

# Federal Budget 2014-15

## *Fact sheet 1: A planned crisis*

Under proposed budget changes unemployed people under 30 years of age will lose income support for six months of the year<sup>1</sup>.

### ***Who will this affect?***

This will affect people aged 18-29 years who are not enrolled in education or training and who are not in work. It will also affect people in casual or part-time work who don't earn enough to move off Newstart Allowance.

It is estimated that this will affect 60% of Newstart recipients who are under 30 years of age<sup>2</sup>.

It is planned to phase this in from July 2015.

### ***How will Tasmania be affected?<sup>3</sup>***

TasCOSS estimates that 12,759 suspensions will be placed on Tasmanian jobseekers in the next four years<sup>4</sup>.

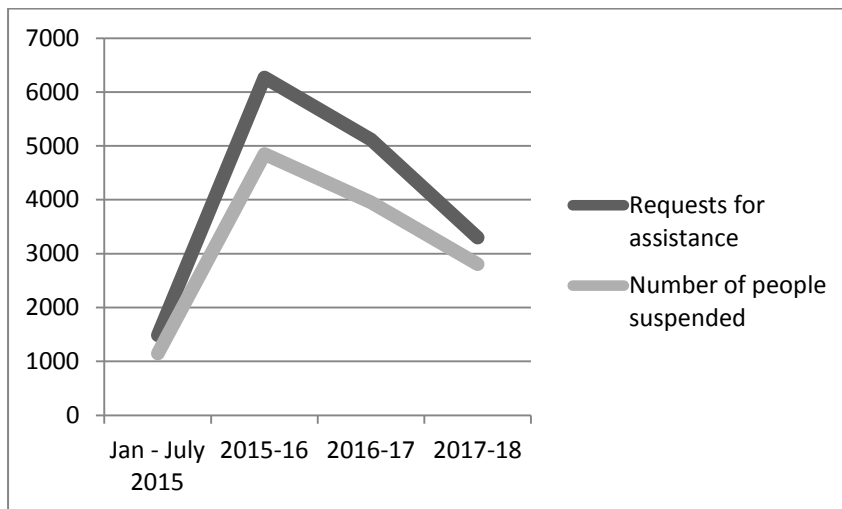
Individuals affected by the suspension will lose half of their annual income (\$10,764 if aged 18 to 20, \$13,273 if over 21). They will also lose supplementary benefits such as Rent Assistance<sup>5</sup>.

The Department of Social Security (DSS) has budgeted for extra assistance for emergency relief services to respond to the crisis that may result from this measure. Using this budget as a guide, TasCOSS estimates that Tasmania will see around



16,500 extra requests for assistance at Tasmanian emergency relief services over the next four years<sup>6</sup>.

**Figure 1 Projected number of suspensions and requests for emergency assistance as a result of this measure (Tasmania January 2015 – June 2018)**



It is not known how many people will become homeless as a result of this measure. DSS has not done any calculations of what effect this measure will have on demand for homelessness services or how it will affect other existing services.<sup>7</sup>

Figure 2 (below) shows the loss of income in Tasmania over the next four years from the base Newstart payment alone. The total loss in income experienced by Tasmanians affected by this suspension over the four-year period is estimated to be \$85 million<sup>8</sup>.

However, emergency relief providers will be given extra funds over the next four years to assist individuals who are in crisis because of this measure. These funds can be used to purchase food or pay for rent or utilities. DSS appears to be predicting a 24% increase in demand for emergency relief services in the first full year of this measure<sup>9</sup>.

