



IMPACT OF THE FEDERAL BUDGET 2014-15: FACT SHEET 1

Cuts will hurt jobseekers and adversely impact the NT economyⁱ

What is the Federal Budget proposing?

Under proposed budget changes unemployed people under the age of 30 years will lose income support for six months of the year, from July 2015*. It will affect people aged 18-29 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 the Newstart Allowance.

*In this Fact Sheet, the loss of income support for 6 months is referred to as a 'suspension'.

It is estimated that 60% of Newstart recipients under the age of 30 will be affected by the Federal Government's proposalⁱⁱ.

NTCOSS estimates that nearly **7000 suspensions** will be placed on NT jobseekers in the next 4 yearsⁱⁱⁱ.

Individuals affected by the suspension will **lose half of their annual income, (\$10,764 (18-20yo); \$13,273 21yo+)**. They will **also lose supplementary benefits such as Rent Assistance**^{iv}.

The **total loss of income** to be experienced by Northern Territorians affected by this suspension over the four year period is **46.1M^v**

As a result of the loss of income to jobseekers there will be a **loss for the NT economy of \$42.4M^{vi}**, in the coming four years, as follows:

\$3.8M in 2014-15 (covering *second 6 months only*)

\$16.1M in 2015-16

\$13.2M in 2016-17

\$9.3M in 2017-18

While the whole of the NT will be impact, the **areas which will be hardest hit** will include Alice Springs, Casuarina, Palmerston and Central Australia (Remote)^{vii}.

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. These funds can be used to purchase food or pay for rent or utilities^{viii}.

DSS appears to be predicting a **24% increase in demand for ER services in the first full year** of the measure^{ix}.

NTCOSS expects **nearly 9000 extra requests for assistance at NT Emergency Relief (ER) centres** over the next four years^x.

NTCOSS estimates that **NT ER providers will receive around \$3.7M extra** over the next 4 years **to prepare for the planned crisis**^{xi}.

Who is protected from this measure?

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.
- 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,^{xii} or Remote Jobs and Communities Program equivalent.
- People participating in and eligible for diNTbility 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^{xiii}.
- 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.

Some people may be in limbo – we don't know what may happen

There will likely be an impact on homelessness numbers in the NT (though the DSS has not done any calculations on this).

If people do become homeless because of the six-month loss of payment it is unclear whether they will 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^{xiv}. 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^{xv}. (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^{xvi}.

What will happen at the end of the 6 months suspension?

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 (again!).

Will this measure work?

No information has been offered by the Federal Government to argue that this policy is 'evidence-based'. Prior to the introduction of this measure, around 46% of people who applied for and were granted unemployment benefits found employment within six months^{xvii}.

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 http://www.acoss.org.au/take_action 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 and Youth Allowance recipients in the Northern Territory

Year	Emergency Relief (ER) Allocation National \$ ^{xviii}	% Total ER Allocation over 3.5 years	ER Occasions of Service (Australia) ^{xix}	ER Occasions of Service (NT) ^{xx}	No. of Suspensions (Aust) ^{xxi}	No. of Suspensions (NT) ^{xxii}	Loss of Income (NT) \$ ^{xxiii}	ER Assistance (NT) ^{xxiv}	Total Loss to NT Economy \$
Jan-July 2015*	\$20 million	9 %	49,500	810	38,272	626	\$4.1 million	\$0.3 million	\$3.8 million
2015-16	\$86 million	38 %	209,000	3419	161,595	2644	\$17.5 million	\$1.4 million	\$16.1 million
2016-17	\$71 million	31 %	170,500	2790	131,827	2157	\$14.3 million	\$1.1 million	\$13.2 million
2017-18	\$51 million	22 %	121,000	1980	93,555	1530	\$10.1 million	\$0.8 million	\$9.3 million
Total	\$228 million	100 %	550,000	8998	425,250	6957	\$46.1 million	\$3.7 million	\$42.4 million

Note: Figures highlighted are those provided by the DSS in the Senate Estimates Hearing in June 2014

Calculations above are based on the NT having 1.64%* of the national total of NSA/YA recipients, based on Table 5, p7, in Labour Markets and Related Payments, a monthly profile, January 2014 (7005 recipients of NSA/YA in the NT out of 428,160 recipients nationally).

*Year one covers a 6 month period only

References:

- ACOSS (Australian Council of Social Service) 2014a, *A Budget that divides the nation: ACOSS 2014-15 Budget Analysis, May 2014*, viewed 24 July 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*, viewed 24 July 2014
- Department of Human Services, *Guide to Australian Government Payments, 1 July -19 Sept 2014*
- Department of Social Security 2014, *Labour Market and Related Payments: a monthly profile, January 2014*, viewed 24 July 2014
- Senate Community Affairs Legislation Committee 2014, *Estimates Thursday, 5 June 2014, HanNTrd*, viewed 15 July 2014
- Senate Community Affairs Legislation Committee 2014, *Estimates Wednesday, 4 June 2014, HanNTrd*, viewed 15 July 2014

ⁱ 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.

ⁱⁱ 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).

ⁱⁱⁱ This estimate is based on the pattern of Emergency Relief (ER) which is planned to be distributed by the DSS and the assumption that this will mirror the projected pattern of suspensions (see Table 1). NTCOSS estimates that the DSS is preparing for a total of 425,250 suspensions between January 2015 and June 2018. NT figures are based on the fact that 1.64% percent of Australia's Newstart and Youth Allowance recipients live in the NT (DSS 2014, p.19).

^{iv} 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.

^v This estimate is based on the adult payment (\$255.25pw). 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.

^{vi} 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 NT economy.

^{vii} DSS 2014, p19

^{viii} DSS has budgeted \$400 worth of assistance for each time someone is helped (Senate Estimates, 5 June 2014, p. 35). For the recipients of this assistance, this will equate to around \$15 a week over the six-month period of suspension (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).

^{ix} DSS reported that ER 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.

^x DSS has budgeted for an extra 550,000 extra occasions of service by ER services over the next three and a half years to individuals in crisis as a result of this measure (based on DSS figures in the budget).

^{xi} This estimate is based on the assumption that the Northern Territory has 1.64% of the jobseekers potentially affected by this measure and will therefore receive 1.64% of the ER allocation.

^{xii} 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

^{xiii} Newstart Allowance recipients may be employed part-time within an income test limit.

^{xiv} Senate Estimates 4 June 2014, pp. 130-131

^{xv} 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).

^{xvi} Senate Estimates 4 June 2014 p. 126

^{xvii} Senate Estimates 4 June p. 130

^{xviii} Figures from Senate Estimates Hearing 4 June 2014, p. 124.

^{xix} The pattern of occasions of service has been calculated to correspond with the pattern of ER allocation.

^{xx} The Northern Territory has 1.64% of Australia's Newstart and Youth Allowance recipients, so it is assumed it will receive 1.64% of the ER funding.

^{xxi} Using the pattern of ER 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.

^{xxii} It is assumed the Northern Territory will have 1.64% of the suspensions

^{xxiii} Calculated on base payment \$255.25 p/w for 6 months – See Department of Human Services.

^{xxiv} It is assumed Northern Territory will receive 1.64% of the national ER funding allocation.

A special thanks to TasCOSS for their work on in developing the 'Federal Budget 2014-15 Fact Sheet 1: A planned crisis', and making this available to NTCOSS to adapt.