



## Social Security and Other Legislation Amendment (Employment Entry Payment) Bill 2008

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## Social Security and Other Legislation Amendment (Employment Entry Payment) Bill 2008

**Date introduced:** 29 May 2008

**House:** House of Representatives

**Portfolio:** Employment and Workplace Relations

**Commencement:** 1 July 2008

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

To abolish the Employment Entry Payment Scheme, which will require amendments to the *Income Tax Assessment Act 1997*, the *Social Security Act 1991* and the *Social Security (Administration) Act 1999*.

### Background

The Employment Entry Payment (the EEP) was introduced by the ALP in 1989, and is a one-off payment designed to assist those unemployed for a period of 12 months or more who are meeting ‘the short term costs of moving into and retaining full time work, such as clothing and transport costs...’<sup>1</sup> The EEP has been argued to be of ‘great assistance to people re-entering the workforce’<sup>2</sup> by further removing barriers to employment.<sup>3</sup>

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1. The Hon Brian Howe, Minister for Social Security, ‘Second Reading Speech: Social Security Legislation Amendment Bill 1988’, House of Representatives, *Debates*, 19 October 1988.
  2. Mr H.A Jenkins, MP, ‘Social Security Legislation Amendment Bill 1988: Second Reading’, House of Representatives, *Debates*, 23 November 1988.
  3. Peter Baldwin, MP, ‘Social Security Legislation Amendment (Budget and other Measures) Bill 1996: Second Reading’, House of Representatives, *Debates*, 9 October 1996.

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### Key features of the EEP

- It is paid after a person starts a full-time job.<sup>4</sup>
- It does not need to be claimed – it is paid automatically.
- It is only payable once every 12 months.
- It is not refundable.

### Amounts Payable

An income support recipient may be entitled to \$312.00 if they receive:

- Disability Support Pension or have a partial capacity to work and receive either Newstart Allowance or Youth Allowance.

An income support recipient may be entitled to \$104.00 if they receive:

- Newstart Allowance or Youth Allowance (Jobseeker) as a principal carer of dependent children, or
- Mature Age Allowance, Partner Allowance, Widow B Pension, Widow Allowance, Carer Payment, Parenting Payment or Special Benefit.<sup>5</sup>

### Previous attempts to abolish the EEP

In 1996 and 1997 the Coalition Government unsuccessfully attempted to abolish the EEP on the grounds that Departmental evaluations of the EEP indicated that it did not appear to have been a major factor in influencing people's decisions to take up work, that is, that the payment did not operate as an incentive.<sup>6</sup> However, the payment is more appropriately characterised as a facilitative payment -- to help with the extra costs of starting work, eg. new or special work clothes or uniform, travel costs before first salary/wages payment.

The ALP opposition raised objections to the Coalition Government's attempts to abolish the EEP, making the following points in reply:

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4. However, in 2005 Job seekers with a disability and a part-time requirement were made eligible for a \$312 EEP.
  5. < [http://www.centrelink.gov.au/internet/internet.nsf/payments/pay\\_how\\_eep.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_eep.htm) > accessed 30 May 2008.
  6. Social Security Legislation Amendment (Budget and Other Measures) Bill 1996; Explanatory Memorandum to the Social Security Amendment (Entry Payments) Bill 1997.

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Jenny Macklin, MP (the then Shadow Minister for Social Security, the Aged, Family and Community Services and Status of Women) argued that:

The taking away of these payments is going to mean that people are going to be on unemployment benefits and are not going to be able to access employment in the same way that they were before.<sup>7</sup>

Martin Ferguson, MP pointed out that:

There is not a huge payment, but a payment that was very much valued by the unemployed...to assist the unemployed in getting back to work.<sup>8</sup>

And Leo McLeay, MP served a reminder that:

Often it is little barriers which stop people getting into the workforce. But the government is going to abolish that now and make it harder for people to get work.<sup>9</sup>

In 1999, the Coalition Government again unsuccessfully attempted to remove the EEP by claiming that it was replacing it with something akin to the EEP - the Special Advanced Payment.<sup>10</sup> Specifically, the proposal at the time was to replace the \$100 EEP with a Special Employment Advance payment of between \$50 and \$500. However, ALP Member Craig Emerson, MP, pointed out that:

...this advance would have to be paid back out of future income. ... [And] because of the strict eligibility conditions applying to the proposed advance and the fact that it is repayable, it will not come close to making up for the abolition of the employment entry payment.<sup>11</sup>

The then Coalition Government reconsidered its position, retained the payment and subsequently made policy initiatives and statements that were more embracing and positive about the value of the EEP. For example, in 2005, Job seekers with a disability

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7. Jenny Macklin, MP, 'Social Security Amendment (Budget and Other Measures) Bill 1996: Second Reading', House of Representatives, *Debates*, 10 October 1996.
  8. Martin Ferguson, MP, 'Social Security Amendment (Budget and Other Measures) Bill 1996: Second Reading', House of Representatives, *Debates*, 14 October 1996.
  9. Leo McLeay, MP, 'Social Security Amendment (Budget and Other Measures) Bill 1996: Second Reading', House of Representatives, *Debates*, 14 October 1996.
  10. Further 1998 Budget Measures Legislation Amendment (Social Security) Bill 1999.
  11. Craig Emerson, MP, 'Further 1998 Budget Measures Legislation Amendment (Social Security) Bill 1999: Second Reading', House of Representatives, *Debates*, 9 March 1999.