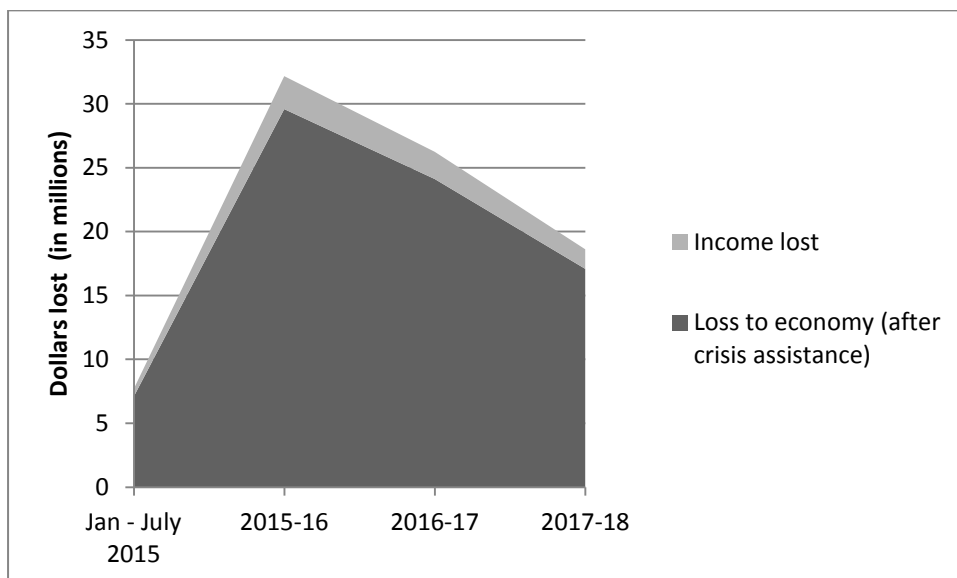
TasCOSS estimates that Tasmanian emergency relief services will receive around \$6.84 million extra over the next four years to deal with the planned crisis<sup>10</sup>. DSS has budgeted \$400 worth of assistance for each time someone is helped<sup>11</sup>. For the



recipients of this assistance, this will equate to around \$15 a week over the six-month period of suspension<sup>12</sup>.

The bulk of monies received by low-income earners is spent in the local economy on essential goods and services. The loss of income to jobseekers therefore translates into a loss for the Tasmanian economy. Figure 2 shows the loss to the Tasmanian economy after the offset of the crisis funding is calculated.

**Figure 2 Total income lost and loss to the economy as a result of this measure**

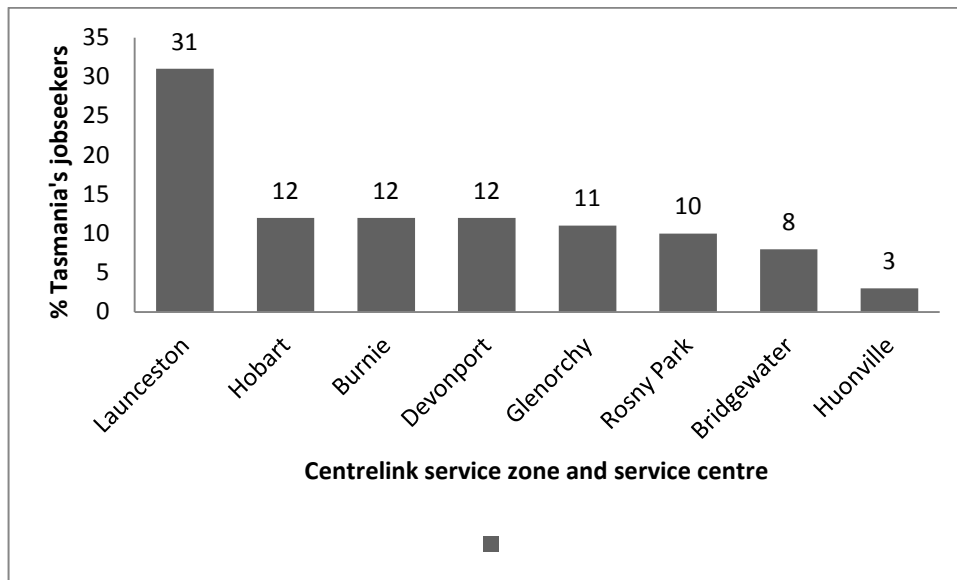


### *Which parts of Tasmania will be hardest hit?*

TasCOSS estimates that while all parts of Tasmania will be affected, Greater Hobart, north-east Tasmania and the North-West Coast will be hardest hit by this measure. The table below shows which Centrelink service centres jobseekers receiving Newstart Allowance and Youth Allowance use<sup>13</sup>.



**Figure 3 Jobseekers receiving Newstart and Youth Allowance by Centrelink service zone and service centre**



### *Is anyone protected from this?*

*These people will be automatically exempted*

- Single parents who receive Family Tax Benefit B because they have more than 35% care for a child.
- Parents who are the principal carer of their children.
- People in full time education.<sup>14</sup>
- People with a partial work capacity of less than 30 hours/week.
- Part-time apprentices.
- Job seekers classified as Stream 3 and 4 by Job Services Australia<sup>15</sup>, or Remote Jobs and Communities Program equivalent.
- People participating in and eligible for disability employment services.

*These people will **not** get an automatic exemption*

- New graduates who are looking for work.
- People with substantial histories of part-time and casual work<sup>16</sup>.



