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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Project Canoe

Executive Summary

25 JUNE 2020

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Agenda for today

Current Path: Recipient volumes and cohort analysis 2

Potential policy response: The 'menu of options' and two-stage implementation approach 7

Selected deep dives on high-priority policy options: 13
- Extension of 'access to payment' measures
- Extension of Coronavirus supplement
- Potential lift in base rates with absorption of supplements

Suggested next steps 17

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On current path, significant contraction of welfare payments will coincide with end of JobKeeper

12 Mar 2020

Gov't announced significant expansion of working-age welfare policy settings

- Coronavirus supplement instituted ($550 p/f)
- Jobseeker eligibility expanded
- Assets test waived
- Partner income test relaxed
- Waiting periods waived

March to June 2020

As expected, a significant inflow of recipients followed

- ~1,000k to JobSeeker
- ~105k to YA(other)
- ~50k to Parenting Payment (P&S)
- ~100k to YA(S) and Austudy

24 Sep 2020

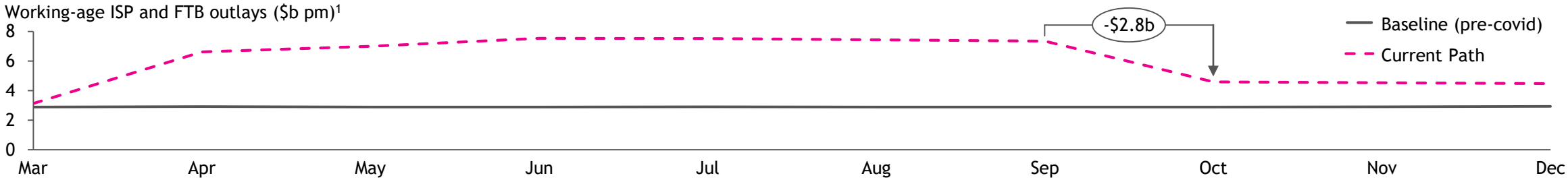
Expanded welfare policy settings end on 24 September…

- Coronavirus supplement ends, withdrawing ~$2.8b p.m. in welfare spending
- Average payment rates drop 45-60%
- Eligibility, assets tests, partner income tests, and NARWP revert to pre-covid settings, removing 100k+ recipients from welfare

27 Sep 2020

…JobKeeper payment finishes 3 days later (under current timeline)

- Withdrawal of $1500 p/f from ~3.5m workers
- Anticipate 150-350k[2] job losses, with those individuals flowing onto welfare[3]



1. Covers JSP, PP, student payments, SB, FTB A & B, excludes supplements except energy supplement and pharma allowance 2. Indicative estimate, based on C'th Treasury's announcement that JobKeeper would reduce unemployment by ~500,000 jobs (5 ppts on the unemployment rate). Assumption is that the removal of Jobkeeper will see job losses in the range of 30-60% of the original figure 3. Based on % flow into welfare of job losses over March to May 2020, after excluding those who would have been ineligible but for the changes to eligibility, assets test, partner income test, and NARWP

Source: DSS data, Project analysis

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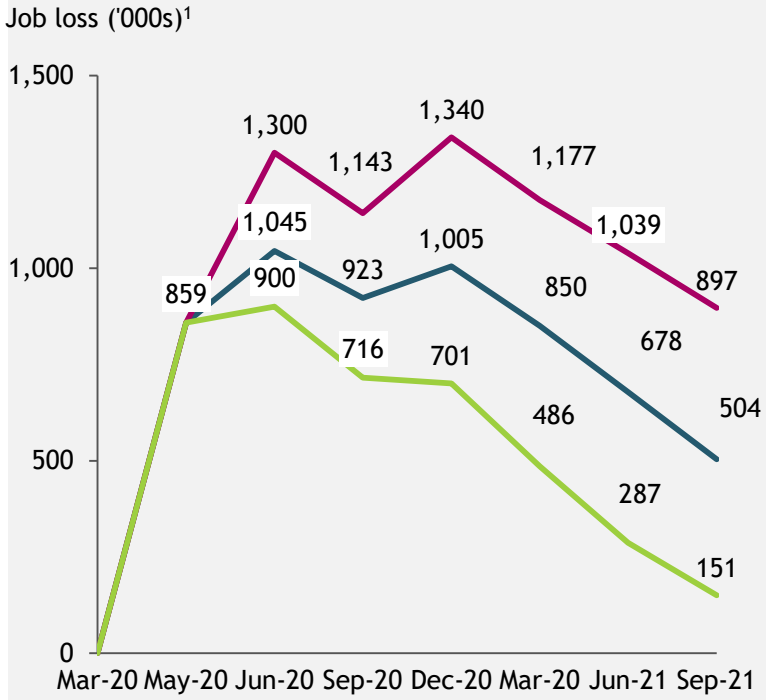
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End of JobKeeper expected to accompany "second peak" in working-age welfare recipients

To come: Recipient volumes from Jun-Sep 2020 use Apr income distributions; to be updated with incoming data

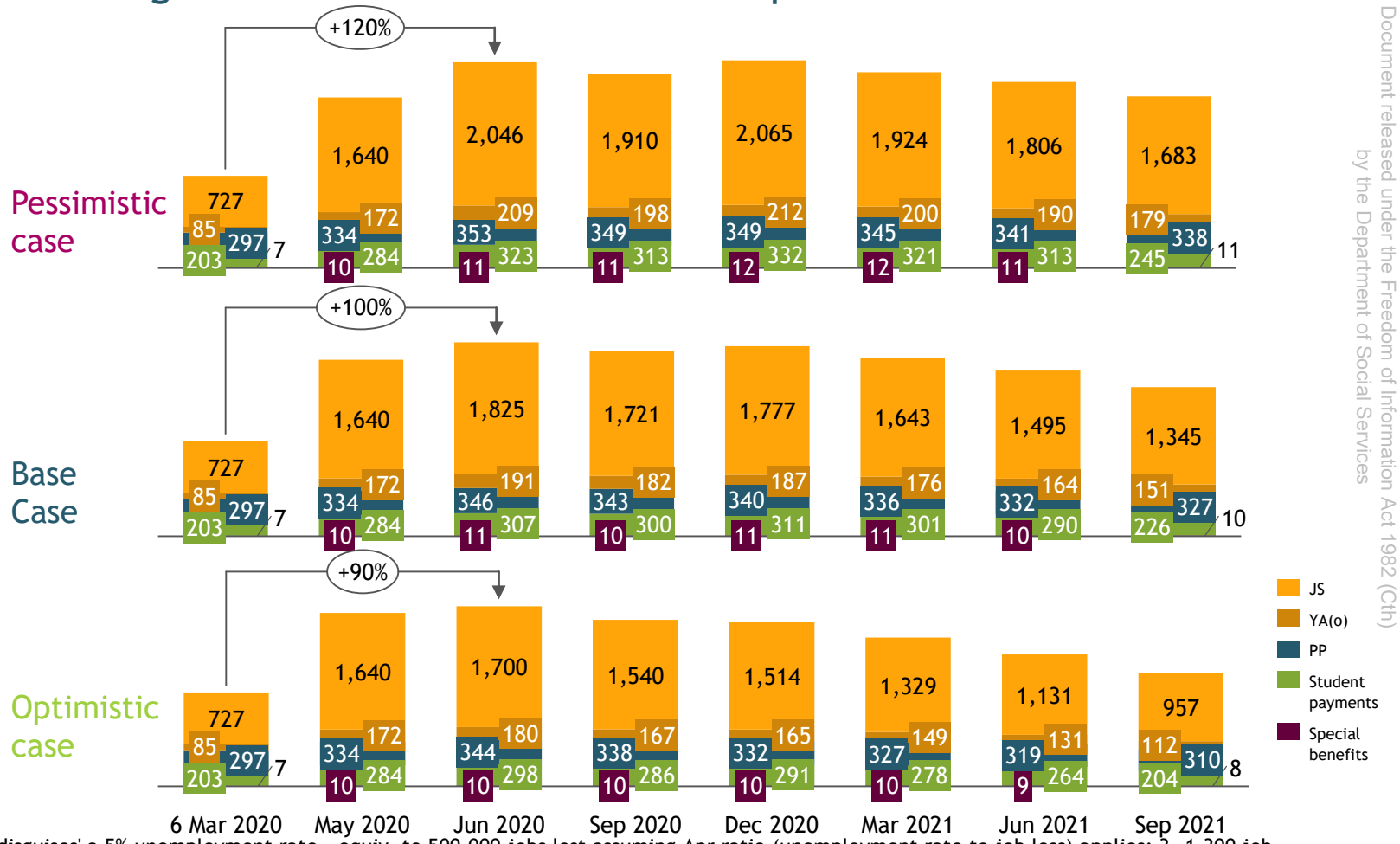
Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k recipients flow into welfare system post-JK
- Base case: ~225k recipients
- Optimistic case[4]: ~150k recipients

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate - equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 900k job loss in Jun 2020 aligns with Citibank forecasts (856k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include suspended recipients due to MO exemption, exclude nil rates
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

