



Budget Bills Brief: 6-month wait for payments for unemployed young people

Social Services and other legislation amendment (2014 Budget Measures No.2) Bill 2014

Schedule 9: Exclusion periods – Require young people with full capacity to learn, earn or Work for the Dole

Measures From 1 January 2015, unemployed young people aged 18-29 years would wait 6 months for Newstart Allowance/Youth Allowance, unless they have a work history or are exempted.

During this period they would still be required to search for jobs and meet with employment services.

For the next 6 months, they would receive income support but be required to Work for the Dole for 25 hours a week.

For the next 6 months, they would not receive income support, unless exempted.

This cycle of no payment and Work for the Dole would continue until they leave unemployment payments (e.g. for fulltime employment or study) or reach 30 years of age.

Existing recipients of unemployment payments would also be subject to this measure.

Impacts This measure overturns 70 years of Government policy of providing a social security safety net for people unable to find employment. Proposed exemptions will not remedy this, and will capture only a proportion of those in the most severe hardship. The Government estimates that over 100,000 people would be affected by the proposed waiting periods each year, for a Budget saving of \$1,247 million over the next 4 years.

On current payment rates, this means a loss of income of \$207pw for those aged 18-20 years, or \$255pw for those aged 21 years or more receiving Newstart Allowance, for up to 6 months of each year of unemployment.

This measure would entrench poverty, increase homelessness, place financial pressure on families, reduce job readiness and further disconnect people from the labour market. It would also make social security more complex and encourage people to enrol in training regardless of its relevance to future job prospects, as people come under pressure to make use of exemptions in order to receive income support.

Recommendation **Reject Schedule 9 in its entirety.**

Existing Since 1944, Australian Governments have provided unemployment benefits for



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Arrangements adults and young people. The standard waiting period has been one week. Payments are then made fortnightly in arrears, but people may receive their first payment earlier in cases of financial hardship.

Unemployed young people under 21 may receive Youth Allowance (Other) at a maximum rate of \$207pw if they live apart from their parents. Those aged 21 and over may receive Newstart Allowance at a maximum rate of \$255pw. These payments continue until they leave unemployment benefits by finding a fulltime job or other source of income, or transferring to another payment such as a student payment (Youth Allowance (student) or Austudy or Abstudy Payment).

To receive unemployment payments a person must normally search for 10 jobs a fortnight, report to Centrelink on their job search efforts each fortnight, meet regularly with their Job Services Australia provider, and fulfil other requirements in their activity plan such as training or work experience. They may be required to undertake Work for the Dole for six months of each year, after their first year of unemployment. Payments may be suspended or stopped if they breach these requirements.

If under 22 years and lacking Year 12 qualifications, they must normally undertake training or study until they achieve those qualifications, unless they are employed part time. This 'earn or learn' requirement has been in place since 2009.

The vast majority of OECD countries provide a similar income support safety net for unemployed people. Even if unemployment insurance runs out, alternative safety net payments are available.

Measure From 1 January 2015, unemployed young people aged 18-29 years would wait 6 months for Newstart Allowance/Youth Allowance, unless they have a work history or are exempted. Those with a history of employment would receive their payments sooner but the details of this calculation are being left to a legislative instrument. During this period young people would still be required to search for jobs and meet with employment services. If they breach those requirements, their next 6 month waiting period could be extended by up to one month for every breach (again, details await a legislative instrument).

For the next 6 months, they would receive income support but be required to Work for the Dole for 25 hours a week. For the next 6 months, they would not receive income support, unless exempted.

This cycle of no payment and Work for the Dole would continue until they leave unemployment payments for fulltime employment or study or a different social security payment, or reach 30 years of age.

Existing recipients of unemployment payments would also be subject to this measure from the end of their next annual period of Work for the Dole after 1 July 2015.

Those exempted from the waiting periods are:

- + People in fulltime education or training that qualifies them for the lower student payments (up to \$207pw instead of \$255pw if they are over 20



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- years);
- + People caring for a dependent child for more than one third of the time;
 - + People with disabilities assessed as only able to work part time;
 - + Apprentices and trainees;
 - + A disadvantaged jobseeker receiving 'Stream 3 or 4' services within Job Services Australia or Disability Employment Services;
 - + A recipient of Farm Household Support payments;
 - + People falling within any additional exemption category approved by the Minister.

