NATIONAL SOCIAL SECURITY RIGHTS NETWORK

BUDGET 2017 – INCREASE TO THE MAXIMUM LIQUID ASSETS WAITING PERIOD

The Government announced in the 2017 Budget that from 20 September 2018 it proposes to increase the maximum length of the liquid assets waiting period from 13 weeks to 26 weeks. It estimates savings of $138.5 million over four years from 2017-18.

The measure

Currently the liquid assets waiting period is between 1 and 13 weeks. It applies if you have cash or other readily available funds equal to or more than:

- $5500, if single with no children, or
- $1100, if in a couple or single with children.

It may apply if you make a new claim for the main unemployment and student benefits (newstart allowance, sickness allowance, youth allowance and austudy).

The waiting period increases by one week for every $500 over the threshold for singles without children, and one week for every $1000 over the threshold if in a couple or single with children.

However, the maximum waiting period is capped at 13 weeks. The result is that the maximum waiting period of 13 weeks applies if you have cash or other readily available funds equal to or more than:

- $11500, if single with on children, or
- $23,000, if a couple or single with children.

The waiting period generally runs from the day you stop work or start studying, which means it can be "self-served" if a person claims after it has already expired.

There are a small number of exemptions from this waiting period (eg if the claimant or their partner have been subject to a liquid assets waiting period in the past year). It can also be waived (ie shortened) if a claimant is in severe financial hardship as a result of unavoidable or reasonable expenditure.

From 20 September 2018, the Government proposes to increase the maximum length of the liquid assets waiting period to 26 weeks. There is no change to the current thresholds. This means that the measure affects new claimants with savings over the current thresholds at which the maximum waiting period applies ($11,500 for single and $23,000 for couples and singles with children). These claimants will face a waiting period between 1 and 13 weeks longer before they can access income support. The new maximum waiting period of 26 weeks will apply from $18,000 (singles), or $36,000 (couples or singles with children).

This measure requires legislation.

Analysis

The NSSRN opposes this measure.

The measure affects a relatively small number of people with savings above certain thresholds. The Government estimates that about 13,700 claimants each year will have their waiting period extended by between one and 13 weeks under this measure, with the majority waiting the new maximum period of 26 weeks.

Savings measures like this one, which affect people with some resources, are preferable to measures which impact on access to, or basic rates of, income support as the latter tend to impact proportionately more on those in the most need and are therefore regressive.

The purpose of the liquid assets waiting period is to ensure that people with savings support themselves for a period before accessing the main benefits for the unemployed and students. However it has a number of negative features as an approach to targeting assistance.

First, the liquid assets waiting period applies at relatively low levels of savings ($18,000 for singles). Claimants who are affected by it may deplete or exhaust their savings, or go into debt or rent arrears, before being able to access income support. This undermines a person's financial stability because it puts them in a position where they may be unable to meet an unanticipated substantial one-off expense (eg car repairs) or ride out a period of unemployment without major disruption to their lives (eg moving house). It can therefore compound the effect of insecure employment for people without job security, or with irregular or unstable working hours, who are more likely to access income support. The greatest impact tends to be on more vulnerable people with less capacity to access additional support when needed such as single parents (who do not have a partner with a second income) or new migrants with fewer ties in the community.

The insecurity of having little or no savings can in turn lead to disruption (homelessness or moving to a new area) and stress. About 12% of respondents to the 2014 HILDA survey said that they did not have $500 to meet an emergency expense. This, and other measures of material deprivation in that survey, correlated strongly and unsurprisingly with higher financial stress and lower subjective wellbeing.

In our experience, the negative impact of the liquid assets waiting period is being compounded by the failure to reform the test for its waiver. A liquid assets waiting period may be waived if someone is in severe financial hardship, but only if they have depleted their savings through unavoidable or reasonable expenditure. Although this may sound like a reasonable test, in practice it is not. The main reason is that under the current law any weekly expenditure above the poverty level newstart allowance is deemed to be unreasonable. In effect, most of an ordinary person's normal expenses are deemed to be unreasonable.

This measure does not include a proposal to reform this test, which also affects people who are made redundant.

It is also important to note that most people subject to a liquid assets waiting period must also wait an additional one week before accessing income support. This "ordinary waiting period" applies in addition to the liquid assets waiting period. From 1 July 2017, the requirements for waiver of the ordinary waiting period will be significantly tightened. In our view, the result will be that most people will have to serve this additional week as well even if they are in severe financial hardship.

A second problem with the liquid assets waiting period is that it can led to arbitrary and inequitable differences in the treatment of claimants as a result of small differences in their level of savings. This was one reason given by the Henry Tax Review for the abolition of the liquid assets waiting period as part of a move to a comprehensive means test.

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Rather than extend the liquid assets waiting period, the Government should be progressing in the direction outlined by the Henry Tax Review.

Removal of the liquid assets waiting period would also help simplify and streamline the system, stated aims of the current Minister for Social Services. Its removal from youth allowance would further align the means testing arrangements between youth and family assistance payments and streamline the transition between the two payments, a key area of complexity in the current system. It would also remove a waiting period which penalises savings and therefore tends to undercut other means testing arrangements for youth payments designed to support students to engage in part-time or fluctuating work around their studies.