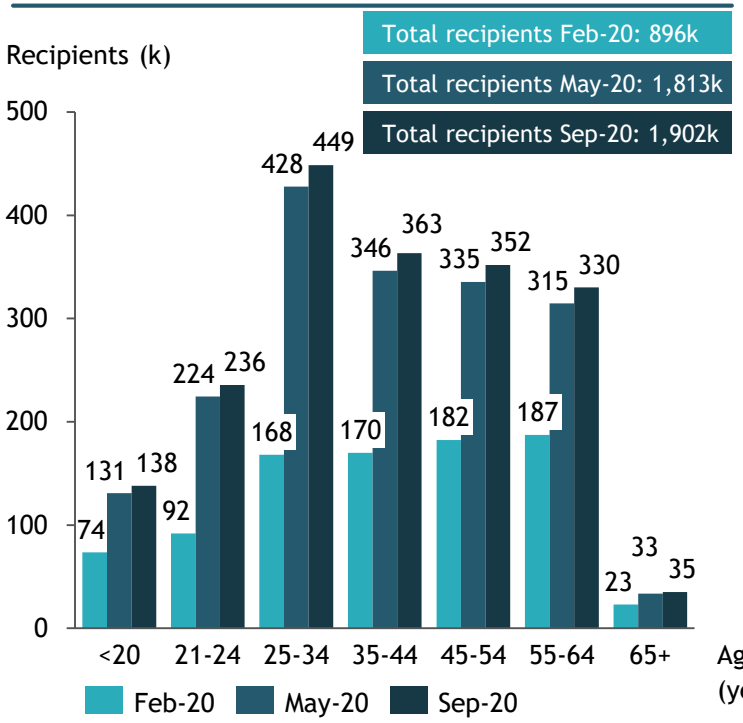
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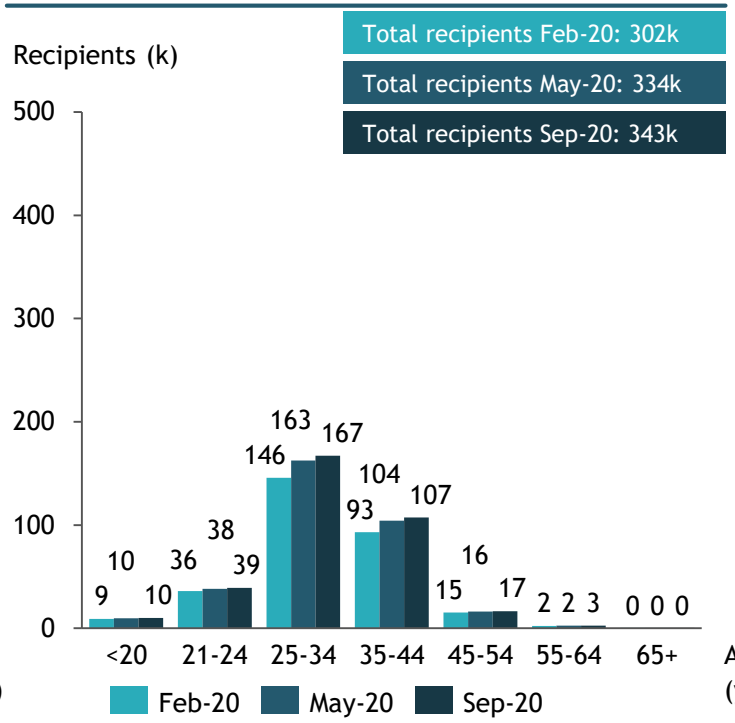
These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

Jobseekers[1]



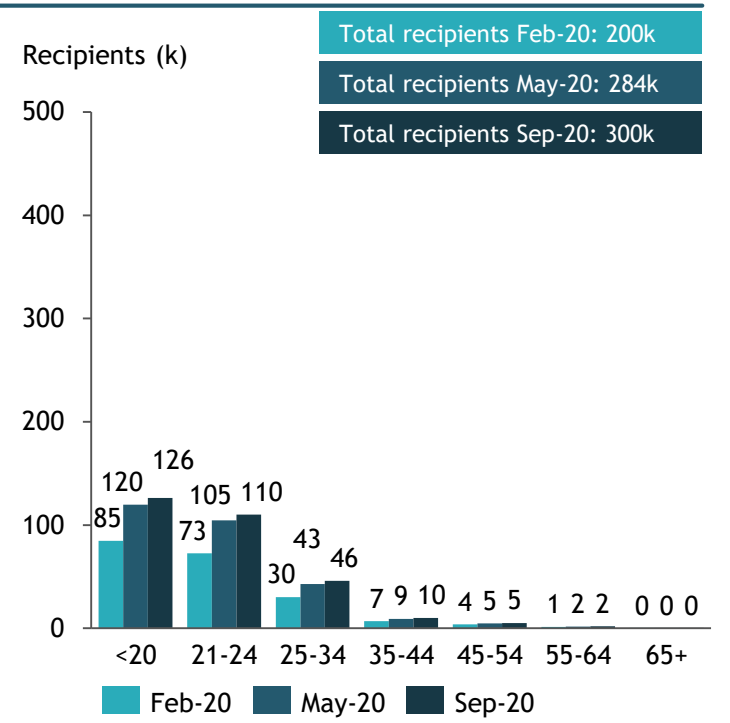
Age distribution skewed towards younger cohorts in May 2020; +7 ppts in 21-34 age group from Feb 2020 to May 2020

Parents of young children[2]



Age distribution largely unchanged from Feb 2020

Students[3]



Age distribution largely unchanged from Feb 2020

1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Excludes nil rate earning recipients, <16 age group not shown
Source: DSS Data (Bluebook), Project analysis

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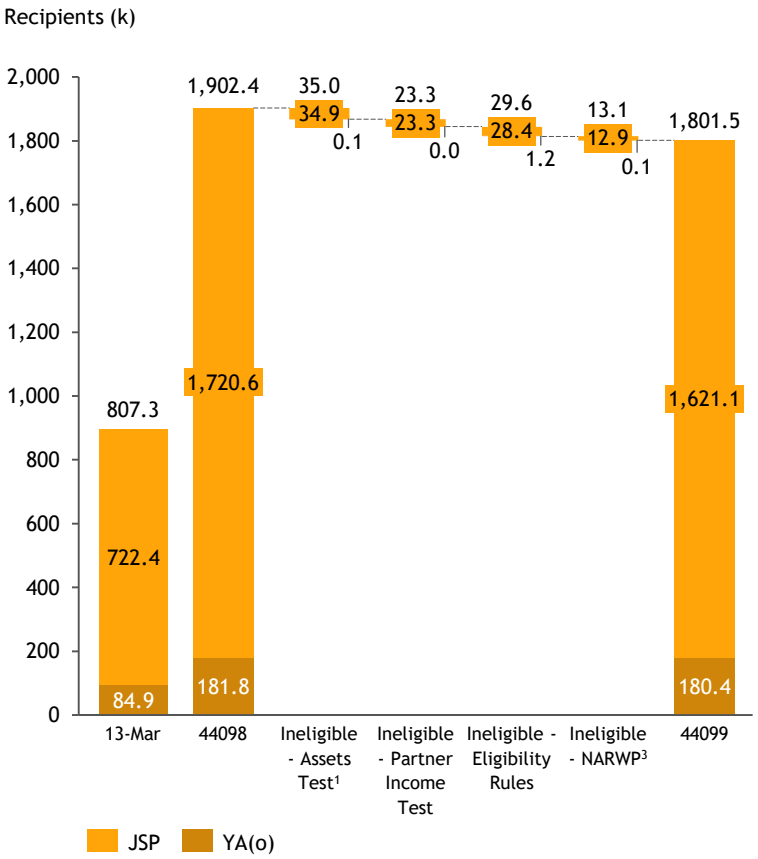
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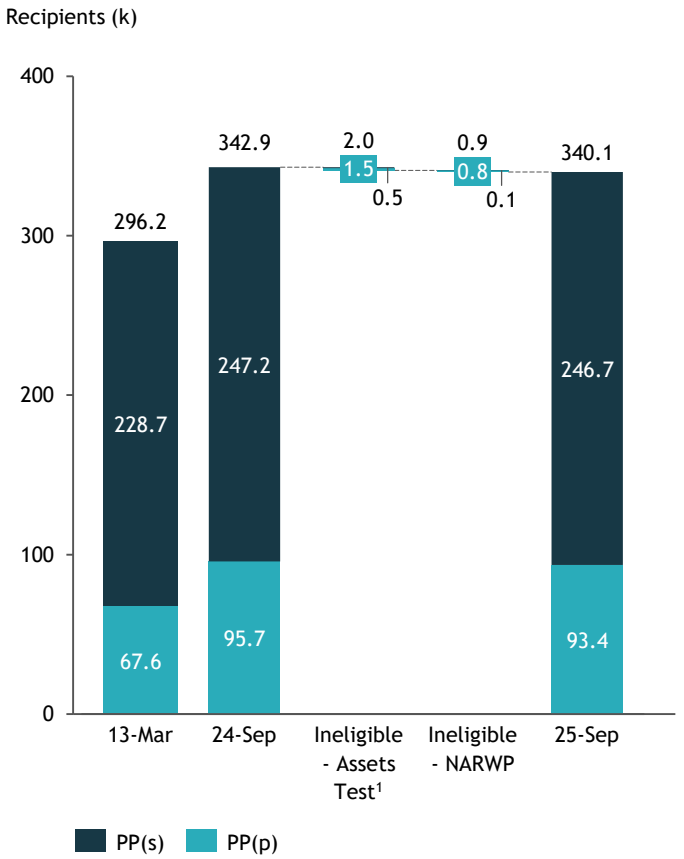
On current path, 100k+ recipients likely to be removed from payment following 25 Sep 2020…

To come: Partner income distribution to be updated; partner income distribution as at 1 Apr 2021

