

Youth Employment Package Option A: eligibility changes for income support for job seekers under 30 years old in areas where unskilled work is available

Minister: Minister for Social Services

Ongoing

Authority for NPP: TA14/0070/ERC

Affected Agencies: Department of Social Services; Department of Employment; Department of Human Services

Critical decision date(s):

Financial Implications (\$ millions):

Without BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Departmental Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0	0	0	0	0	0

**Department of Finance indicative agreed whole of government costing is -\$2.861 billion over 4 years*

With BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Departmental Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0	0	0	0	0	0

**Department of Finance indicative agreed whole of government costing is -\$1.632 billion over 4 years*

Proposal Description:

This proposal would prevent people under 30 years of age who are residing in Prescribed Areas such as capital cities with low unemployment, where unskilled work is available and are capable of working, from claiming income support payments. The policy would also apply in areas where seasonal work is available. Job seekers would either be subject

PROTECTED Sensitive: Cabinet

to a continuous suspension of income support or a seasonal suspension as declared by the Minister from time to time and limited periods where there is a peak demand for labour. The proposal would commence on 1 July 2015. No grandfathering of current recipients is provided for, this proposal would have immediate effect for all jobseekers under 30.

An option within the proposal could instead offer some basic social assistance to affected job seekers in the form of a BasicsCard loaded with \$200 per fortnight which would be fully (100%) income managed. This option would not be available until 1 July 2016, therefore affected job seekers would be without support during 2015-16.

In these Prescribed Areas, under 30s seeking to claim payment for Newstart or Youth Allowance (Other), would be advised by an employment services provider or Department of Human Services (Centrelink) that they are in a government determined low unemployment area and therefore ineligible for this form of income support. Instead they would be offered intensive support by employment service providers and relocation assistance to move to where the jobs are. Any job seeker who moves from an area of low unemployment would continue to be ineligible for income support indefinitely.

The proposal would affect approximately a total of 70,000 Newstart and Youth Allowance (Other) recipients identified as living in low unemployment zones on a continuous basis on 1 July 2015. A further 35,000 job seekers each year would no longer be eligible for support in these regions. In addition, around 30,000 recipients per year would have their payments suspended for a period of time because they live in areas where seasonal work is available.

Only a very small number of highly targeted exemptions would apply. These will be for people with a capacity to work of less than 23 hours or whose disability prevents them from undertaking the seasonal work available, and principal carer parents. In these cases they would be eligible to receive Newstart or Youth Allowance (other) providing they continue to meet their Mutual Obligations responsibilities.

Eligibility for other forms of income support, such as Disability Support Pension, Parenting Payment, Carer Payment, Youth Allowance (student), Austudy, ABSTUDY Living Allowance and Sickness Allowance would not be changed. The eligibility rules for Special Benefit would need to be amended to ensure there was no unintended flow onto this payment.

This proposal is a fundamental change to the safety net and pre-empts the Welfare System Review currently underway.

Background

Currently young unemployed people are generally able to access income support in their own right from the age of 22. Prior to this age they may also receive income support as a dependent young person, based on an assessment of their parents' means. Youth Allowance is the main form of assistance for young people, whether they are full time students, or looking for work. At 22 years of age, young job seekers may access either Newstart Allowance. Aside from age and activity requirements, the main eligibility criterion for income support is based on the income and asset levels of the individual. Eligibility is set consistently across the country and is not based on previous employment or contributions to a scheme. Payment design is based around the principles of providing an adequate safety for people otherwise at risk of financial hardship, whilst maintaining incentives to work. Full-time activity test requirements and mutual obligation are fundamental to ensuring job seekers are looking for work and seeking to become self-reliant.

Option for basic social assistance

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

An option to lessen the harshness of the measure and to assist job seekers under 30s to meet their living expenses, could involve:

- a Basics Card which is a reusable, Personal Identification Number (PIN) protected card that is currently used in areas where Income Management applies. It could be used to purchase food, clothes, health items and hygiene products at a variety of approved stores and businesses. It would be capped at \$200 per fortnight and income managed at 100%.
- Immediate suspension of any support for up to 12 weeks if a job offer was refused or for other non-compliant behaviour.

Such a limited amount of support would not provide for an adequate standard of living. However, the intention is not to provide income support, the intention is to provide a minimum level of social assistance to be spent on prescribed items only.

