

# Inquiry into the Social Security Legislation Amendment (Youth Unemployment and Other Measures) Bill 2015

ACTU Submission to the Senate Standing  
Committee on Community Affairs

12 June 2015

## Introduction

1. The Australian Council of Trade Unions is the peak body representing almost two million working Australians. The ACTU and its affiliated unions have a long and proud history of representing workers' industrial and legal rights and advocating for improvements to legislation to protect these rights.
2. The ACTU welcomes the opportunity to make this submission to the Senate Standing Committee on Community Affairs.

## About the Bill

3. The *Social Services Legislation Amendment (Youth Employment and Other Measures) Bill 2015* ('the Bill') proposes a number of changes to social security laws, with the main change being the introduction of a four week waiting period for all jobseekers under the age of 25. This four weeks is in addition to the current one-week waiting period, which effectively means that young people will serve a five week waiting period. The Bill also seeks to introduce a one-week waiting period for Parenting Payment and Youth Allowance (other). During the waiting period, young jobseekers are required to attend activities such as meeting with an employment service provider and engaging in job search activities.
4. In addition, the Bill will seek to remove young jobseekers between the ages of 22 and 24 from the Newstart Allowance and place them on the lower-paid Youth Allowance.
5. The Bill also proposes to abolish the low income supplement, which provided a one-off annual payment of \$300 to meet additional expenses.
6. Finally, the Bill proposes to freeze indexation of all working age payments (including Newstart and Youth Allowance) for three years. These payments are currently indexed at CPI, so this will effectively mean a real cut to the current rate of allowances.

7. If enacted, these changes will take effect from 1 July 2016.

## Background

8. The original iteration of these proposed amendments was announced in the Federal Government's 2014 Budget. The original proposal was to introduce a six month waiting period for young jobseekers, and to suspend payments for six months every year thereafter.
9. These proposals were roundly criticized in the media and public, and were thankfully rejected by the Senate. As a result, the government backed down from the proposal, introducing these proposed amendments as an alternative.
10. This Bill is a watered down version of the original proposal, and should be viewed in that context.

## The ACTU's Position

11. The proposed changes will only serve to place financial stress on those who can least afford it and make it more difficult for young people to focus their energies on job search activities.
12. The Explanatory Memorandum fails to provide any real rationale for the introduction of these waiting periods, beyond claiming (with no evidence) that it will "provide an incentive for affected persons to be self-sufficient". It is difficult to understand the logic behind this statement. There is no evidence to suggest that a waiting period will in any way benefit or motivate the jobseeker. The need for paid employment and the already low rate of allowance payments are, by themselves, sufficient motivation to look for work. On its face, the introduction of these waiting periods would appear to be no more than a cost-cutting exercise at the expense of jobseekers on low incomes, who are already in some financial difficulty.

13. It is important to note that an assets test already applies before a jobseeker can access Newstart or Youth Allowance, and therefore jobseekers with the financial means to support themselves while looking for work are excluded from eligibility. In other words, the only people that this Bill will affect are those with no real savings buffer to support themselves while out of work.
14. The current youth unemployment rate is at 13.65% and has been as high as 14.59% in the preceding year.<sup>1</sup> This is almost triple the general unemployment rate. Youth unemployment is a serious issue requiring a serious response in the form of considered industry and labour market policies; waiting periods are not the answer. This Bill appears to assume that the youth unemployment crisis is the fault of young people who simply are not trying hard enough to find employment. This attitude ignores the fact that there is a structural imbalance in the labour market; that is, there are far more people looking for work than there are current vacancies. Unemployment is an economy-wide structural problem that can only be solved through government investment in training and education, and a proper industry policy.
15. The rationale for removing young jobseekers from Newstart Allowance is to bring the rate of pay for young jobseekers in line with young people who are studying while on Youth Allowance. However, no evidence is produced to demonstrate that the living expenses of young people who are out of home are any less than older jobseekers. If anything, because young people have had fewer, if any, years in the labour market, they are therefore unlikely to have substantial savings to fall back on during periods of unemployment. It would make more sense to align the Newstart and Youth Allowance payment rates rather than reducing payments for young jobseekers.
16. The other changes to social security measures, including freezing indexation and removing the low income supplement, will place all jobseekers at a financial disadvantage, and appears to be a Budget saving measure targeted at those who can least afford it.

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<sup>1</sup> ABS, 4102.0 – Australian Social Trends.

## Conclusion

17. In conclusion, this Bill is merely a recycled and watered-down version of the 2014 proposals. The measures contained in this Bill are harsh, draconian and unfair, and very little different to those proposed (and rejected by the Senate) last year.
18. This Bill will achieve nothing save to punish young people for not being able to find employment in a sluggish labour market.
19. The ACTU opposes this Bill.

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