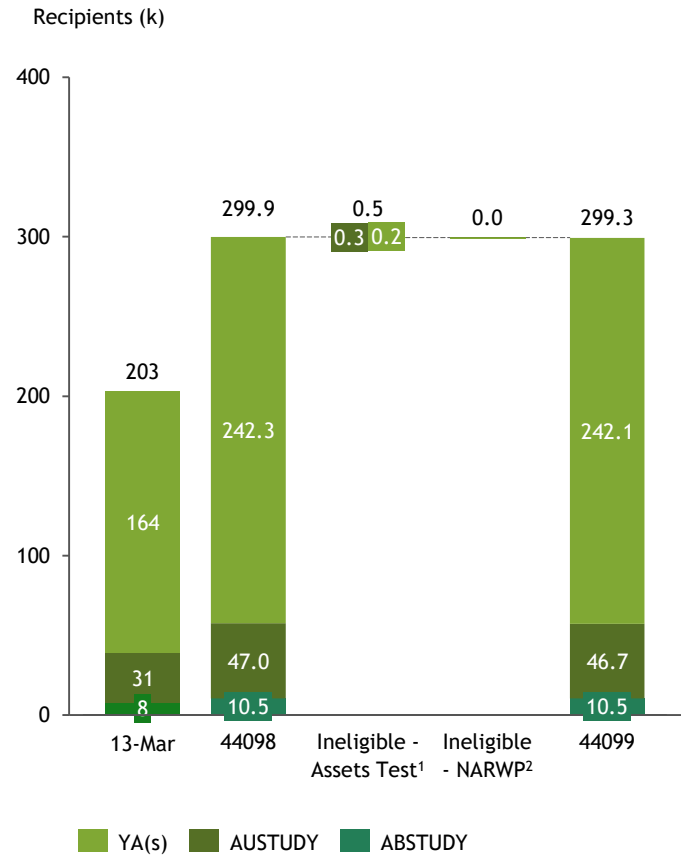
Jobseekers (100k+)



Parents of young children (~3k)



Students (0.5k+)



1. Distribution of total net assets (net financial and non-financial assets) observed in 29 May 2020 assumed to apply in Sep 2020 2. 25% of ~75k stood-down permanent employees and 40k sole traders assumed to opt of payment due to MO requirements 3. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

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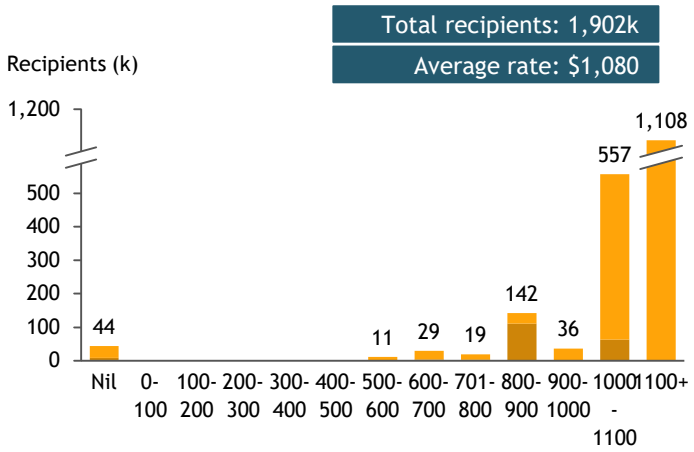
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…And average payments will drop by ~45-60%

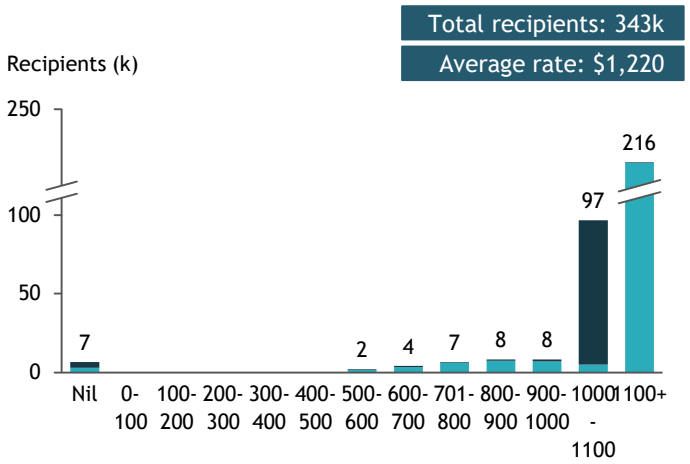
Note: Excludes FTB, excludes supplements other than C-19, energy, and pharma

To come: Recipients on nil rates underrepresented. Distribution of payments based on income distribution as at 1 Apr 2021; awaiting data clearance for updated data extract

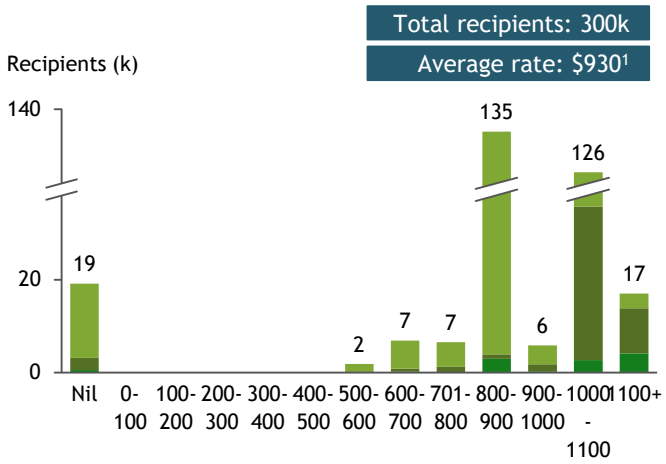
Jobseekers



Parents of young children

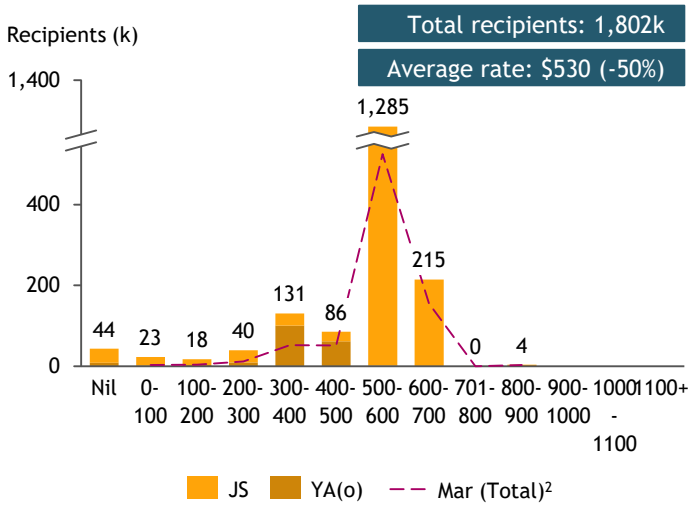


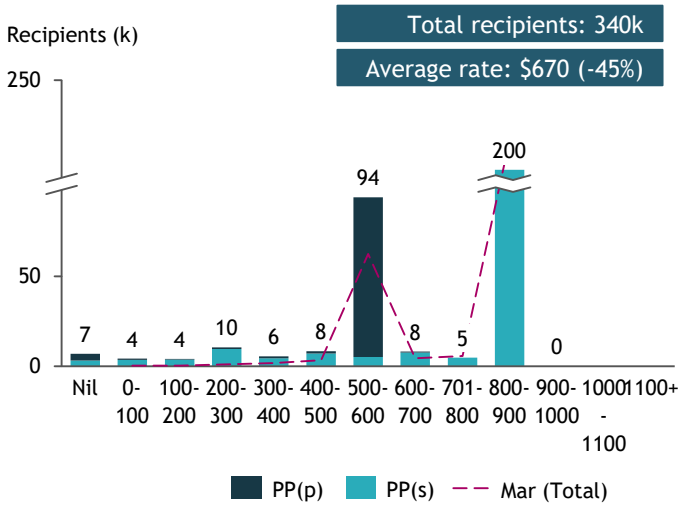
Students

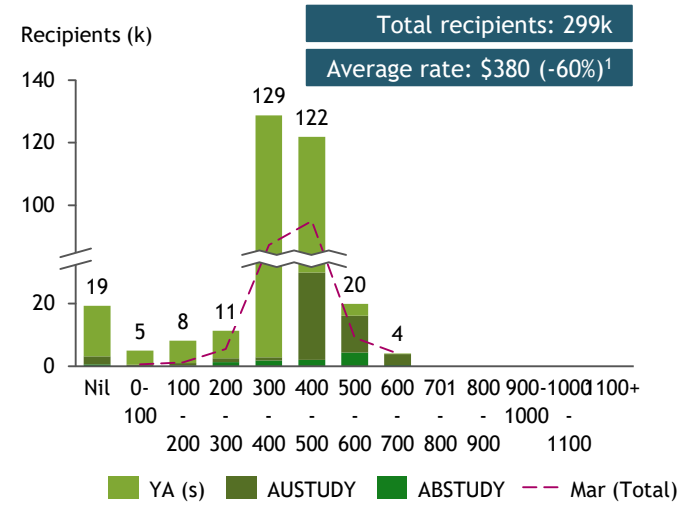


Forecast as at 24 Sep 2020

Forecast as at 25 Sep 2020 (under current policy settings)







1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Pharmaceutical and Energy Supplements factored into average payments; includes nil rates determined using 1 Apr 2021 income distributions
Source: DSS Data, Project analysis