The cost for DHS of setting up the infrastructure necessary to support the roll out of the BasicsCard is likely to be significant. There would be no capacity to implement the basics card option until 2016-17 as part of new arrangements because only the current approach with the same client groups and coverage can be rolled over with an extension of the current BasicsCard contract.

Assistance to find work

Young people impacted by the changes to eligibility for Newstart and Youth Allowance (other) will benefit from immediate access to Stream B assistance under the Employment Services 2015 model. Assistance under the option without provision of a BasicsCard would be on a voluntary basis. If the BasicsCard was provided then participation in employment services would be compulsory, with immediate suspension for non-compliance.

Income Management - Basics Card

The BasicsCard, a key delivery mechanism of the income management programme, could be made available to enable young income support recipients to access basic necessities whilst they continue work-search efforts. The BasicsCard is a PIN protected card that allows participants to access their income managed funds through EFTPOS facilities at merchants approved as offering priority goods and services, such as food, housing, utilities, clothing and medical care. The existing BasicsCard is not able to be used to pay rent. Under this proposal, an increased footprint of Approved BasicsCard Merchants will be required Australia wide.

The existing income management programme currently supports over 23, 000 people in targeted locations across Australia, including all of the Northern Territory. Income management trials in the Northern Territory, APY Lands in South Australia and various locations in Western Australia will cease on 30 June 2014. An NPP for continuing income management in these locations for a further year is being considered in the 2014-15 Budget process.

The existing income management scheme currently targets particularly vulnerable income support recipients in particular locations (many of them remote) and provides a range of supports, including a high degree of support from DHS staff and from financial management services. This proposal would not seek to replicate such an intensive level of support, on the basis that these young people are likely to be able to better manage electronic and automated payment arrangements than the current client group.

The costs for BasicsCard provision under this proposal will need to take into account broader Government directions on the development of a low cost model of income management, including the option of a new BasicsCard or equivalent, and increased access to self service technology, including but not limited to online servicing, phone interactive voice recognition and smart phone applications. The development of this model will need to take into account the Government's response to the Welfare Reform Review and Review of Indigenous Training and Employment Programmes, with a proposal expected to go to Government for decision following the 2014-15 Budget. This could

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

significantly reduce the costs of delivering the BasicsCard or equivalent under this proposal in the longer term.

Policy Case:

Youth unemployment in Australia is well above the national unemployment rate and has been consistently so for many years. Youth employment is also particularly sensitive to economic conditions. Since the Global Financial Crisis, youth unemployment levels have not recovered to previous lows, and this trend is also seen across other cohorts of income support recipients with low skills and less workforce experience to draw upon. As well as being sensitive to economic conditions, evidence suggests that many young people are finding the transition from school to further education or employment difficult. This is the case not only for low-skilled youth with low education levels but also for university graduates with generalist degrees and with degrees for which there are not many vacancies.

The relatively poor performance of youth unemployment rates is likely to substantially reflect the nature of the cohort (relatively low skills, experience and broader levels of employability) and the lack of wage flexibility for low income workers due to wage floors in Modern Awards and the Federal Minimum Wage. This reduces employer demand for youth workers. The structure of the labour market has also changed over recent times with a significant shift to part-time employment at the expense of full-time work. Many young people are attaining year 12 or equivalent education, however they are still finding the transition difficult.

This proposal may receive support from those in the community who have little sympathy for 'job snobs' and are concerned that young people do not face strong requirement to seek work and accept suitable work. However, this is a fundamental change to Australia's universal Social Security System as an income safety net will no longer be available to all people under 30 who are looking for work. It pre-empts longer term welfare reform and it is not clear that there is a strong evidence base for this approach.

This year's Budget already contains measures to increase work incentives, mutual obligation and activation for young people. The ordinary waiting period that is served prior to receiving income support will be strengthened, the age of independence will be increased to 25 years of age and the application of serious non-compliance penalties will be significantly tightened. In addition, the welfare reform Budget submission includes measures that place a strong emphasis on tightening exemptions, strengthening the application of penalties for non-compliance and maximising the participation of young people in receipt of income support. It would be desirable to evaluate the effectiveness of these measures before considering whether such a radical structural change to the income support system is required.

It is likely that 70,000 job seekers living in eight greater metropolitan areas and around 35,000 job seekers in areas with seasonal work will also be impacted by this proposal. These regions would need to be consulted in order to gain a full understanding of the impact of such a proposal and to ensure the correct infrastructure is in place to support such significant changes.

