



## No One in Poverty

Party:

Australian Greens

Summary of proposal:

The proposal would increase the single maximum base payment rate to \$88 per day for payments specified below:

- JobSeeker Payment
- Parenting Payment
- Age Pension
- Carer's Payment
- Disability Support Pension
- Farmhouse Allowance
- ABSTUDY
- AUSTUDY
- Youth Allowance
- Crisis Payments.

In addition, the following changes would apply.

- The partner rate would be 75% of the new single rate (each member of a couple would have a maximum base rate of 75% of the single rate) unless this is lower than the earlier partner rate (in which case those recipients are grandfathered).
- Supplementary payments (primarily the Energy Supplement and the pension supplement) would be incorporated into the base income support payment rates.
- There would be no change to existing Commonwealth Rent Assistance arrangements.
- Income support payments would be indexed twice per year to the higher of average weekly earnings (AWE) and consumer price index (CPI).
- The payment rates of all payments would be benchmarked every six months (at the same time as indexation) against the Melbourne Institute's Poverty Lines (single person, in workforce, including housing costs - \$612.65 per week for the September 2021 Quarter).
- The partner income test taper rate would reduce from 60 cents to 27 cents per dollar of income.
- The income free area for all payments would be set to \$300 per fortnight. For each dollar of income above \$300 per fortnight, payment will be reduced by 60 cents.

- An additional disability and illness supplement would apply to people with a disability or illness that prevents them from undertaking full-time paid work. This should include everyone with a partial capacity to work on JobSeeker or other payments. The value of the supplement would not be assessable income for determining income support entitlements and would be indexed twice per year to the higher of AWE and CPI. The initial rate of the supplement is to be set at a rate of \$50 per week for singles and \$155 per week for couples.
- Families, including single parents would still be eligible for FTB payments and supplements as under the current system.

The following requirements would be removed:

- mutual obligations
- the liquid assets waiting period
- the one week waiting period
- the third-party verification claim
- the parental income and asset test for those not living at home (those living at home would still be subject to it).

The newly arrived residents' waiting period would be reduced to a maximum of six months.

The age of eligibility of JobSeeker would be lowered to 18.

The number of Centrelink staff would be increased by 5,000 permanent ongoing staff.

Under the proposal no income support recipient would be worse off (grandfathering provisions would be enacted if required).

The proposal has a start date of 1 July 2023.

## Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$134,500 million over the 2022-23 Budget forward estimates period. This impact reflects increases in administered and departmental expenses, partly offset by increased personal income tax revenue.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate Public Debt Interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The estimates in this costing are largely based on de-identified Services Australia administrative transfer payment data. However, the results of this analysis are sensitive to a range of factors such as the number of newly eligible recipients resulting from increased payment rates and the behavioural response of workers and students in response to the proposal.

- A person could be working full time at the minimum wage and still be eligible to receive the JobSeeker Payment. For these people, their effective marginal tax rates could be close to 100% depending on their income levels. This could act as an incentive to reduce their work hours or discourage additional work hours.
- Reducing work hours may also be attractive to students receiving Youth Allowance.

- In addition, the estimated financial implications are sensitive to uncertainties associated with the indexation rates, population growth and median household income growth rates used to project the payment data over this period.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	<b>Total to 2025-26</b>
Fiscal balance	-15.0	-42,713.8	-44,543.0	-47,244.0	<b>-134,515.8</b>
Underlying cash balance	-15.0	-42,713.8	-44,543.0	-47,244.0	<b>-134,515.8</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

## Key assumptions

The PBO has made the following assumptions in costing this proposal.

- There would be an additional number of people entering the social security system because the income cut-off points of the various payments would be extended.
  - Extending the income cut-off point may result in a person who, under the baseline setting, is not eligible to receive a payment becoming eligible to receive a small amount of payment (including as little as one dollar in theory).
  - The PBO uses information on payment recipients on income close to the cut-off point under the baseline payment arrangements to help inform the number and distribution of the additional number of payment recipients under the increased payment scenario.
  - An analysis of personal income tax data of individuals with taxable incomes between the old and new income cut-off points has also been undertaken to help inform the calculation of the likely increase in eligible payment recipients under the proposal.
- In extending the income eligibility threshold, it is likely that some potential recipients near the income cut-off point may choose to either reduce their work hours or not undertake additional working hours that they otherwise would have. The extent of this effect is highly uncertain and therefore has not been included in the estimated financial implications of this proposal.
- The changes would not affect take up of the age pension versus other benefits.
- The numbers of recipients who have a payment withheld due to failing a mutual obligation check, not meeting the liquid assets or as a result of adhering to waiting periods would be consistent over the medium term.
- The Poverty Lines would grow in line with CPI over the medium term as suggested by the Melbourne Institute.
- The Illness and Disability supplement would be an additional payment to eligible recipients (rather than being incorporated into the base rate of payment).
- The specified increase in Centrelink staff would be sufficient to meet the additional departmental expenses required. In addition, there would be offsetting savings from fewer staff required to undertake compliance and eligibility checks.
- Funding for implementation costs would be required in 2022-23.