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Six high level policy goals inform the potential response



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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A menu of policy options has been developed – to reduce the financial impact of COVID-19 on Australians, and support economic recovery

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders – $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% – $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets – tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) – No outlay impact	Merge YA(s) and Austudy into a new student payment – $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts – $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) – No outlay impact	Merge into JobSeeker: Special Benefit >65s – $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child – $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN – $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week – $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates – $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 – $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions – tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts – tbd	Streamline waiting periods: Abolish SWPP – <$2m pm	Double the nil rate period to 12 fortnights – tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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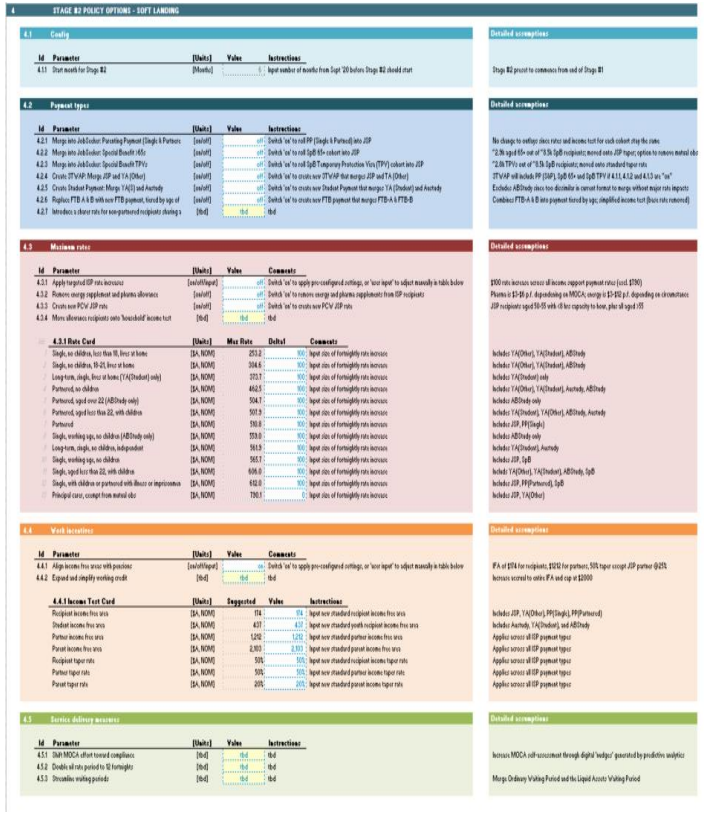
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An Interactive Dashboard has been developed to rapidly model combinations of "menu" options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
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Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (25 Sept '20 to 30 June '21)	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two (1 July '21 ongoing)		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $150 p/f, absorb supplements Align all IFAs to $174, max 50% tapers Expand & simplify working credit Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $150 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align all IFAs to $174, max 50% tapers Expand & simplify working credit Move to couple combined income test Abolish the SWPP
Financial Impact[1]	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $39-51b (no change)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $44-60b (+$7b vs. Current Path)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $43-59b (+$6b vs. Current Path)

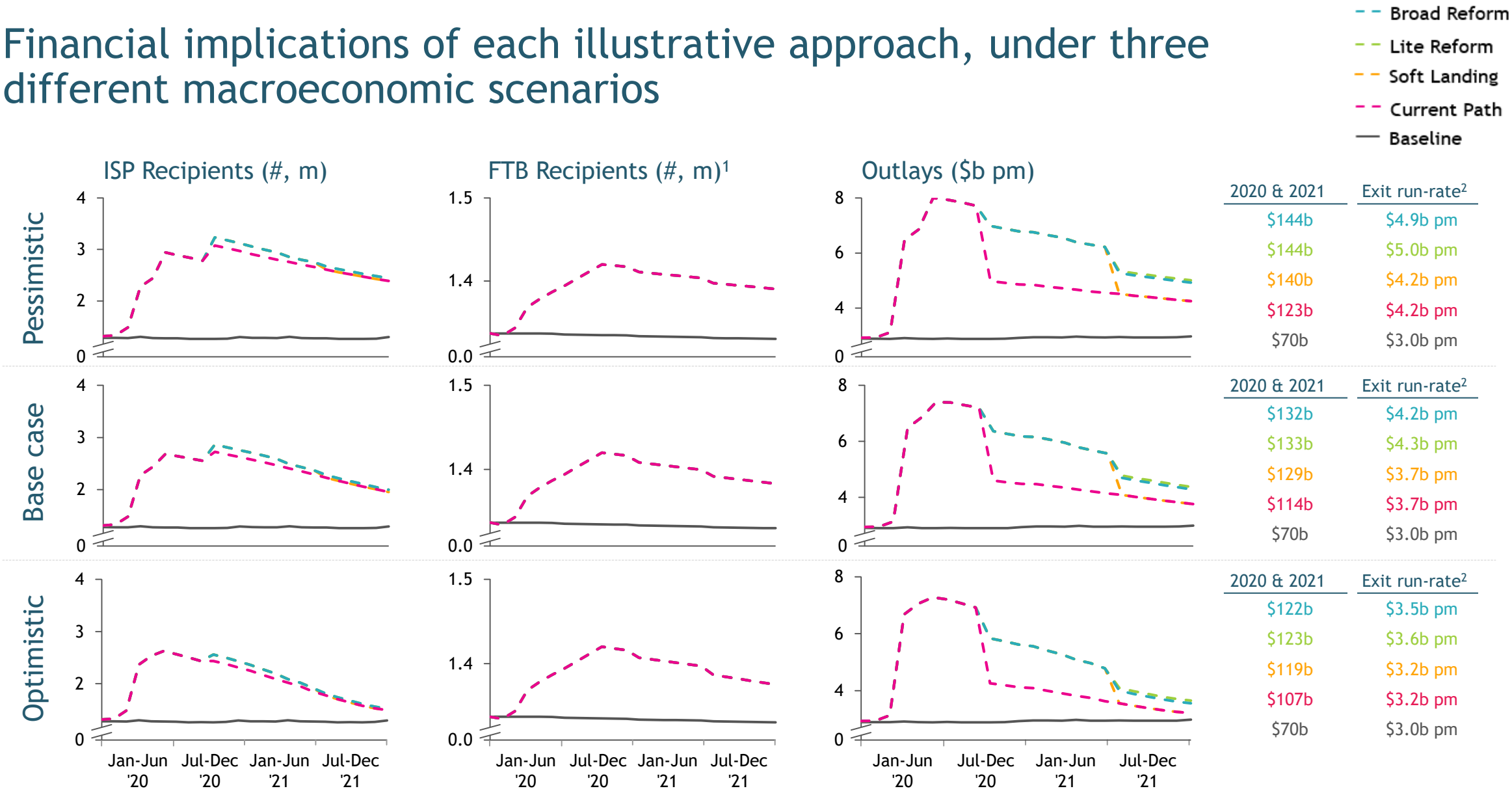
1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Nil rate changes, unrealisation asset discretion, MOCA compliance, couple combined income test not yet incorporated in modelling.
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



	2020 & 2021	Exit run-rate[2]
Pessimistic	$144b	$4.9b pm
	$144b	$5.0b pm
	$140b	$4.2b pm
	$123b	$4.2b pm
	$70b	$3.0b pm
Base case	$132b	$4.2b pm
	$133b	$4.3b pm
	$129b	$3.7b pm
	$114b	$3.7b pm
	$70b	$3.0b pm
Optimistic	$122b	$3.5b pm
	$123b	$3.6b pm
	$119b	$3.2b pm
	$107b	$3.2b pm
	$70b	$3.0b pm

1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting. 2. Jan '22
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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Implications for recipients for each illustrative approach

Note: Excludes impact of any changes to FTB

		Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
		Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
At 25 Sep 2020 (Stage 1a)	Drop in average payment rate ($ pf)[1]	~$550	~$550	~$550	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300
	# Removed from payment[2]	~100k	~0.5k	~3k	~50k	~0.5k	~2k	~50k	0.5k	~2k	~50k	0.5k	~2k
	# Required to update info[3]	~1,100k	~95k	~50k	~150k	~15k	~5k	~150k	~15k	~5k	~150k	~15k	~5k
At 20 Mar 2021 (Stage 1b)	Drop in average payment rate ($ pf)[1]	-	-	-	-	-	-	-	-	-	-	-	-
	# Removed from payment[2]	-	-	-	~70k	<0.1k	~1k	~70k	<0.1k	~1k	~70k	<0.1k	~1k
At 1 Jul 2021 (Stage 2)	Drop in average payment rate ($ pf)[1]	-	-	-	~$250	~$250	~$250	~$100	~$100	~$200	~$100	~$100	~$200
	# Removed from payment[2]	-	-	-	-	-	-	-	-	-	-	-	-

1. Delta between max average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 24 Sep '20 to forecasted 25 Sep '20 due to assets testing, eligibility, NARWP, and partner income. Impact of Partner Income Test change is preliminary, further data request pending. 3. Using risk-based compliance approach to asset testing: ~11% of cohort with <$1 in assets or assets above the assets cut-off according to May 2020 Services Australia data 4. Assumes an average of ~60-70k new ISP applications granted per month as part of BAU
Source: Project analysis