If implemented, this measure would place significant pressure on the third sector, particularly Emergency Relief services, which would be required to meet the increased demand for basic goods and services from these people. They and the welfare sector more broadly will be vocal in their opposition. Some families may also oppose if they have to support their under 30 year old children.

Job seekers in scope will be opposed to this measure and it may give rise to unintended consequences such as an increase in non-activity tested income support recipients including those receiving Parenting Payment, Disability Support and Carer payments. Some jobseekers may choose to withdraw completely from the labour market and only seek income support after they turn 30, increasing the risk of developing major barriers that impact on their capacity to find work in the future. Conversely, other job seekers

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

may either decide to return to education voluntarily or remain in or complete their schooling years.

It should be noted that there is already strong evidence to show that young job seekers have lower rates of exemptions from mutual obligation than the general population. They also tend to combine work and study and are strongly engaged in workforce participation.

Legal issues

The proposal could be seen to be in breach of Article 22 (right to social security) and Article 25 (right to an adequate standard of living) of the Universal Declaration of Human Rights. It could also breach Article 9 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) which recognises "the right of everyone to social security, including social insurance." State parties to the ICESCR have the obligation to respect, protect and fulfil the right to social security.

Risks

There are several key risks associated with this proposal:

- **Costs** – the main costs would include additional more intensive customer servicing by employment services and Centrelink; IT interface and infrastructure; BasicsCard infrastructure; Emergency Relief services.
- **Policy rationale** – a policy based on an arbitrary age can produce vastly different levels of support for people in very similar circumstances. Perceptions of unfairness will erode community acceptance of the proposal.
- **Unintended consequences** - Many people would be motivated to change their circumstances in order to qualify for other payments. This could create perverse outcomes (eg choosing to become pregnant) and greater imposts on income support into the future. Young people in financial hardship could experience homelessness, be driven to crime and other anti-social behaviour in order to survive, rather than undertake job search. Other forms of support would need to be very strong in order to continue to encourage the outcomes sought.
- **Complexity** – developing a new system of eligibility for people under 30, while maintaining the current system for all those 30 and over, will be costly and complex. Developing a system for monitoring job vacancies and prescribing certain areas will be extremely complex due to the lag in available job vacancy data, the need to define regions and restrict job seekers from leaving particular regions.
- **Demand side issues** - even though employers may be seeking to fill jobs, they may refuse to employ a person in the target group because of their views about the unemployed, or because young people often lack the skills and work experience that employers want. Unskilled young people have higher rates of unemployment than other unemployed people.
- **Prescribed Areas definition** - defining Prescribed Areas will depend on complex analysis of labour market data which fluctuates. Arbitrary boundaries may encourage targets of the measure to move to other areas.

This is a significant reform proposal and there has not been adequate time in which to fully develop the income support policy and the complementary policies associated with increased services and implementation. It is therefore very difficult to quantify the financial impacts of the measure and adequately advise government of the expected outcomes of the policy, the alternative options and implementation considerations. This substantially increases the risks of proceeding with the proposal at this time.

Such reform options would be more appropriately be considered as part of the Welfare System Review, which is tasked with considering the interaction of incentives and payment design across the entire system.

Implementation and Delivery

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

This policy will be jointly implemented and managed by:

- the Department of Employment which will be responsible for
 - managing the contracts of the employment service providers who will be assisting job seekers impacted by this policy to find work.
- the Department of Human Services which will be responsible for the provision of basic social services
- the Department of Social Services and the Department of Employment will be responsible for making the necessary legislative changes

Legislative Changes

This policy approach will also require legislative amendments to the *Social Security Act 1991* and *Social Security (Administration) Act 1999*.

For this change to be implemented Social Security legislation will need to be amended regarding access to Newstart Allowance and Youth Allowance (Other) for job seekers under 30 years of age. There is a risk is that the required legislative changes may not be passed by the Senate.

Social Security legislation may also need to be amended to apply a strong penalty to those who have relocated to an area not determined to be a location to where the policy applies, simply to qualify for income support.

