

BUDGET 2017 – NEW JOBSEEKER PAYMENT

The Government announced in the 2017 Budget that from 20 March 2020 a new JobSeeker Payment will replace seven current working age payments: newstart allowance, sickness allowance, wife pension, partner allowance, bereavement allowance, widow B pension and widow allowance. The purpose is to establish a single payment for people of working age who can work now or in the near future. It draws on recommendations of the 2015 report of the Reference Group on Welfare Reform to reduce the number of payments and complexity of the social security system.

The measure

The main working age payment affected by this measure is the newstart allowance.

Newstart allowance is an income support payment for unemployed people looking for full-time work. Over time it has shifted, however, towards being the default working age payment in the system through its extension to people with disability and parents of older children.

In a sense this measure recognises that reality. Most recipients of the new JobSeeker payment will be recipients of newstart allowance. It does not appear that the Government is proposing any substantive changes to their rate of payment or mutual obligation requirements.

The JobSeeker Payment will also replace sickness allowance. Eligibility requirements for sickness allowance have been tightened over time. Only a small number of people receive it at any one time, as it is restricted to people who are temporarily unable to work or study but have a job or course to return to. Generally, eligibility is reassessed every 13 weeks based on medical evidence supplied by the recipient.

Sickness allowance is paid at the same rate as newstart allowance, so the transition to a common JobSeeker payment will not affect the rate of payment. The main difference between sickness and newstart allowance is that sickness allowance recipients do not have to look for work or undertake other compulsory activities. It does not appear that the Government intends to change this.

The remaining payments affected by this measure, apart from bereavement allowance, are former dependency payments for women which are already closed to new recipients or restricted. These payments only have small numbers of recipients, which are falling rapidly in any case, mainly as current recipients transition onto the age pension.

Most recipients of these payments will transition to age pension or carer payment by the time of the introduction of the JobSeeker payment and be unaffected by this measure.

However, a small number of younger recipients of wife pension will be affected by the measure. Wife pension is a closed payment, paid to wives of age or disability support pensioners. It is paid at the same rate as the age pension, which is significantly higher than the rate of newstart allowance/JobSeeker payment.

Younger recipients of this payment will be unable to transition to age pension. If they do not qualify for another payment, recipients in Australia will transition to the JobSeeker payment, but their rate will be grandfathered, so they will not be worse off financially. They will presumably, however, have to meet any mutual obligation requirements applicable to their circumstances. A small number of

recipients, however, are outside Australia as wife pension may be paid overseas indefinitely in some circumstances. These recipients will be unable to transition to the JobSeeker payment as, like newstart allowance, it generally cannot be paid outside Australia. They will therefore lose access to income support.

Finally, bereavement allowance will be closed as part of this measure. Bereavement allowance is generally to a surviving partner for 14 weeks following a bereavement. It is paid at the age pension rate, which is currently significantly higher than the rate of newstart allowance/JobSeeker payment. Instead, under this measure the surviving partner will receive a triple payment of JobSeeker payment for their first fortnight's payment to help meet the immediate costs of their bereavement (eg funeral expenses or medical bills).

Analysis

This measure largely gives effect to two already existing trends in the social security system, the development of newstart allowance as a default working age payment and the closure of dependency payments for women from the 1990s. Separate working age payments, such as parenting payment for parents of younger children, are not affected by this measure.

The Government estimates that 99% of people affected by the measure will receive the same or a higher rate of payment, although it is not clear which people will receive a higher rate of payment.

There are two main groups of people who will receive a lower level of support.

The new payment structure for recently bereaved people of working age - an upfront triple payment – is a sensible reform. However, the total level of support over the first 14 weeks after a bereavement is reduced, due to the significant gap between the new JobSeeker payment and the age pension.

This reflects the fundamental failure of successive governments to raise the rate of newstart and other allowances and reduce the gap between them and pensions. Addressing this would enable the sensible new payment structure for bereavement allowance to work without significantly reducing the level of support for people following such a devastating life event.

The second group affected are a small number of wife pension recipients overseas. In effect, this is because of the different rules for payment overseas of wife pension and newstart allowance/JobSeeker payment, called “portability” rules. There have been significant changes to portability rules for social security payments over the last 20 years or so. Generally speaking existing recipients have been grandfathered, because of the potential impact on people who have already organised their lives overseas around the previous rules.

Conclusion

Overall the NSSRN supports this as a sensible reform to the structure of working age payments which will have little or no impact on most recipients. However, the Government has not addressed the critical issue of the unacceptably low rate of payment of newstart and other allowances which, among other things, undermines the reform to support for the bereaved. It should also grandfather what are, in effect, changes to portability for a small number of wife pension recipients.