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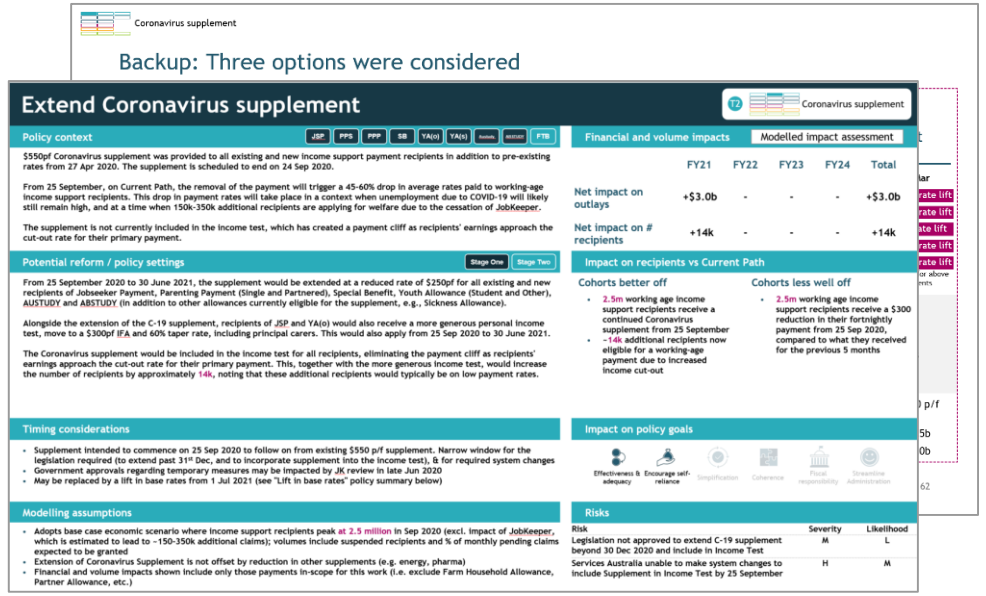
Deep dives have been developed on each policy option

Three policy options selected for deep dives today…

Temporary relief	Extend Coronavirus supplement ☆	Extend select 'access to payment' measures ☆	Discretion on unrealisable assets
Payment types	Merge into JSP: PPS and PPP	Merge YA(s) and Austudy	Merge into JSP: Special Benefit TPV holders
	Merge into JSP: YA(o)	Merge into JSP: Special Benefit >65s	Streamline FTB into a single payment
Rates	Lift base rates, cease various supplements ☆	Create new mature aged / PCW rate in JSP	
Work incentives	Align IFAs with pensions, max 50% taper rates	Expand & simplify working credit	Combined income test for couples
Service delivery measures	Predictive analytics for MOCA compliance	Streamline waiting periods: Abolish SWPP	Double the nil rate period to 12 fortnights

☆ Deep dive in following slides for today

…with deep dives on the rest available in the Compendium


Coronavirus supplement

Backup: Three options were considered

Extend Coronavirus supplement

Coronavirus supplement

Policy context

$550pf Coronavirus supplement was provided to all existing and new income support payment recipients in addition to pre-existing rates from 27 Apr 2020. The supplement is scheduled to end on 24 Sep 2020.

From 25 September, on Current Path, the removal of the payment will trigger a 45-60% drop in average rates paid to working-age income support recipients. This drop in payment rates will take place in a context when unemployment due to COVID-19 will likely still remain high, and at a time when 150k-350k additional recipients are applying for welfare due to the cessation of JobKeeper.

The supplement is not currently included in the income test, which has created a payment cliff as recipients' earnings approach the cut-out rate for their primary payment.

Financial and volume impacts — Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$3.0b	-	-	-	+$3.0b
Net impact on # recipients	+14k	-	-	-	+14k

Potential reform / policy settings

From 25 September 2020 to 30 June 2021, the supplement would be extended at a reduced rate of $250pf for all existing and new recipients of Jobseeker Payment, Parenting Payment (Single and Partnered), Special Benefit, Youth Allowance (Student and Other), AUSTUDY and ABSTUDY (in addition to other allowances currently eligible for the supplement, e.g., Sickness Allowance).

Alongside the extension of the C-19 supplement, recipients of JSP and YA(o) would also receive a more generous personal income test, move to a $300pf IFA and 60% taper rate, including principal carers. This would also apply from 25 Sep 2020 to 30 June 2021.

The Coronavirus supplement would be included in the income test for all recipients, eliminating the payment cliff as recipients' earnings approach the cut-out rate for their primary payment. This, together with the more generous income test, would increase the number of recipients by approximately 14k, noting that these additional recipients would typically be on low payment rates.

Impact on recipients vs Current Path

Cohorts better off
- 2.5m working age income support recipients receive a continued Coronavirus supplement from 25 September
- ~14k additional recipients now eligible for a working-age payment due to increased income cut-out

Cohorts less well off
- 2.5m working age income support recipients receive a $300 reduction in their fortnightly payment from 25 Sep 2020, compared to what they received for the previous 5 months

Timing considerations
- Supplement intended to commence on 25 Sep 2020 to follow on from existing $550 p/f supplement. Narrow window for the legislation required (to extend past 31st Dec, and to incorporate supplement into the income test), & for required system changes
- Government approvals regarding temporary measures may be impacted by JK review in late Jun 2020
- May be replaced by a lift in base rates from 1 Jul 2021 (see "Lift in base rates" policy summary below)

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions
- Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Extension of Coronavirus Supplement is not offset by reduction in other supplements (e.g. energy, pharma)
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make system changes to include Supplement in Income Test by 25 September	H	M

Are there any other topics we should explore today?

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Deep dive: C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	~38k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper (for JSP only)	~80k[3]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP[1]	~550-650k new claims[4]	Reinstated	Grandfather	Waived	Reinstated	Waive OWP & SWPP only	Waived	Reinstated	Grandfather	Waived
NARWP	~14k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	~75k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[2]	~550-650k new claims[4]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification
Implications		• 100k+ recipients removed from payment from 25 September[5] • Regular claim process for anticipated wave of claimants when JobKeeper ends • Reduced cost for the welfare system in terms of outlays (not administration)			• 70k+ recipients removed from payment 25 September • Some streamlining for anticipated wave of claimants when JobKeeper ends • Reduced cost for welfare system vs current C-19 measures			• No recipients lose eligibility • Continue current levels of support for new claimants as JobKeeper ends • Cost to welfare system from these measures continues at current levels		
Cost vs. Current Path		• No change from Current Path			• +$0.5b vs Current Path			• +$0.7b vs Current Path		

Note: "Grandfather" means grandfathering current recipients already in income support system. Source: DSS data, Project analysis
1. Costing outlay impact not modelled. Included in backlog for future sprints. 2. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 3. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 4. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 5. Impact of permanent employees stood down not yet quantified

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Deep Dive: Extending the C-19 supplement – Three options to consider

Description

1: Extend supplement at $150 to 20 March, with max 50% tapers, then replace with lift in base rates

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$150 C-19	$150 base rate lift	
Students	$150 C-19	$150 base rate lift	
PPS	$150 C-19	$25 base rate lift	
PPP	$150 C-19	$150 base rate lift	
SB	$150 C-19	$150 base rate lift	
Income Test	Align income test with pensions ($174 IFA, 50% taper)		
Energy, Pharma supplements	No change	Abolished for above recipients	

Hypothesis

2: Extend supplement at $250 to 30 June, increase IFA and taper for jobseekers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$250		-
Students	$250		-
PPS	$250		-
PPP	$250		-
SB	$250		-
Income Test	For JSP & YA(o): $300 IFA, 60% taper No change for others		
Energy, Pharma supplements	No change		

2: Extend supplement at $350 to 20 March, then at $250 to 30 June, no change to IFAs or tapers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$350	$250	-
Students	$350	$250	-
PPS	$350	$250	-
PPP	$350	$250	-
SB	$350	$250	-
Income Test	No change		
Energy, Pharma supplements	No change		

Implications

- Cut-out for single JSP at 25 Sep: $1,605
- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Only two points of change required, with the second point being a modest change for most recipients

- Cut-out for single JSP at 25 Sep: $1,670
- Extra support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Only two points of change required, but both are substantial for recipients

- Cut-out for single JSP at 25 Sep: $1,670
- Highest support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Three points of change where recipient payments reduce

Cost

FY21[1]	+$7.9b
FY22[1]	+$7.0b

FY21[1]	+$14.0b
FY22[1]	no change

FY21[1]	+$16.8b
FY22[1]	no change

Note: Analysis of cut-outs assumes only Energy Supplement is payable, no CRA or other supplements
1. Delta against Current Path: $57.9b for FY21 and $41.2b in FY22, assuming revert to pre-COVID settings from end of Sept '20. 2. Hold PPS increase constant at $25. 3. Both supplement and rate changed.
Source: DSS data, Project analysis

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Deep Dive: Raising base rates by $150 would create potential to abolish 10+ supplements for allowance recipients, with no net losers

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

To: Potential end-state

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
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Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supplen	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

1. Pensioner Education Supplement also able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

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Suggested next steps, for those leading this work

In the next two weeks

1. **Rapidly iterate Stage One costings and policy detail based on feedback from Ministers/Cabinet**

2. **Rapidly detail out implementation activities required from DSS in relation to the 25 September changes, including:**
   - Legislative, regulatory, and policy instrument changes
   - Developing risk-based approaches to required verifications (e.g. Assets Test, rental, and MOCA assessments), to reduce transaction volumes required from Services Australia

3. **Progress policy design for Stage Two, including lift to base rates, changes to income tests, working credit, FTB, consolidating payment types and supplements, mature aged / PCW rate in JSP**