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

Youth Employment Package Option B: Eligibility Changes for Income Support for job seekers under the age of 30

Minister: Minister for Social Services

Ongoing

Authority for NPP: TA14/0070/ERC

Affected Agencies: Department of Social Services; Department of Employment; Department of Human Services

Critical decision date(s):

Financial Implications (\$ millions):

Without BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Departmental Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0	0	0	0	0	0

**Department of Finance indicative agreed whole of government costing is -\$8.982 billion over 4 years*

With BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Departmental Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Capital:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0	0	0	0	0	0

**Department of Finance indicative agreed whole of government costing is -\$5.422 billion over 4 years*

Proposal Description:

This proposal will prevent people under 30 years of age who are capable of working from being eligible for income support. The proposal would commence on 1 July 2015. No grandfathering of current recipients is provided for, this proposal would have immediate effect on all existing recipients and new claimants.

PROTECTED Sensitive: Cabinet

An option within the proposal could instead offer some basic social assistance to affected recipients in the form of a BasicsCard loaded with \$200 per fortnight and fully income managed. This option would not be available until 1 July 2016, therefore affected job seekers would be without support during 2015-16.

The proposal would affect approximately 140,000 Newstart recipients and 100,000 Youth Allowance (Other) recipients on 1 July 2015. A further 120,000 job seekers each year would no longer be eligible for income support.

Only a very small number of highly targeted exemptions would apply. These will be for people with a partial capacity to work of less than 30 hours and principal carer parents. In these cases they would be eligible to receive Newstart or Youth Allowance (other) providing they continue to meet their Mutual Obligations responsibilities.

Eligibility for other forms of income support, such as Disability Support Pension, Parenting Payment, Carer Payment, Youth Allowance (student), Austudy, ABSTUDY Living Allowance and Sickness Allowance would not be changed. The eligibility rules for Special Benefit would need to be amended to ensure there was no unintended flow onto this payment.

Background

Currently young unemployed people are generally able to access income support in their own right from the age of 22. Prior to this age they may also receive income support as a dependent young person, based on an assessment of their parents' means. Youth Allowance is the main form of assistance for young people, whether they are full time students, or looking for work. At 22 years of age, young job seekers may access either Newstart Allowance. Aside from age and activity requirements, the main eligibility criterion for income support is based on the income and asset levels of the individual. Eligibility is set consistently across the country and is not based on previous employment or contributions to a scheme. Payment design is based around the principles of providing an adequate safety for people otherwise at risk of financial hardship, whilst maintaining incentives to work. Full-time activity test requirements and mutual obligation are fundamental to ensuring job seekers are looking for work and seeking to become self-reliant.

Option for basic social assistance

An option to lessen the harshness of the measure and to assist job seekers under 30s to meet their living expenses, could involve:

- a BasicsCard which is a reusable, Personal Identification Number (PIN) protected card that is currently used in areas where Income Management applies. It could be used to purchase food, clothes, health items and hygiene products at a variety of approved stores and businesses. It would be capped at \$200 per fortnight and income managed at 100%.
- Immediate suspension of any support for up to 12 weeks if a job offer was refused or for other non-compliant behaviour.

Such a limited amount of support would not provide for an adequate standard of living. However, the intention is not to provide income support, the intention is to provide a minimum level of social assistance to be spent on prescribed items only.

At the same time, the cost for DHS of setting up the infrastructure necessary to support the roll out of the BasicsCard is likely to be significant. There would be no capacity to implement the basics card option until 2016-17 as part of new arrangements because only the current approach with the same client groups and coverage can be rolled over with an extension of the current BasicsCard contract.

Assistance to find work

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

Young people impacted by the changes to eligibility for Newstart and Youth Allowance (other) will benefit from immediate access to Stream B assistance under the Employment Services 2015 model. Assistance under the option without provision of a BasicsCard would be on a voluntary basis. If the BasicsCard was provided then participation in employment services would be compulsory, with immediate suspension for non-compliance.

Income Management - Basics Card

The BasicsCard, a key delivery mechanism of the income management programme, could be made available to enable young income support recipients to access basic necessities whilst they continue work-search efforts. The BasicsCard is a PIN-protected card that allows participants to access their income managed funds through EFTPOS facilities at merchants approved as offering priority goods and services, such as food, housing, utilities, clothing and medical care. The existing BasicsCard is not able to be used to pay rent. Under this proposal, an increased footprint of Approved BasicsCard Merchants will be required Australia wide.