- People under 30 transferring from carer payment to Newstart Allowance or Youth Allowance because the person they were caring for has died or moved into residential care (and as a carer the person could not do paid work).
- Young people leaving out-of-home care (who it is recognised often face significant challenges to getting work).
- People who lose income support through this process but then manage to find some casual or part-time work.
- Single parents who care for their children less than 35% of the time.

*No one seems to be sure about these people ...*

If people become homeless because of the six-month loss of payment will they be exempted from the suspension so they can try to get housing and therefore be in a stronger position to find work?

People made homeless as a result of this measure *might* become exempt from it. The Secretary of the DSS has said that while they won't automatically be reassessed as disadvantaged jobseekers (Stream 3 and 4 jobseekers), '*a significant proportion probably would be*'. This is because, as homeless people, they could be considered to be experiencing labour market disadvantage<sup>17</sup>. If they are then classified as disadvantaged jobseekers (Stream 3 or 4) they could become exempt.

### ***Will people be suspended for the full six months if they have part-time work?***

Having a substantial history of part-time and casual work will not get a jobseeker an automatic exemption. However, one month will be deducted from a person's six-month suspension for every year of full-time work history they have<sup>18</sup>. (As this is pro-rata, presumably one month would also be deducted if they had worked half of a 38-hour week over two years.) A further condition is that this work has to be 'post-education', that is, after they have completed their qualification.

DSS estimates that only 20% of people affected will be entitled to this reduction in the suspension<sup>19</sup>.



## ***What happens at the end of the six-month suspension?***

It's not clear whether a six-month suspension will result in higher rates of full-time employment or enrolment in education or training; no information has been offered to argue that this policy is 'evidence-based'. The Department of Social Security has described this strategy as an idea "that came out of the budget process"<sup>20</sup>. Prior to the introduction of this measure, around 46% of people who applied for and were granted unemployment benefits found employment within six months<sup>21</sup>. The Government does not know whether this measure will improve that employment rate or worsen it.

People who haven't found work or entered training at the end of the six months will be required to participate in Work for the Dole in order to qualify for income support payments. Their participation in that program will be required for 25 hours a week for 26 weeks.

At the end of the 26-week Work for the Dole program, participants who have not been exempted will lose their income support payments for six months. (The process is a circle.)

## ***What can you do about these changes?***

If you are concerned about the effect of these Budget measures on people experiencing poverty and inequality, go to the [ACOSS Take Action page](#) for more information.



## Methodology

The figures used in this paper are outlined in the table below. The table has been constructed on the assumption that the logic to the pattern of emergency relief distribution outlined by the Department of Social Security in the Senate Estimates hearing corresponds to a projected pattern of suspensions.

**Table 1: The impact for Newstart recipients in Tasmania**

	Year	Emergency Relief Allocation <sup>22</sup>	% of total Emergency Relief allocation	Emergency Relief occasions of service (Australia) <sup>23</sup>	Emergency Relief occasions of service (Tasmania) <sup>24</sup>	No. of bans (Aust) <sup>25</sup>	No. of bans (Tas) <sup>26</sup>	Loss of income (Tas.) <sup>27</sup>	Emergency Relief assistance (Tas) <sup>28</sup>	Total loss to Tas economy
*6 month period	(Jan – July 2015)	\$20 million	9	49,500	1485	38,272	1148	\$7.62 million	\$0.6 million	\$7.09 million
	2015-2016	\$86 million	38	209,000	6270	161,595	4848	\$32.17 million	\$2.58 million	\$29.59 million
	2016-2017	\$71 million	31	170,500	5115	131,827	3955	\$26.25 million	\$2.13 million	\$24.12 million
	2017-2018	\$51 million	22	121,000	3630	93,555	2806	\$18.62 million	\$1.53 million	\$17.09 million
<b>Total</b>		<b>\$228 million</b>	<b>100</b>	<b>550,000</b>	<b>16,500</b>	<b>425,250</b>	<b>12759</b>	<b>\$84.6 million</b>	<b>\$6.84 million</b>	<b>\$61.09 million</b>

Note: the figures highlighted are those provided by the Department of Social Security in the Senate Estimates Hearing in June 2014.

## References

ACOSS (Australian Council of Social Service) 2014a, [A Budget that divides the nation: ACOSS 2014-15 Budget Analysis, May 2014](#)

ACOSS 2014b, [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](#)

Department of Social Security 2014, [Labour Market and Related Payments: a monthly profile, January 2014](#)

Senate Community Affairs Legislation Committee 2014, [Estimates Thursday, 5 June 2014, Hansard](#)

Senate Community Affairs Legislation Committee 2014, [Estimates Wednesday, 4 June 2014, Hansard](#)

<sup>1</sup> In this paper the loss of income support for six months is referred to as a 'suspension'.