4. **Decide how the model should be taken forward - suggest that an expert modeller be tasked to upkeep the model, and provide it as a service for policy teams to draw on**

5. **That expert modeller to progress the model and interactive dashboard in line with the detailed 'model backlog':**
   - Further integrating unit level analyses (picking up items not possible due to timing of data clearance processes)
   - Building out additional features required for analysis of Stage Two and future policy options (incl. supplement consolidation beyond energy supplement & pharma, FTB changes, couple combined income test, eligibility parameters, sharer rate, indexation changes)
   - Build model feature for claim volumes and waiting periods

In the following two weeks

1. **Commence critical implementation activities for 25 September changes (other than those led by Services Australia), including:**
   - Build predictive model to target initial round of Asset Test compliance interventions
   - Build predictive model and new compliance approach for MOCA, and process for MOCA periodic self-assessments
   - Commission work on improved digital tools for working credit

2. **Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister**
   - Add new features to model if new policy design ideas requested
   - Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
   - Engage Services Australia on possible implementation timing & constraints
   - Ministerial Briefing and Cabinet Submission development

3. **Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:**
   - Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
   - Ability to adjust indexation rules and see cost & volume impacts

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Thank you

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Project Canoe

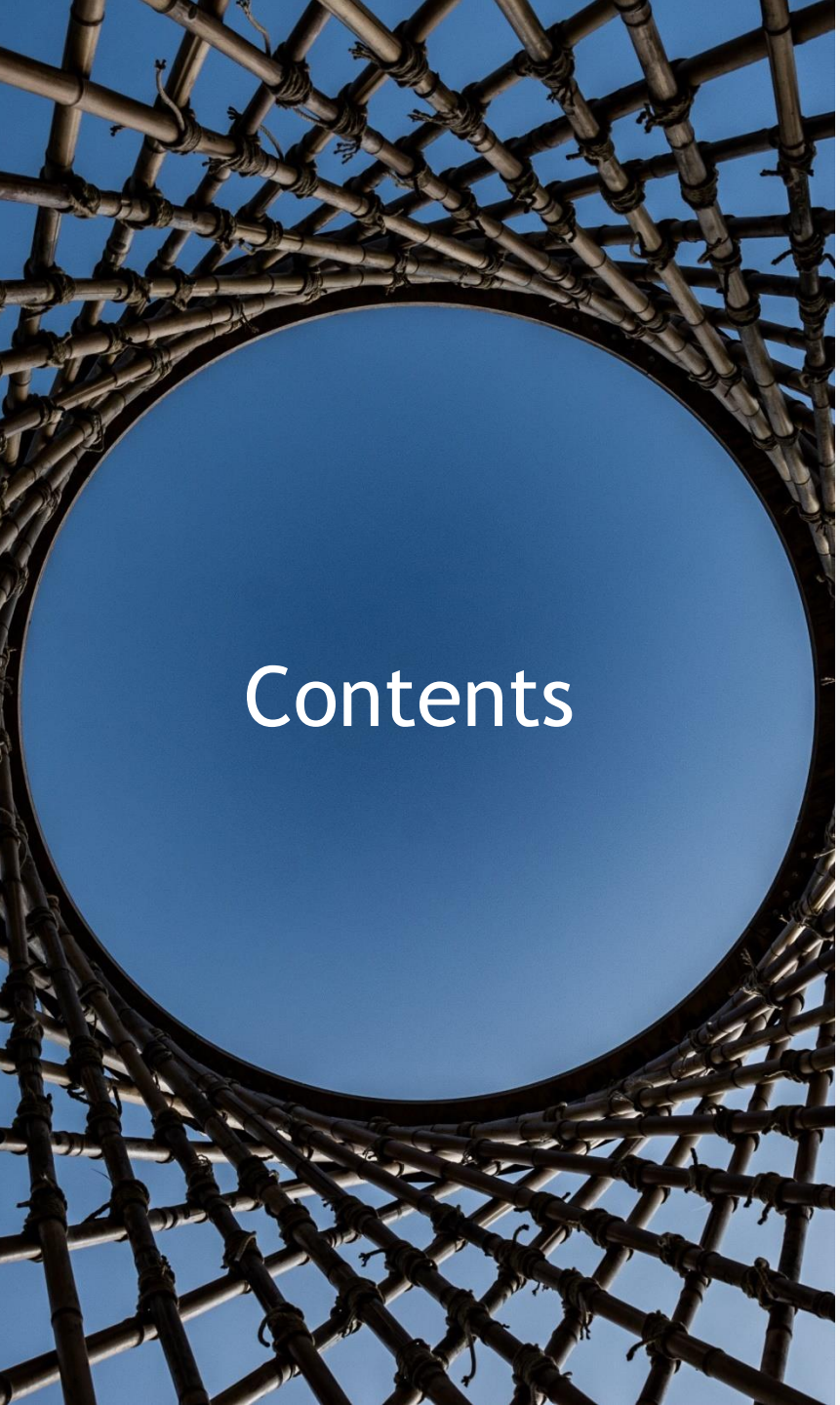
Compendium of materials

26 JUNE 2020

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Note to the reader

This compendium contains a suite of materials developed during research into a range of illustrative policy options for the social security system in the wake of the COVID-19 pandemic.

The figures shown in this compendium are drawn from a model developed during the research, which models the working-age social security system over the period FY20-24. The figures shown in this Compendium represent the best view possible as at 24 June 2020, based on the data made available to the researchers, and the time available to conduct the research.

The researchers' intent is that this model should continue to be developed and progressed over time. Accordingly, materials in this compendium should be updated with the latest figures from that model, prior to being used in subsequent months after this research.

In particular the following further updates to the model are considered to be a high priority:

- Updating the income distributions and cohort volume distributions to a more recent data extract (the researchers were provided with a data extract of income and cohort volume distributions as at 24 April 2020)
- Adding further supplements to the model, and to the modelled savings from absorbing them into a broad lift in base rates (the model currently includes only Energy Supplement and Pharmaceutical Allowance, as data on a broader range of supplements was not able to be accessed in the time period for this research)
- Building a forecast of claim volumes over time, and the ability to model impacts of changes to the OWP, LAWP, and SWPP (the researchers were provided with a top-down estimate of the impact of abolishing the SWPP, and the model does not yet incorporate the OWP or LAWP as these were not seen as a priority during the build)
- Refining the model logic for the treatment of FTB policy options (the current integration of FTB options adopted a light-touch approach, as FTB policy options were not considered a priority relative to other items)
- Refining the model logic to account for interactions between payments, and between income support payments and FTB payments
- Refine the indexation feature of the model, to ensure good alignment with Treasury estimates and specific policy settings

A full backlog for the suggested further development of the model is provided in the final section of this Compendium.

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Policy goals that this research is framed around

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Six high level policy goals



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Initial view of key pain points (I/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive/ employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age) • Child support tests can overlap with welfare payment income tests to produce EMTRs >100%
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • You can be on JSP if a casual working 40 hours/week, but can't be on JSP if permanent employee working 40 hours/week

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Initial view of key pain points (II/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Current trajectory for working-age welfare post COVID-19

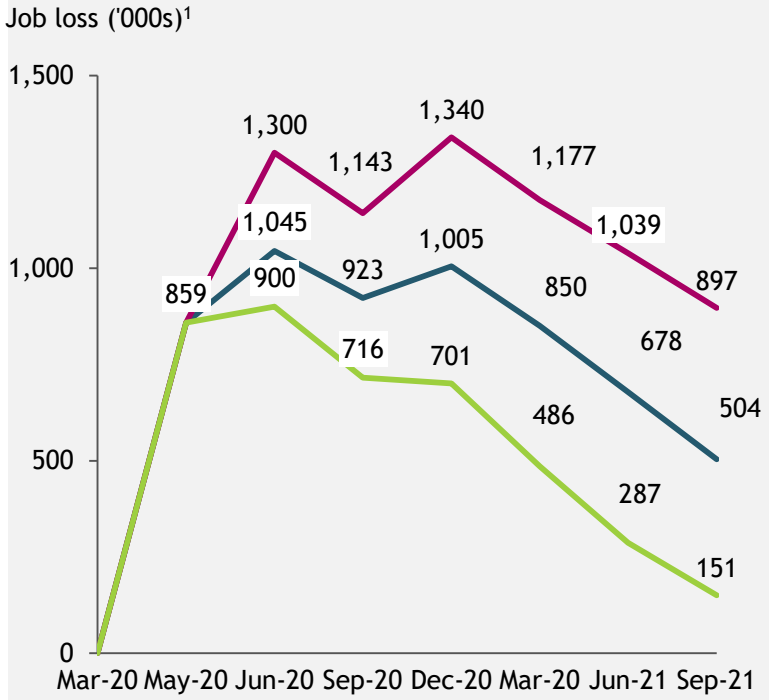
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We have considered three macroeconomic scenarios

To come: Recipient volumes from Jun-Sep 2020 use Apr income distributions; to be updated with incoming data

Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k recipients flow into welfare system post-JK
- Base case: ~225k recipients
- Optimistic case[4]: ~150k recipients

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 900k job loss in Jun 2020 aligns with Citibank forecasts (856k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include suspended recipients due to MO exemption, exclude nil rates
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

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Backup: Macroeconomic scenarios focus on potential COVID-19 recovery pathways

