



**Australian Government**  
**Department of Social Services**

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Dear Senator Seselja


**SUBMISSION TO SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

Please find attached the Department of Social Services submission to the Senate Community Affairs Legislation Committee Inquiry into the *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015*.

Thank you for providing the Department with the opportunity to make a submission.

Yours sincerely

Serena Wilson

 June 2015

## **SOCIAL SERVICES LEGISLATION AMENDMENT (YOUTH EMPLOYMENT AND OTHER MEASURES) BILL 2015**

This submission by the Department of Social Services provides information on the measures contained in the *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015*.

The measures contained within this bill introduce four 2015 Budget measures in the Social Services portfolio, along with certain other measures from the 2014 Budget and earlier fiscal decisions.

These measures are designed to support the sustainability of the social security system and the nation's budget.

### **Schedule 1 – Ordinary Waiting Periods**

Currently, a person who is qualified for Newstart Allowance or Sickness Allowance must, subject to some exceptions, serve an Ordinary Waiting Period of seven days before either of those allowances is payable. Waiting periods are designed to encourage people to support themselves in the first instance, where they are able, before seeking income support.

This measure extends the Ordinary Waiting Period to Parenting Payment and Youth Allowance (for a person who is not undertaking full-time study and is not a new apprentice) to ensure a consistent one week waiting period across similar working age payments. This measure amends the 2014-15 Ordinary Waiting Period Budget measure with a new start date and excludes claimants of Widow Allowance. Clarification is also made that the Ordinary Waiting Period will start after any other relevant waiting or preclusion periods have ended, to ensure waiting periods are served consistently and effectively.

Currently, a person may be exempt from the Ordinary Waiting Period if they are in severe financial hardship. This exemption will be retained, but will only apply if the person is also experiencing a personal financial crisis. A person is taken to be experiencing a personal financial crisis if they have been subjected to domestic violence, incurred unavoidable or reasonable expenditure or in the circumstances

prescribed by the Secretary in a legislative instrument. This will better target exemptions to those who are most vulnerable and most in need of immediate assistance. Additionally, in recognition of the Senate Committee's earlier concerns about exemptions being contained in a legislative instrument, the abovementioned exemptions are now in the primary legislation with the legislative instrument providing flexibility to include additional exemptions.

The other existing exemptions will also continue to be available, for example, where a person is transferring between payment types or participating in certain employment services for people with significant non-vocational barriers to employment.

### **Schedule 2 – Age requirements for various Commonwealth payments**

From 1 July 2016, young unemployed people aged 22 to 24 would no longer be eligible for Newstart Allowance or Sickness Allowance until they turn 25 years of age. They would, instead, be able to claim and qualify for Youth Allowance. This increase broadly aligns payments for young job seekers with payments for students.

Newstart Allowance is paid at a higher rate than Youth Allowance, therefore, under the current arrangements where Newstart Allowance is available from age 22, a 22 to 24 year old student could be financially better off if they give up full-time study to access Newstart Allowance. This acts as a disincentive to pursue full-time study to better aid a transition into work. This change removes that incentive by placing all young people aged under 25 years on the same rate of payment, irrespective of whether they are unemployed or studying full-time.

On Youth Allowance, there is more flexibility to earn while on payment in comparison to Newstart Allowance, as income free areas are higher before payment is affected. This change will strengthen the incentive for young unemployed people to work or pursue education and training opportunities.

Young people will remain on Youth Allowance (other) rather than transferring to Newstart Allowance when they turn 22 years old, however existing Newstart Allowance and Sickness Allowance recipients aged 22 to 24 years at the measure's commencement would be grandfathered and remain eligible for these payments.

### **Schedule 3 – Income support waiting periods**

From 1 July 2016, job seekers applying for Youth Allowance (other) and, in certain circumstances, Special Benefit, who are aged under 25 and who are placed in Stream A with a jobactive provider will be subject to a four week waiting period.

Job seekers will be required to participate in pre-benefit activities during the four week period such as meeting with a jobactive organisation, agreeing a Jobs Plan, developing an up-to-date resume, creating a job seeker profile on the JobSearch website and providing evidence of satisfactory job search. Once on payment job seekers will also participate in Work for the Dole as required under jobactive, commencing their Work for the Dole six months after application for income support.

Job seekers who have been assessed as having significant barriers to finding a job will not be required to serve the four week waiting period. This will include Stream B and C jobactive clients, parents with 35 per cent or more care of a child, and young people leaving state care.

Exemptions from the four week waiting period will also be available to job seekers with a temporary activity test exemption of more than two weeks, such as pregnant women in the six weeks before they are expected to give birth or people testing their eligibility for the Disability Support Pension, as well as to people who are transferring from another payment (except a student payment) or who have served a four week waiting period in the prior six months.

In recognition of the importance of education and training in preventing future unemployment, young people who return to school or take up full-time vocational education or university study will be able to seek more suitable payments such as Youth Allowance (student) and would therefore not be subject to the four week waiting period.

Around \$8.1 million in additional funding will be available to Emergency Relief providers to provide some basic material aid for those impacted by the measure.

All job seekers will be subject to the one-week Ordinary Waiting Period which, for job seekers under 25 who are not exempt, will be served after the four week waiting period.

#### **Schedule 4 – Low income supplement**

From 1 July 2017, the low income supplement will cease to be available. The low income supplement is currently paid, as an annual tax-exempt lump sum, to adults in low-income households, based on the household's circumstances from the previous income year. The low income supplement was payable to qualifying individuals from 1 July 2012. The amount of the payment was \$300 for each qualifying individual, and was limited to one payment per year.

Ceasing the low income supplement will deliver savings of \$42.9 million over the forward estimates. The programme has a very low take-up rate and is administratively highly complex and expensive to deliver.

Around 6,000 people will no longer receive the low income supplement under this measure. Around 70 per cent of these will continue to receive the Energy Supplement as part of the Family Tax Benefit payment.

Based on original estimates of higher take-up rates, the Department of Human Services receives around \$19 million per annum to deliver a programme that, if it were to continue, would only provide around \$2.5 million in payments a year to recipients. Service delivery costs in administering this payment far exceed the financial benefit accrued by the eligible individual.

The low income supplement was originally included in the Household Assistance Package to help households adjust to the introduction of the carbon tax. With the abolition of the carbon tax, on average households are \$550 better off and this assistance is no longer required.

#### **Schedule 5 – Indexation**

The 2014-15 Budget announced that various means test thresholds for Australian Government payments would be fixed for three years. This measure will maintain at level for three years:

- income free areas for all working age allowances (other than student payments) and for parenting payment single from 1 July 2015; and
- income free areas and other means test thresholds for student payments, including the student income bank limits, from 1 January 2016.

This will save around \$134.8 million over the forward estimates.

These thresholds are usually indexed annually in line with the Consumer Price Index. By not indexing the thresholds, some customers will not receive increases to payments that would otherwise have occurred. Payments will not be reduced unless customer's circumstances change, such as their income increasing in value. Specific customer impacts depend upon payment type and people's circumstances.

These pauses to income free areas for working age allowances and income free areas and other thresholds for student payments were previously contained in Schedule 1 of the *Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014*. Original start dates of 1 July 2014 and 1 July 2015 have been revised to 1 July 2015 and 1 January 2016, respectively.