



Policy costing

Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child

Party:

Australian Greens

Summary of proposal:

This proposal has two components.

- Component 1: For those payments listed below:
 - increase the maximum single payment rate by \$75 a week
 - change the indexation arrangements to those used to index the age pension.
 - ◆ Newstart Allowance
 - ◆ Youth Allowance (other – living away from home only)
 - ◆ ABSTUDY (non-tertiary)
 - ◆ Sickness Allowance
 - ◆ Special Benefit
 - ◆ Widow Allowance
 - ◆ Crisis Payment
 - ◆ Jobseeker Payment
 - ◆ Parenting Payment Single.

Component 1 would also remove the pause on the indexation of the income-test-free area threshold for Parenting Payment Single

- Component 2: Increase the Parenting Payment Single qualifying age of the youngest dependent child from eight to 16 years of age.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$16,495 million over the 2019-20 Budget forward estimates period. This impact reflects increases in administered and departmental expenses that are partly offset by increased personal income tax revenue over this period.

The proposal would be expected to have an ongoing impact which extends beyond the 2019-20 Budget forward estimates period. Detailed financial implications over the period to 2029-30 are included at [Attachment A](#).

The estimates in this costing are based on de-identified Department of Human Services administrative transfer payment data. The estimates are sensitive to uncertainty associated with the indexation and population growth rates used to project the payment data across the medium term. They are also sensitive to the behavioural response assumptions listed below.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-3,872	-3,913	-4,197	-4,532	-16,495
Underlying cash balance	-3,872	-3,913	-4,197	-4,532	-16,495

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

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- No transfer payment recipients would alter their earned income in response to the proposal.
- Income support recipients would not alter their marital status in response to the proposal.
- There would be no switching between payments in order to receive the payment rate increase because all similar payment types would be increasing by the same amount under the proposal.

Methodology

Administered expenditure and revenue estimates for all transfer payments affected by this proposal, except ABSTUDY (non-tertiary) and Crisis Payment, were calculated using the Policy and Evaluation Model (PoEM). PoEM is a microsimulation model of administered transfer payments projected over the 2019-20 Budget forward estimates period. The PBO has extended PoEM over the medium term to 2029-30.

Administered expenditure estimates for ABSTUDY (non-tertiary) and Crisis Payment were calculated by multiplying the projected number of eligible recipients of these payments by the proposed payment increase, and growing the results over time by appropriate indexation factors.

The costing for Component 2 includes the impact of the higher payment rate as proposed under Component 1.

The departmental impact for Component 1 was calculated by multiplying the number of additional recipients for each transfer payment that would result from this proposal by the estimated annual cost of administering payments to each new recipient. Departmental implementation costs were estimated based on a budget measure of similar complexity. Departmental expenses for Component 2 were estimated based on a budget measure of similar complexity.

Administered expense and revenue estimates have been rounded to the nearest \$10 million. Departmental expense estimates have been rounded to the nearest \$1 million.

Data sources

The Department of Human Services provided annual unit payment administration costs as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided expenditure and population forecasts for income support recipients as at the 2019 Pre-election Economic and Fiscal Outlook.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Department of Human Services, 2015. *Supplementary Budget Estimates - 22 October 2015, Answer to Question on Notice HS 216*. Canberra: Senate Community Affairs Legislation Committee.

Department of Social Services, 2018. *DSS Demographics December 2018*. [Online].

Available at: <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/distribution/dist-dga-3c69d15e-5ac1-48d9-9ae4-56957c63485a/details?q=> [Accessed 23.4.2019].

Attachment A – Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child – financial implications

Table A1: Increase Newstart and other payments and amend Parenting Payment Single by increasing the qualifying age of the youngest dependent child – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
<i>Personal income tax</i>													
<i>Component 1</i>	150	160	180	190	210	230	290	340	400	520	660	670	3,330
<i>Component 2</i>	50	60	80	80	90	90	100	100	110	110	120	280	1,010
Total – revenue	200	220	260	270	300	320	390	440	510	630	780	950	4,340
Expenses													
<i>Administered</i>													
<i>Component 1</i>	-3,580	-3,640	-3,950	-4,280	-4,600	-5,010	-5,440	-5,940	-6,480	-7,070	-7,690	-15,440	-57,660
<i>Component 2</i>	-430	-440	-450	-460	-480	-500	-520	-550	-580	-600	-630	-1,770	-5,630
Total – administered	-4,010	-4,080	-4,400	-4,740	-5,080	-5,510	-5,960	-6,490	-7,060	-7,670	-8,320	-17,210	-63,290
<i>Departmental</i>													
<i>Component 1</i>	-59	-53	-57	-62	-67	-73	-81	-88	-97	-105	-114	-232	-856
<i>Component 2</i>	-3	-	-	-	-	-	-	-	-	-	-	-3	-3
Total – departmental	-62	-53	-57	-62	-67	-73	-81	-88	-97	-105	-114	-235	-859
Total – expenses	-4,072	-4,133	-4,457	-4,802	-5,147	-5,583	-6,041	-6,578	-7,157	-7,775	-8,434	-17,445	-64,149
Total	-3,872	-3,913	-4,197	-4,532	-4,847	-5,263	-5,651	-6,138	-6,647	-7,145	-7,654	-16,495	-59,809

(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.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.