Optimistic case

- Virus is suppressed; people movements are safe
- Continuation of favourable fiscal policies; limited challenges with global trade
- Workforce embraces new flexibility in remote working, driving higher productivity levels
- High consumer confidence and an increase in discretionary spending

- Job loss due to C-19 forecasted to reach 850k[1], with expectation to recover by Apr 2022
- Most sectors expected to recover by 2022, with significant recovery made by highly impacted sectors, incl., Arts and Recreation Services, Accommodation and Food Services

Base case (likely)

- Virus slowly eradicated; staged unwinding of social distancing restrictions
- Some favourable fiscal policies; some challenges with global trade
- Slow workforce adoption of remote-working with mixed results; little improvements in productivity
- Declining consumer confidence and discretionary spending

- Job loss due to C-19 forecasted to reach 1m[2], with expectation to recover by Apr 2023
- Most sectors expected to recover by 2022, with the exception of highly impacted sectors

Pessimistic case

- Wave 2/3 of virus; continued social distancing restrictions
- Lack of effective fiscal policies; increased protectionism in global trade
- Absenteeism and declining productivity due to remote working
- Low consumer confidence, drastic cutbacks in discretionary spending

- Job loss due to C-19 forecasted to reach 1.3m[3], with expectation to recover by Apr 2024
- Sectors slow to recovery, with sustained job loss for highly impacted sectors – permanent job loss expected

1. Aligns with Citibank forecasts (856k by Jun 2020); 2. Aligns with RBA forecast of 1 mil jobs lost by June 2020; 3. Aligns with Grattan Institute forecasts (1,370k by Jun 2020)

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Backup: Methodology applies job loss scenarios to current recipient numbers, to derive scenarios for recipient volumes

Modelling approach

Develop scenarios for job loss until Dec 2025

- **Forecasted job loss** due to C-19 conducted using sector by sector analysis, **and likely recovery pathway (e.g. V or U)**[1]
- **Estimate likely duration** until job loss will likely stabilise
- **Triangulate using estimates** from Treasury, RBA, Grattan Institute, industry experts
- Adjust job loss forecasts **to reflect additional job loss when JobKeeper ceases** (Oct-Sep 2020)

Determine recipient #s for Apr and May 2020

- **Assess extent of increase in recipient numbers** for each payment type **post-shutdown** using Apr, May 2020 actuals
- **Adjust actuals to include suspended recipients and pending claims** likely to be granted

Quantify likely impact of job loss #s on recipient #s

- **Adjust to reflect unique features of C-19 crisis and likely near-term trajectory** (e.g. travel/tourism hit hardest, with more young people)

Apply job loss #s to actuals to forecast recipient #s

- **Determine impact of changes in job loss recovery** on recipient numbers for each payment type
- **Calibrate trajectory according to likely response** when JK and coronavirus supplements end (in Sep)

1. https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy
Source: Project analysis

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Backup: Key assumptions in modelling total recipient numbers under each macroeconomic scenario

	Optimistic case	Base case	Pessimistic case
Job loss recovery	• No permanent job loss – V shaped recovery • Job loss stabilises in ~2 years	• No permanent job loss - U-shaped recovery • Job loss stabilises in ~3 years	• Permanent job loss following L-shaped recovery: 1.2% of jobs lost due to C-19 remain • Job loss stabilises in ~4 years
Job loss to recipient increase conversion[1]	• Same as base case	• Jobseeker: JS recipient increase equates to 87.4% of total job loss • YA(o): 7.6% • PP(p): 1.6% • PP(s): 1.2% • YA(s): 5.3% • AUSTUDY: 1.0% • ABSTUDY: 0.2% • Special benefits: 0.3%	• Same as base case
Post-JK impact on total job loss[2]	• ~115k jobs to be lost post-JK	• ~200k jobs to be lost post-JK	• 350k jobs to be lost post-JK

1. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; pessimistic case assumes 70% of 500,000 jobs will be realised; base case assumes 45%; optimistic case assumes 30%
Source: DSS data, RBA forecasts, Project analysis

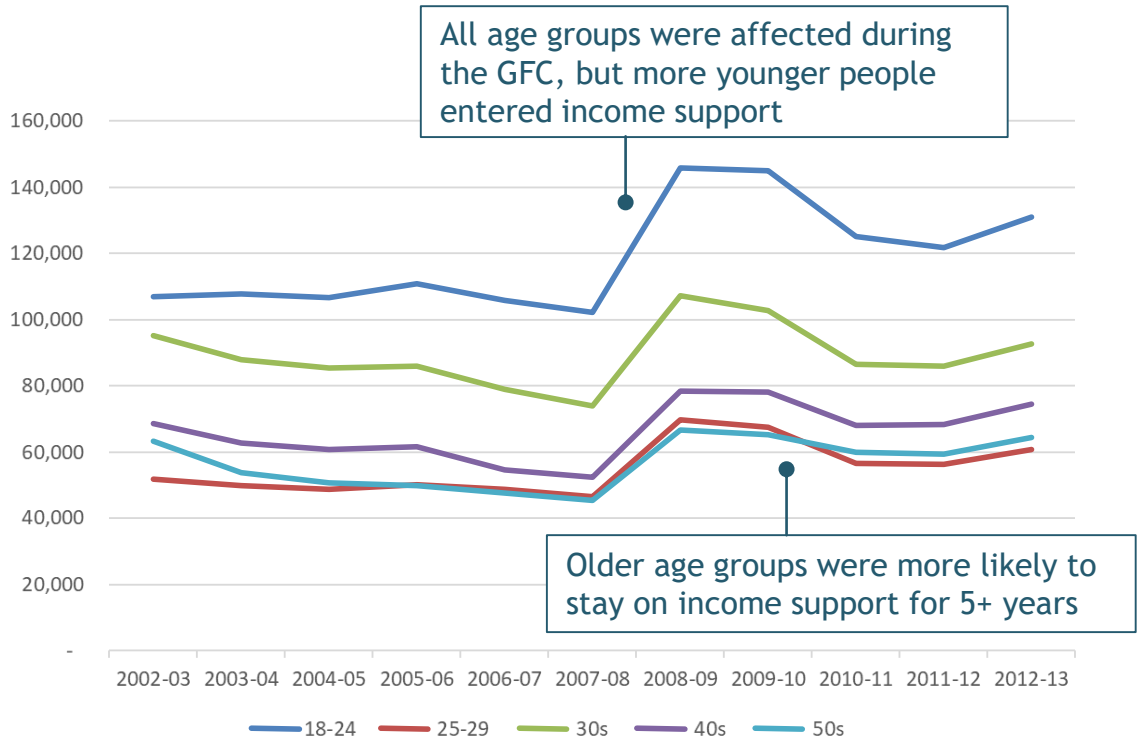
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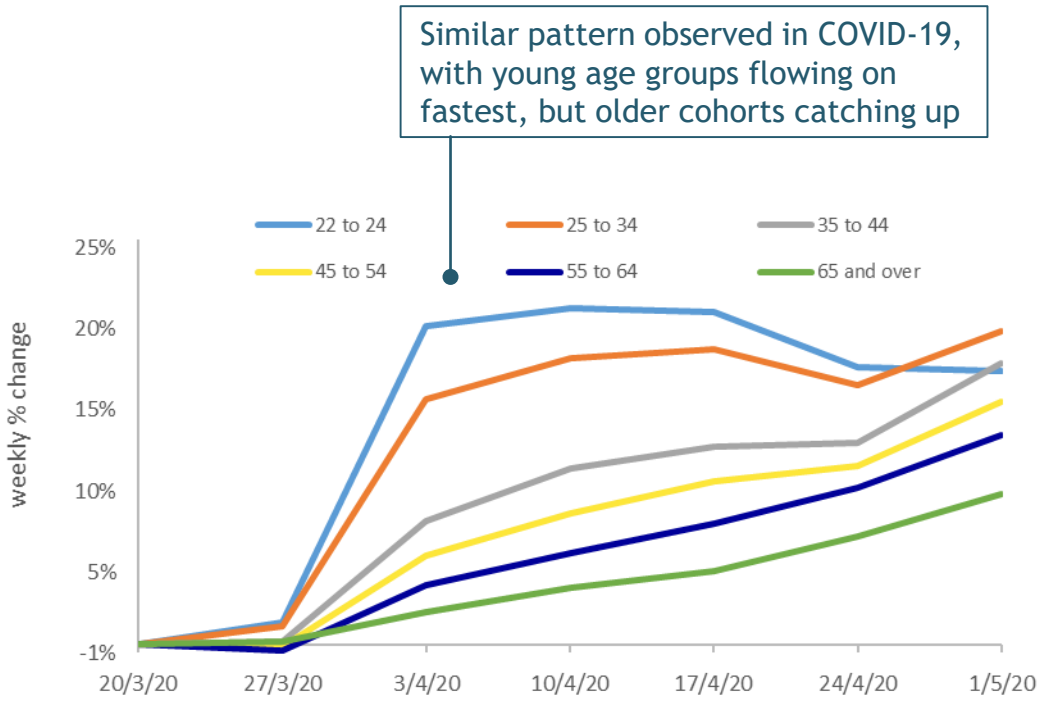
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 crisis is following a similar pattern so far