## Methodology

A combination of the Policy Evaluation Model (PoEM) and bespoke models were used to calculate revenue and administered expense estimates under the proposal.

PoEM is a micro-simulation model of administered transfer payments developed by the Department of Social Services and provided to the PBO for use in costing policy proposals. The PBO used PoEM as at the 2022-23 Budget and extended PoEM over the medium term to 2032-33.

Bespoke models, based on publicly available data and data provided by the Department of Social Services (DSS) and the Department of Education, Skills and Employment (DESE) were used to estimate the financial impact of:

- the Farmhouse Allowance, ABSTUDY and Crisis Payments
- people from outside of the social security system that would enter into the system as a result of the proposed increases in the income support payment rates
- the removal of mutual obligation requirements, liquid asset waiting period, one week waiting period and the third-party verification requirement
- reducing the newly arrived residents waiting period to a maximum of 6 months
- the behavioural response of students and secondary earners in dual-income households
- the permanent increase of 5,000 Centrelink staff
- the reduction in staff in the DESE and Services Australia reflective of the reduced need to carry out compliance and eligibility checks.

The fortnightly minimum income floor levels for singles on 1 July 2023 (the proposal start date) were calculated using the latest available data and uprating by projected growth in average wages. The specified indexation mechanism was then applied to determine the maximum payment rates (indexed twice per year to the higher of AWE or CPI).

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

## Data sources

The DSS provided:

- expenditure and population forecasts for income support recipients as at *Budget 2022-23*
- data on individuals who are ineligible for income support payments due to not meeting various eligibility criteria.

DESE provided data on the number of recipients who received a financial penalty for failing to meet a mutual obligation requirement in 2018-19 and 2019-20.

The Australian Taxation Office provided personal income tax files for the 2018-19 financial year.

Organisation for Economic Co-operation and Development (OECD), [Income Distribution Database: by Country](#), OECD, 2020, accessed 10 May 2022.

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<sup>1</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

Australian Bureau of Statistics, *2017-18 Household Income and Wealth, Australia*, Australian Government, 2019, accessed 10 May 2022.

Australian Bureau of Statistics, *Personal Income in Australia*, Australian Government, accessed 10 May 2022.

The Department of Finance provided indexation parameters as at *Budget 2022-23*.

J Daley et al, [The Recovery Book: What Australian governments should do now](#), Grattan Institute, 2020, accessed 10 May 2022.

J Borland, [New finding: boosting JobSeeker wouldn't keep Australians away from paid work](#), The Conversation, 2020, accessed 10 May 2022.

Services Australia provided annual unit payment administration costs as at *Budget 2022-23*.

Department of Social Services, [DSS Demographics December 2021](#), Australian Government, 2021, accessed 10 May 2022.

Melbourne Institute, [Poverty Lines: Australia, September Quarter 2021](#), Melbourne Institute, 2021, accessed 9 May 2022.