The existing income management programme currently supports over 23, 000 people in targeted locations across Australia, including all of the Northern Territory. Income management trials in the Northern Territory, APY Lands in South Australia and various locations in Western Australia will cease on 30 June 2014. An NPP for continuing income management in these locations for a further year is being considered in the 2014-15 Budget process.

The existing income management scheme currently targets particularly vulnerable income support recipients in particular locations (many of them remote) and provides a range of supports, including a high degree of support from DHS staff and from financial management services. This proposal would not seek to replicate such an intensive level of support, on the basis that these young people are likely to be able to better manage electronic and automated payment arrangements than the current client group.

The costs for BasicsCard provision under this proposal will need to take into account broader Government directions on the development of a low cost model of income management, including the option of a new BasicsCard or equivalent, and increased access to self service technology, including but not limited to online servicing, phone interactive voice recognition and smart phone applications. The development of this model will need to take into account the Government's response to the Welfare Reform Review and Review of Indigenous Training and Employment Programmes, with a proposal expected to go to Government for decision following the 2014-15 Budget. This could significantly reduce the costs of delivering the BasicsCard or equivalent under this proposal in the longer term.

Policy Case:

Youth unemployment in Australia is well above the national unemployment rate and has been consistently so for many years. Youth employment is also particularly sensitive to economic conditions. Since the Global Financial Crisis, youth unemployment levels have not recovered to previous lows, and this trend is also seen across other cohorts of income support recipients with low skills and less workforce experience to draw upon. As well as being sensitive to economic conditions, evidence suggests that many young people are finding the transition from school to further education or employment difficult. This is the case not only for low-skilled youth with low education levels but also for university graduates with generalist degrees and with degrees for which there are not many vacancies.

The relatively poor performance of youth unemployment rates is likely to substantially reflect the nature of the cohort (relatively low skills, experience and broader levels of employability) and the lack of wage flexibility for low income workers due to wage floors in Modern Awards and the Federal Minimum Wage. This reduces employer demand for youth workers. The structure of the labour market has also changed over recent times

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

with a significant shift to part-time employment at the expense of full-time work. Many young people are attaining year 12 or equivalent education, however they are still finding the transition difficult.

This proposal may receive support from those in the community who have little sympathy for 'job snobs' and are concerned that young people do not face strong requirement to seek work and accept suitable work. However, this is a fundamental change to Australia's universal Social Security System as an income safety net will no longer be available to all people under 30 who are looking for work. It pre-empts longer term welfare reform and it is not clear that there is a strong evidence base for this approach.

This year's Budget already contains measures to increase work incentives, mutual obligation and activation for young people. The ordinary waiting period that is served prior to receiving income support will be strengthened, the age of independence will be increased to 25 years of age and the application of serious non-compliance penalties will be significantly tightened. In addition, the welfare reform Budget submission includes measures that place a strong emphasis on tightening exemptions, strengthening the application of penalties for non-compliance and maximising the participation of young people in receipt of income support. It would be desirable to evaluate the effectiveness of these measures before considering whether such a radical structural change to the income support system is required.

If implemented, this measure would place significant pressure on the third sector, particularly Emergency Relief services, which would be required to meet the increased demand for basic goods and services from these people. They and the welfare sector more broadly will be vocal in their opposition. Some families may also oppose if they have to support their under 30 year old children. Regional and remote areas with less employment opportunities will be disproportionately affected by this policy change. These regions would need to be consulted in order to gain a full understanding of the impact of such a proposal and to ensure the correct infrastructure is in place to support such significant changes.

Job seekers in scope will be opposed to this measure and it may give rise to unintended consequences such as an increase in non-activity tested income support recipients including Parenting Payment, Disability Support and Carer payments. Some jobseekers may choose to withdraw completely from the labour market and only seek income support after they turn 30 by which time they may have major barriers that impact on their capacity to find work. However other job seekers may either decide to return to education voluntarily or not leave school early.

It should be noted that there is strong evidence to show that young job seekers have lower rates of exemptions from mutual obligation than the general population. They also tend to combine work and study and are strongly engaged in workforce participation.

Legal issues

The proposal could be seen to be in breach of Article 22 (right to social security) and Article 25 (right to an adequate standard of living) of the Universal Declaration of Human Rights. It could also breach Article 9 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) which recognises "the right of everyone to social security, including social insurance." State parties to the ICESCR have the obligation to respect, protect and fulfil the right to social security.