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and a part-time requirement were made eligible for a \$312 EEP.<sup>12</sup> Also in 2006, the EEP was further ‘extended to income support recipients who had breached compliance with activity requirements—that is, people who are subject to a non-payment period — would still be eligible for the employment entry payment if they find and commence employment or increase the number of hours of employment during the non-payment period’.<sup>13</sup>

According to Stewart McArthur, MP:

This [was] a sign of the Howard government’s commitment to assisting people to make the transition from welfare to work. It is a relatively small point, but it does show that some of the changes....do assist people to make that sometimes difficult move from welfare, where they collect their money every two weeks, back into a job. That is sometimes quite difficult to achieve, and we are trying to make that transition as easy as possible.<sup>14</sup>

### Basis of policy commitment

In her Second Reading Speech, the Minister for Employment and Workplace Relations, the Honourable Julia Gillard stated:

Consistent with its theme of responsible economic management, the government identified a number of programs that were inefficient or wasteful, or were largely duplicated elsewhere. The employment entry payment is one such scheme.<sup>15</sup>

In this regard, the Minister pointed to the introduction of what she considered to be ‘similar or better assistance programs which are more flexible in their application. These are the special employment advance, job seeker accounts provided via the job network, and the working credit’. The Minister also indicated that further improvement to the existing system would occur through the new employment services model.<sup>16</sup>

Interestingly though, the three programs that the Minister refers to in her speech do not seem to serve exactly the same function as the EEP.

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12. Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005.
  13. Stewart McArthur, MP, ‘Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) (Consequential Amendments) Bill 2006’, House of Representatives, *Debates*, 11 May 2006.
  14. *ibid.*
  15. The Hon Julia Gillard, Minister for Employment and Workplace Relations, ‘Second reading speech: Social Security and Other Legislation Amendment (Employment Entry Payment) Bill 2008’, House of Representatives, *Debates*, 29 May 2008.
  16. *ibid.*

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### An overview of the 3 programs

#### Special Employment Advance

The Special Employment Advance was introduced by the Coalition Government in 1999.

- It can be paid from \$50 to \$500.
- It is refundable.
- It must be claimed.
- Approval and payment is cumbersome – it can often take 7 to 10 days to get paid.

#### Job seeker Accounts

Job seeker Accounts provided via the job network were introduced by the Coalition Government in 2003.

Key operation features of this payment include:

- It must be applied for and approved through the Job Network provider.
- It is not reactive – if a job opportunity comes up quickly, the approval and payment time can often take several days – like the Special Employment Advance.

#### The Working Credit

The Working Credit was introduced by the Coalition Government in 2001 and is similar to the earnings credit for Newstart and Sickness allowees, introduced by the Labor Government in 1994. The purpose is ‘to allow those out of work the right to accumulate up to \$1,000 of earnings without losing income support’.<sup>17</sup> The aim was to ‘remove a disincentive to take intermittent jobs or short-term work which could open the door for [the unemployed] to get long-term employment’.<sup>18</sup>

Some [key operational features about working credits](#) include:

- It is accumulated as a person spends time on payment with no employment income.
- A credit of up to 1,000 points can be accrued.
- These points are used first if the person has any employment income and is still on income support – so essentially part-time work.

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17. The Hon Peter Costello, Treasurer, ‘Second reading speech: Appropriation Bill NO.1) 2001-2002’, House of Representatives, *Debates*, 22 May 2001.

18. *ibid.*

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- It cannot be used if the person starts full-time work as they are then cancelled off payment.<sup>19</sup>

## Financial implications

According to the Explanatory Memorandum, the cessation of the scheme is expected to provide a net savings of \$60.8 million over a five year period.<sup>20</sup>

## Main provisions

### Schedule 1 Amendments

**Items 3, 4, 9 and 10** of the Bill repeal the key provisions relating to employment entry payment, so abolishing the scheme.

**Item 5** repeals paragraph 1061EO(a) of the *Social Security Act 1991*, which currently provides that a person is not eligible for a **special employment advance** if they are eligible for an EEP in respect of offered employment. Because the EEP scheme is being terminated, this provision will no longer be required.

**Item 11** is a transitional provision designed to ensure that those who are eligible and qualify for the EEP but do not put in a claim prior to 1 July 2008, will not be disadvantaged by these amendments. In practice, this means that where an income support recipient qualifies for an EEP prior to 1 July 2008, then as long as the claim for the EEP is made in accordance with the rules that would have applied if the EEP were not repealed, then that person will still be able to receive an EEP after 1 July 2008.

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19. See further information from Centrelink:

[http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw015\\_0607/\\$file/lw015\\_0607en.rtf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/lw015_0607/$file/lw015_0607en.rtf)

20. Explanatory Memorandum, p. 2.

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