## Attachment A – No One in Poverty – financial implications

**Table A1: No One in Poverty – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Revenue</b>													
<i>Personal tax income</i>	-	3,400.0	4,200.0	5,200.0	6,400.0	7,800.0	9,300.0	11,000.0	12,800.0	14,600.0	16,200.0	12,800.0	90,900.0
<b>Total – revenue</b>	-	<b>3,400.0</b>	<b>4,200.0</b>	<b>5,200.0</b>	<b>6,400.0</b>	<b>7,800.0</b>	<b>9,300.0</b>	<b>11,000.0</b>	<b>12,800.0</b>	<b>14,600.0</b>	<b>16,200.0</b>	<b>12,800.0</b>	<b>90,900.0</b>
<b>Expenses</b>													
<b>Administered</b>													
<i>JobSeeker Payment</i>	-	-10,100.0	-10,300.0	-11,100.0	-11,700.0	-12,300.0	-12,900.0	-13,700.0	-14,500.0	-15,300.0	-16,200.0	-31,500.0	-128,100.0
<i>Parenting Payment</i>	-	-2,840.0	-3,020.0	-3,230.0	-3,470.0	-3,710.0	-3,980.0	-4,290.0	-4,640.0	-4,950.0	-5,220.0	-9,090.0	-39,350.0
<i>Age pension</i>	-	-16,300.0	-17,700.0	-19,400.0	-21,100.0	-22,700.0	-23,900.0	-25,100.0	-26,500.0	-28,000.0	-29,600.0	-53,400.0	-230,300.0
<i>Carer's Payment</i>	-	-2,030.0	-2,220.0	-2,430.0	-2,700.0	-2,970.0	-3,170.0	-3,380.0	-3,630.0	-3,890.0	-4,150.0	-6,680.0	-30,570.0
<i>Disability Support Pension</i>	-	-5,480.0	-5,860.0	-6,310.0	-6,770.0	-7,230.0	-7,540.0	-7,880.0	-8,320.0	-8,790.0	-9,280.0	-17,650.0	-73,460.0
<i>Farmhouse Allowance</i>	-	-3.2	-3.3	-3.5	-3.6	-3.8	-4.0	-4.2	-4.4	-4.6	-4.8	-10.0	-39.4
<i>Family Tax Benefit</i>	-	143.0	152.0	165.0	177.0	190.0	204.0	218.0	234.0	253.0	272.0	460.0	2,008.0
<i>ABSTUDY</i>	-	-25.8	-26.9	-28.2	-29.6	-31.0	-32.4	-33.9	-35.6	-37.4	-39.3	-80.9	-320.1
<i>AUSTUDY</i>	-	-612.0	-612.0	-615.0	-644.0	-673.0	-705.0	-741.0	-780.0	-822.0	-890.0	-1,839.0	-7,094.0
<i>Youth Allowance</i>	-	-5,700.0	-5,870.0	-6,090.0	-6,370.0	-6,640.0	-6,930.0	-7,250.0	-7,610.0	-7,980.0	-8,470.0	-17,660.0	-68,910.0
<i>Crisis Payments</i>	-	-22.2	-23.2	-24.7	-26.2	-27.7	-29.4	-31.3	-33.5	-35.7	-38.0	-70.1	-291.9
<i>Disability and illness supplement</i>	-	-2,250.0	-2,350.0	-2,450.0	-2,540.0	-2,640.0	-2,770.0	-2,920.0	-3,100.0	-3,330.0	-3,620.0	-7,050.0	-27,970.0
<i>Removal or lessening of compliance obligations</i>	-	-369.0	-382.0	-397.0	-411.0	-426.0	-441.0	-458.0	-477.0	-496.0	-516.0	-1,148.0	-4,373.0
<b>Total – administered</b>	-	<b>-45,589.2</b>	<b>-48,215.4</b>	<b>-51,913.4</b>	<b>-55,587.4</b>	<b>-59,161.5</b>	<b>-62,197.8</b>	<b>-65,570.4</b>	<b>-69,396.5</b>	<b>-73,382.7</b>	<b>-77,756.1</b>	<b>-145,718.0</b>	<b>-608,770.4</b>

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Departmental</b>													
<i>Service Australia</i>	-15.0	-526.0	-529.0	-532.0	-535.0	-538.0	-541.0	-544.0	-547.0	-550.0	-553.0	-1,602.0	-5,410.0
<i>Department of Education, Skills and Employment</i>	-	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	4.2	14.5
<b>Total – departmental</b>	<b>-15.0</b>	<b>-524.6</b>	<b>-527.6</b>	<b>-530.6</b>	<b>-533.6</b>	<b>-536.6</b>	<b>-539.5</b>	<b>-542.5</b>	<b>-545.5</b>	<b>-548.5</b>	<b>-551.5</b>	<b>-1,597.8</b>	<b>-5,395.5</b>
<b>Total – expenses</b>	<b>-15.0</b>	<b>-46,113.8</b>	<b>-48,743.0</b>	<b>-52,444.0</b>	<b>-56,121.0</b>	<b>-59,698.1</b>	<b>-62,737.3</b>	<b>-66,112.9</b>	<b>-69,942.0</b>	<b>-73,931.2</b>	<b>-78,307.6</b>	<b>-147,315.8</b>	<b>-614,165.9</b>
<b>Total (excluding PDI)</b>	<b>-15.0</b>	<b>-42,713.8</b>	<b>-44,543.0</b>	<b>-47,244.0</b>	<b>-49,721.0</b>	<b>-51,898.1</b>	<b>-53,437.3</b>	<b>-55,112.9</b>	<b>-57,142.0</b>	<b>-59,331.2</b>	<b>-62,107.6</b>	<b>-134,515.8</b>	<b>-523,265.9</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

**Table A2: No One in Poverty – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Fiscal balance</b>	..	-500.0	-1,500.0	-2,600.0	-3,800.0	-5,200.0	-6,800.0	-8,600.0	-10,600.0	-12,900.0	-15,600.0	<b>-4,600.0</b>	<b>-68,100.0</b>
<b>Underlying cash balance</b>	..	-400.0	-1,400.0	-2,400.0	-3,600.0	-5,000.0	-6,600.0	-8,400.0	-10,400.0	-12,700.0	-15,300.0	<b>-4,200.0</b>	<b>-66,200.0</b>

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>2</sup>.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- .. Not zero but rounded to zero.

<sup>2</sup> [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)