Risks

There are several key risks associated with this proposal:

- **Costs** - Main costs would include additional more intensive customer servicing by employment services and Centrelink; IT interface and infrastructure; BasicsCard infrastructure; Emergency Relief services.
- **Policy rationale** - a policy based on an arbitrary age can produce vastly different levels of support for people in very similar circumstances. A lack of job opportunities, particularly in regional and remote areas, will mean that young

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

PROTECTED Sensitive: Cabinet

people in those areas will be disproportionately affected by this policy change. Perceptions of unfairness will erode community acceptance of the proposal.

- **Unintended consequences** - Many people would be motivated to change their circumstances in order to qualify for other payments. This could create perverse outcomes (eg choosing to become pregnant) and greater imposts on income support into the future. Young people in financial hardship could experience homelessness, be driven to crime and other anti-social behaviour in order to survive, rather than undertake job search. Other forms of support would need to be very strong in order to continue to encourage the outcomes sought.
- **Complexity** – developing a new system of eligibility for people under 30, while maintaining the current system for all those 30 and over, will be costly and complex.
- **Demand side issues** - even though employers may be seeking to fill jobs, they may refuse to employ a person in the target group because of their views about the unemployed, or because young people often lack the skills and work experience that employers want. Unskilled young people have higher rates of unemployment than other unemployed people.

This is a significant reform proposal and there has not been adequate time in which to fully develop the income support policy and the complementary policies associated with increased services and implementation. It is therefore very difficult to quantify the financial impacts of the measure and adequately advise government of the expected outcomes of the policy, the alternative options and implementation considerations. This substantially increases the risks of proceeding with the proposal at this time.

Such reform options would be more appropriately be considered as part of the Welfare System Review, which is tasked with considering the interaction of incentives and payment design across the entire system.

Implementation and Delivery

This policy will be jointly implemented and managed by:

- the Department of Employment which will be responsible for
 - managing the contracts of the employment service providers who will be assisting job seekers impacted by this policy to find work.
- the Department of Human Services which will be responsible for the provision of basic social services
- the Department of Social Services and the Department of Employment will be responsible for making the necessary legislative changes.

Legislative Changes

This policy approach will also require legislative amendments to the *Social Security Act 1991* and *Social Security (Administration) Act 1999*.

For this change to be implemented Social Security legislation will need to be amended regarding access to Newstart Allowance and Youth Allowance (Other) for job seekers under 30 years of age. There is a risk is that the required legislative changes may not be passed by the Senate.

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

Youth Employment Package Option C: time limited income support for job seekers under 30 with employment history recognition

Minister: Minister for Social Services

Ongoing

Authority for NPP: TA14/0070/ERC 17 March 2014**Affected Agencies:** Department of Social Services; Department of Employment; Department of Human Services**Financial implications (\$ millions):**

Without BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0.0	0.0	0.0	0.0	0.0	0.0

**Department of Finance indicative agreed whole of government costing is -\$8.638 billion over 4 years*

With BasicsCard

	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Change to Departmental Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Change to Administered Expenses:	0.0	0.0	0.0	0.0	0.0	0.0
Total Change in Resourcing:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Fiscal Balance:	0.0	0.0	0.0	0.0	0.0	0.0
Total Impact on Underlying Cash:	0.0	0.0	0.0	0.0	0.0	0.0
ASL:	0.0	0.0	0.0	0.0	0.0	0.0

**Department of Finance indicative agreed whole of government costing is -\$8.582 billion over 4 years*

Proposal Description:

Under this proposal, people under 30 who are looking for work would have their eligibility for income support based on their employment history. Their eligibility for support would also be time limited, with employment history being recognised as a way of extending duration of future support. This option could be implemented with Option B - no income support for job seekers under 30 - as a way of recognising those job seekers who have an employment history. Job seekers without employment history would not be eligible for income support, although a basic form of social assistance may be provided, as per Option B.

PROTECTED Sensitive: Cabinet

A further option within the proposal could be to offer affected job seekers with appropriate employment history a BasicsCard loaded with the equivalent to what the job seeker would otherwise have been eligible to receive on payment per fortnight, fully income managed. This option would not be available until 1 July 2016, therefore affected job seekers would be without support during 2015-16.