<sup>2</sup> The DSS estimates that 161,595 of the 265,627 Newstart recipients aged under 30 will be affected by the measure in 2015-16 (Senate Estimates 4 June, p 126)

<sup>3</sup> The Government has released few figures about the projected impact of this measure but some have become available through the Senate Estimates Hearing process, enabling certain assumptions to be made. See the section called Methodology for an explanation of how these figures have been arrived at.

<sup>4</sup> This estimate is based on the pattern of emergency relief which is planned to be distributed by the Department of Social Security and the assumption that this will mirror the projected pattern of suspensions (see Table 1). TasCOSS estimates that the DSS is preparing for a total of 425,250 suspensions between January 2015 and June 2018. Tasmanian figures are based on the fact that three percent of Australia's Newstart recipients live in Tasmania (DSS 2014, p.21).

<sup>5</sup> Rent Assistance is a Commonwealth payment which is added to the pension or allowance of income support recipients if they rent in the private rental market or community housing.

<sup>6</sup> DSS has budgeted for an extra 550,000 extra occasions of service by Emergency Relief services over the next three and a half years to individuals in crisis as a result of this measure.

<sup>7</sup> Senate Estimates July 5, p28

<sup>8</sup> This estimate is based on the adult payment (\$255pw). While this does not reflect the lower incomes of those aged under 21, it remains a conservative estimate as these calculations do not include the loss of supplementary benefits that jobseekers receive, such as Rent Assistance.

<sup>9</sup> DSS reported that Emergency Relief services nationally had had 864,000 requests for assistance in 2012-13 (Senate Estimates 5 June, p31). In addition to this demand, a further 209,000 requests for assistance are projected in 2015-16.

<sup>10</sup> This estimate is based on the assumption that Tasmanian has 3% of the jobseekers potentially affected by this measure and will therefore receive 3% of the emergency relief allocation.

<sup>11</sup> Senate Estimates, 5 June 2014, p. 35

<sup>12</sup> The money for the extra Emergency Relief funds is coming from DSS's own budget, from money saved from 'reduced expenditure' on Newstart Allowance and Youth Allowance. The Secretary of DSS reported that 'reduced expenditure in that area ... frees up resources that can be invested for emergency relief purposes.' (Senate Estimates, 5 June 2014, p. 35).

<sup>13</sup> DSS 2014, p21

<sup>14</sup> While the Government says jobseekers must enrol in education or training it would be more accurate to say they must enrol and be accepted into education or training. The course must be full-time (at least 25 hours a week), accredited (approved by the Education Minister) and they may have to pay fees. It is not clear what provisions will apply to people who have reached the limit on the number of years they have received a student payment for a course at a particular level (e.g. University) (ACOSS 2014b, p4).

<sup>15</sup> Stream 1 jobseekers are those people who are assessed as having the lowest level of disadvantage in terms of finding work. Stream 3 & 4 are disadvantaged jobseekers.

<sup>16</sup> Newstart Allowance recipients may be employed part-time within an income test limit.

<sup>17</sup> Senate Estimates 4 June 2014, pp. 130-131

<sup>18</sup> For those who are eligible, the reduction will be applied pro rata in terms of the rough hours they are working in comparison to a full working week (Senate Estimates 4 June, p.127).

<sup>19</sup> Senate Estimates 4 June 2014 p. 126

<sup>20</sup> Senate Estimates 4 June p. 129.

<sup>21</sup> Senate Estimates 4 June, p130.

<sup>22</sup> Figures from Senate Estimates Hearing 4 June 2014, p. 124.

<sup>23</sup> The pattern of occasions of service has been calculated to correspond with the pattern of Emergency Relief allocation.

<sup>24</sup> As Tasmania has 3% of Australia's Newstart and Youth Allowance recipients it is assumed this state will receive 3% of the emergency funding.

<sup>25</sup> Using the pattern of Emergency Relief allocation and the number of suspensions projected for 2015-16 as a baseline (figure given in Senate Estimates Hearing June 4) the number of suspensions was projected over the next four years.

<sup>26</sup> It is assumed that Tasmania we will have 3% of the suspensions.

<sup>27</sup> Calculated on base payment \$255.25/week for 6 months.

<sup>28</sup> It is assumed Tasmania will receive 3% of the emergency funding.

