support payments'.²¹

Newstart changes may increase risk-taking activities

2.21 Representatives of Youth Connections Anglicare told the committee that tighter conditions for Newstart eligibility may mean young people will look for ways to make ends meet that are dangerous or illegal. Ms Shyanne Watson, Coordinator, Youth Connections Anglicare explained:

18 *Committee Hansard*, 16 October 2014, p. 67.

19 *Committee Hansard*, 16 October 2014, p. 59.

20 *Committee Hansard*, 16 October 2014, p. 44.

21 *Submission 44*, p. 10.

If [young people without an income] cannot fund themselves to eat, have clothing or engage with the JSA or an employment provider and fit into employment, they are going to look for a different avenue. That different avenue will be crime....²²

2.22 Ms Jennifer Kitchin, Director, Community Services ACT, Youth Connections Anglicare, highlighted a further risk for young people left without an income:

....The other thing, unpleasant as it is, is prostitution. We are really concerned about some of our young women, in particular. Some of those young women have been involved in that activity before, and we have worked with them to come out of that. It would be very easy for them to slip back into that.²³

2.23 Dr Falzon, St Vincent de Paul, also expressed concern that young people denied Newstart payments may turn to already overburdened charities or risky behaviours so they could make ends meet:

You do not help young people into jobs by making them live on fresh air and sunshine for six months of every year, forcing them to rely on charity or to survive through crime. It is not charity that they should have to depend on; it is justice they should be able to count on.²⁴

Committee View

2.24 The committee considers the proposed changes to Newstart in the budget take a very short term approach aimed solely at saving money. In a rush for savings the government has not considered how these changes would affect the most vulnerable in the community.

2.25 The committee recognises that many young jobseekers who are made to wait six months to access Newstart will have very limited options or support available to them. Some will be able to rely on financial support or accommodation from their families. However, many will not be so fortunate. With no source of income for extended periods, those already disadvantaged will be at increased risk of poverty or homelessness.

2.26 Some will be able to access support from the charities and welfare sector. However, it is clear that this sector is already overstretched, and so many deserving people may be turned away. In a worst case scenario, the committee is concerned that, to make ends meet, some may turn to dangerous and/or illegal activities.

2.27 In addition, the committee believes these policy changes are based on false assumptions about young jobseekers, employment and the current health of the jobs market. The government seems to believe that young Australians do not wish to work - that all they need to gain employment is the threat of having a safety net denied to them. These measures show the government would prefer to punish young job seekers

22 *Committee Hansard*, 16 October 2014, p. 14.

23 *Committee Hansard*, 16 October 2014, p. 14.

24 *Committee Hansard*, 16 October 2014, p. 43.

for not being in work rather than put in place policies to help them to find employment.

2.28 The committee understands that the labour market is not strong, particularly for the young, so it is unrealistic to expect jobseekers to be able to find employment easily. Even the government's own analysis suggests the labour market is currently subject to 'weak employment growth, a falling participation rate and a rising unemployment rate'.²⁵

2.29 Given the sole aim of the government appears to be finding savings, it is incongruous that the government fails to recognise that these changes will actually increase levels of disengagement and unemployment which will increase government expenditure on welfare, healthcare and social services over the long term.

2.30 It is profoundly disappointing the budget lacks sufficient provisions designed to genuinely support jobseekers to access training or find employment. The committee is dismayed by cuts to programs that successfully engage young Australians in educational and employment opportunities, notably the Youth Connections and RecLink Australia programs, and this will be discussed in the following chapter.

Recommendation 1

2.31 The committee recommends that the government maintains the age of eligibility for Newstart at 22 years of age.

Recommendation 2

2.32 The committee recommends that the government abandons the 2014-15 Budget measure providing for a six-month waiting period for Newstart payments for new claimants.

25 2014-15 Budget, *Budget strategy and outlook: Budget paper no. 1: 2014-15*, pp 2–3.