Currently, only full time students have their previous periods of study considered for the purposes of assessing eligibility for further periods of student income support payments. Job seeker eligibility is assessed based on their means (and their parents' means if aged less than 22 years). This proposal extends this concept to job seekers by recognising periods where young people have been fully self-supporting. Such job seekers would be eligible for a time limited period of full rate assistance, should they require it. People who are dismissed due to misconduct or leave their job without a good reason would not be eligible to have their employment history recognised. People who leave school or study and do not have sufficient employment history no longer have an entitlement to income support when they job seeking and aged under 30.

Eligibility for other forms of income support, such as Disability Support Pension, Parenting Payment, Carer Payment, Youth Allowance (student), Austudy, ABSTUDY Living Allowance and Sickness Allowance would not be changed. Single parents and people with a capacity to work under 23 hours would be exempt from the policy and would be eligible under current rules.

It is estimated that approximately 13,000 job seekers under 30 per year would be eligible for this time limited form of income support, for an average of 2 months income support.

Income Support rules

Eligibility for income support would be granted if a job seeker can prove they have had employment of 20 hours or more for at least 12 continuous months. Part-time work in several jobs can be aggregated and hours can be averaged over 13 weeks but employment must be continuous over the period, even if not in the same job. Job seekers who can prove this employment history would be eligible for one month of Youth Allowance or Newstart Allowance. For each year of continuous employment history a further month of income support eligibility would be provided. Claimants would still be subject to an income and assets test, however no waiting periods would apply. Therefore a person who receives a redundancy may be immediately eligible for time limited income support. People who have undertaken 3 months of higher than average hours of employment and earnings (for example seasonal workers) may not average this over a 12 month period in order to receive income support.

Full time students will be eligible for student payments under the current rules and rates, up to an including approved Masters courses, if applicable. If a former student does not transition to work immediately, they may have periods of employment while studying recognised also, according to the same rules as job seekers.

Option for income managed income support

Those job seekers under 30 identified as having sufficient employment history to qualify them for time limited income support could have this 100 per cent income managed. This would involve a BasicsCard which is a reusable, Personal Identification Number (PIN) protected card that is currently used in areas where Income Management applies. It could be used to purchase food, clothes, health items and hygiene products at a variety of approved stores and businesses.

There would be no capacity to implement the basics card option until 2016-17 as part of new arrangements because only the current approach with the same client groups and coverage can rolled over with an extension of the current BasicsCard contract.

PROTECTED Sensitive: Cabinet

<DOCUMENT_NUMBER>/<COPY_NO>

Assistance to find work

Young people impacted by the changes to eligibility for Newstart and Youth Allowance (other) will benefit from immediate access to Stream B assistance under the Employment Services 2015 model.

Policy Case:

The development of a social insurance scheme is a significant departure from the universal access scheme currently provided in Australia.

Such schemes are more common in European nations and are generally based on contributions from employees and/or employers, recognising the employment history of mature age unemployed. Social insurance schemes are generally not as applicable to young people, as they often do not have the employment history to have made contributions to such schemes. It is therefore common for social insurance to be supported by a basic form of social assistance for those without significant employment history, or for those who have fully drawn down their social insurance.

There would be significant costs and risks associated with developing such a scheme for job seekers under 30 years of age in Australia and limited effectiveness, due to the need to maintain the current universal safety net for those job seekers over 30 and receiving other forms of payment. In addition, those young people without employment history would not receive any assistance unless the basic social assistance option is implemented. Without an accompanying safety net, income support would only be provided to those with more means behind them, including possibility separation payments and more employment prospects given their recent workforce experience, while those without means would not receive any income support, or only very little, and be placed in severe financial hardship. This would result in significant equity issues and as a result, community acceptance of the system may not be high.

This is a significant reform proposal and there has not been adequate time in which to fully develop the income support policy and the complementary policies associated with increased services and implementation. It is therefore very difficult to quantify the financial impacts of the measure and adequately advise government of the expected outcomes of the policy, the alternative options and implementation considerations. This substantially increases the risks of proceeding with the proposal at this time.

Such reform options would be more appropriately be considered as part of the Welfare System Review, which is tasked with considering the interaction of incentives and payment design across the entire system.

Implementation and Delivery

This proposal would require legislative change to the provisions of the Social Security Law.

The implementation risks are very high for this proposal. The proposal will require the amendment of guidelines and materials for DHS and employment services providers. Changes will need to be made to the DHS IT system and the Employment Services System.