The Government has set aside \$230 million of the \$2,125 million in income support savings over the next four years (see below) to provide grants to community agencies to provide emergency relief to those affected. The details are unclear but emergency relief is generally charitable relief in the form of small cash grants or vouchers to assist with food, rent or utility bills. This is not an entitlement and people must apply with the welfare agency each time they experience hardship.

Impacts We understand that of the 265,000 people aged 18-29 who are within the scope of this measure in 2015-16, 113,000 would have to serve all or part of a 6 month waiting period (see table below). Beyond that, the numbers affected are likely to grow each year. This is close to ACOSS' original estimate that more than 100,000 young people would be affected each year.

| Number of young people affected by the proposed waiting periods in 2015-16 | |
|--|--------------------|
| Young unemployed people applying for or receiving income support | 265,000 |
| Minus those exempted | - 104,000 |
| Young people potentially subject to an extra waiting period | = 162,000 |
| Minus those transferring to student payments | - 48,000 |
| Subject to an extra waiting period | = 113,000 * |

* The extra wait will not be 6 months in all cases (e.g. some will find employment, others will leave the social security system).

Less than 40% of young unemployed people seeking income support qualify for exemptions and less than 30% of those who are not exempted undertake fulltime study and transfer to student payments. An unknown, but probably large, number of young people will not apply for income support in the first place, especially in Aboriginal or Torres Strait Islander communities. Governments will have no way of engaging with this group until they contact other services (e.g. homelessness services).

The income support savings are estimated to be \$2,125 million over the next four years offset by spending on Work for the Dole and other programs and the \$230



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million for emergency relief referred to above. These offsets reduce the overall Budget saving to \$1,247 million.

On current payment rates, those affected would lose \$207pw (if aged 18-20 years), or \$255pw (if aged 21 years or) for up to 6 months of each year of unemployment. This would entrench poverty, increase homelessness, place financial pressure on families, and further disconnect people from the labour market. Not every young person is supported by their parents and it is not reasonable to expect parents to do so up to the age of 30 years.

The proposed system would be almost unique among the wealthy OECD countries. It would make social security more complex and encourage people to undertake fulltime training regardless of its relevance to future job prospects, as people come under pressure to make use of exemptions in order to receive essential income support. It is impossible to guarantee that no one who is unable to find employment would be affected. Those who avoid applying for income support in the first place could not be assessed to see if they qualify for exemptions. Many people who are disadvantaged in the labour market are incorrectly assessed as 'not disadvantaged' by Centrelink. For example one in eight people assessed as 'Stream 1' (the lowest level of disadvantage) are subsequently found to be eligible for a higher 'Stream' of assistance. Many young people who are 'work ready' are simply unable to find a job.

It will be hard for those affected to qualify for student payments. They would have to enrol in a fulltime course (at least 25 hours a week) approved by the Education Minister (e.g. school, TAFE or university). They have to find a place, pay for it (where fees apply), and their application must be accepted by the institution. There are limits on the number of years people can receive student payments for a course at a particular level (e.g. university).

The proposed change assumes that most unemployment among young people is voluntary and that young people themselves are to blame for the recent rise in youth unemployment. Over the last six years the overall number of jobs filled by young people has fallen by 30,000. The youth unemployment rate was just 8% in 2007, before the GFC. [As Professor Jeff Borland argues](#), the main reason it has since risen to 13% is that jobs have dried up for young people with limited skills:

At the same time that the Government is restricting access to unemployment payments, it is ending the Youth Connections program, which provides career counselling and social support to young people who have left school early or are at risk of doing so. In 2011, 94% of participants were still engaged in study or paid work six months after completing the program. Together with wage subsidy schemes, this is a more effective way to prevent and reduce youth unemployment than 'make work' schemes such as Work for the Dole (where only 22% of participants secure a job).