GFC: New entrants to income support, by age group



Today: Entrants to Jobseeker Payment, by age group



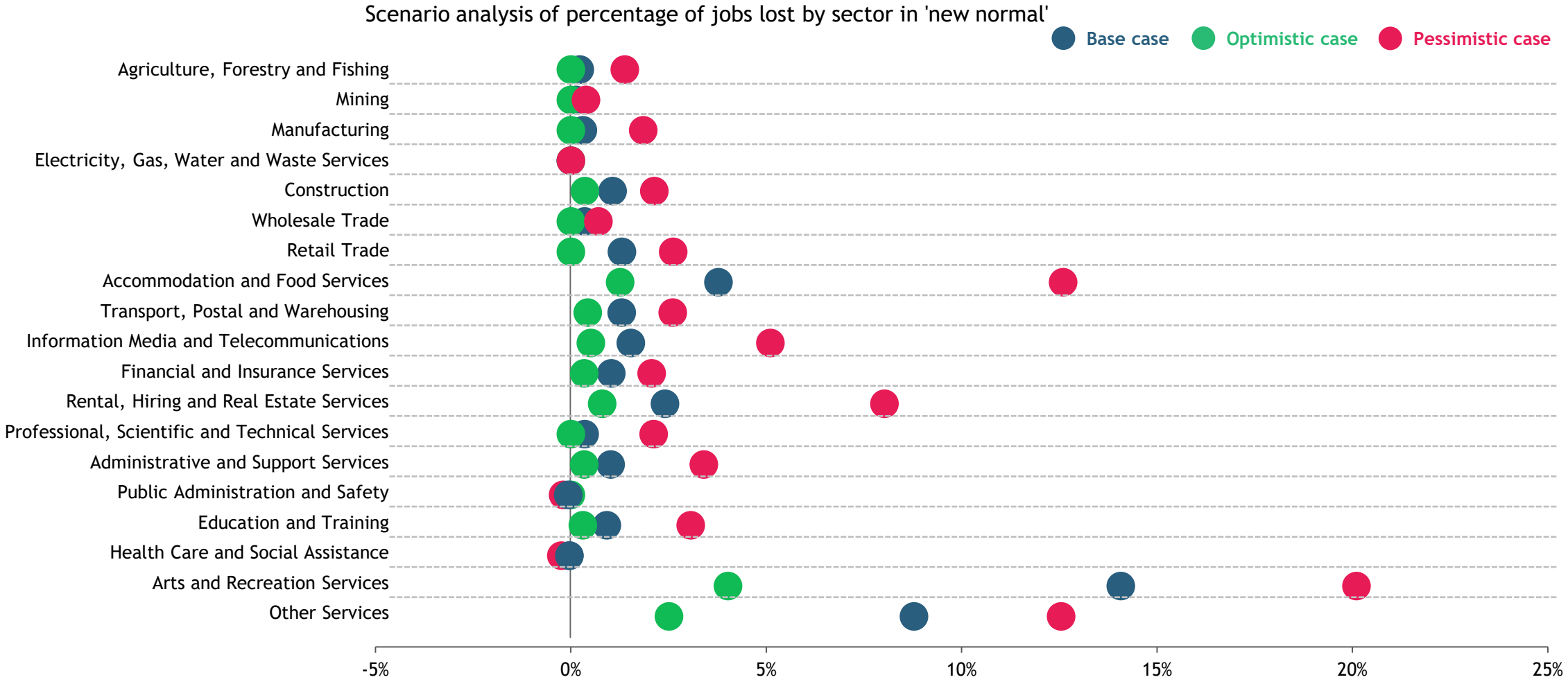
Source: DSS data

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Back-up: Unemployment rate forecasts were informed by job loss predictions for 19 sectors



Source: Project analysis, interviews with sector experts

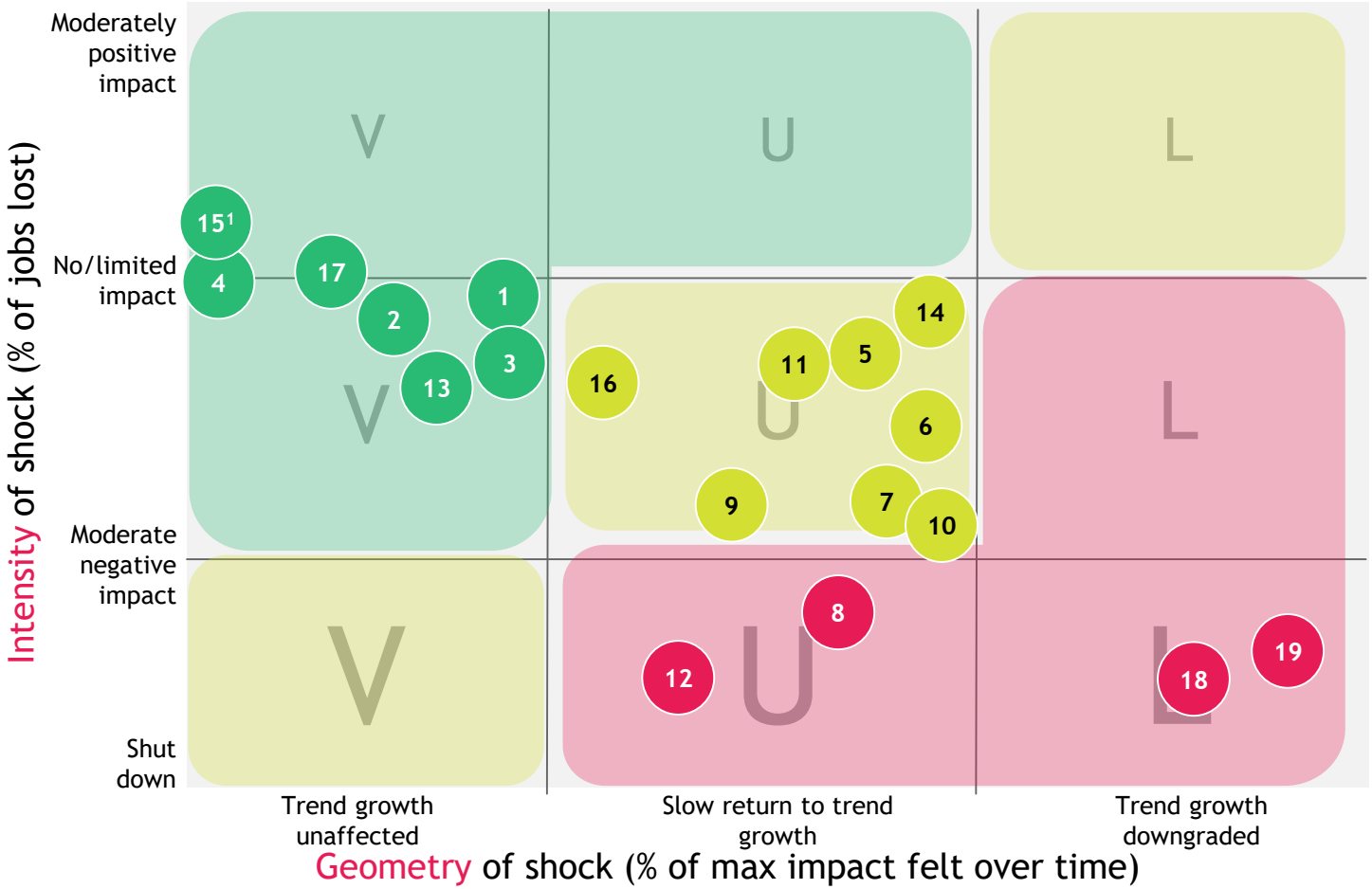
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Backup: Under the base case scenario, 2 sectors have an L-shaped recovery, and 7 sectors have a V-shape

Intensity and Geometry of each sector at max impact



1	Agriculture, Forestry and Fishing	11	Financial and Insurance Services
2	Mining	12	Rental, Hiring and Real Estate Services
3	Manufacturing	13	Professional, Scientific and Technical Services
4	Electricity, Gas, Water and Waste Services	14	Administrative and Support Services
5	Construction	15	Public Administration and Safety
6	Wholesale Trade	16	Education and Training
7	Retail Trade	17	Health Care and Social Assistance
8	Accommodation and Food Services	18	Arts and Recreation Services
9	Transport, Postal and Warehousing	19	Other Services
10	Information Media and Telecommunications		

1. Public administration and safety is estimated to see job increases (positive intensity) and so will not adopt a V-shape recovery

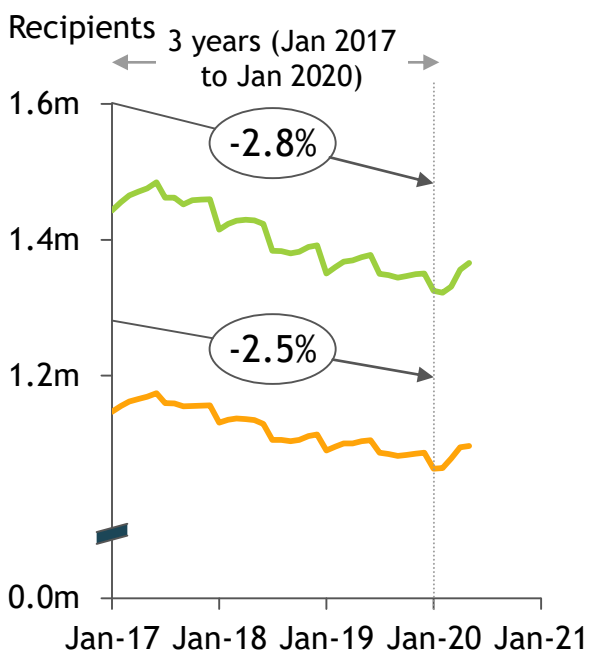
Source: Project analysis, interviews with sector experts

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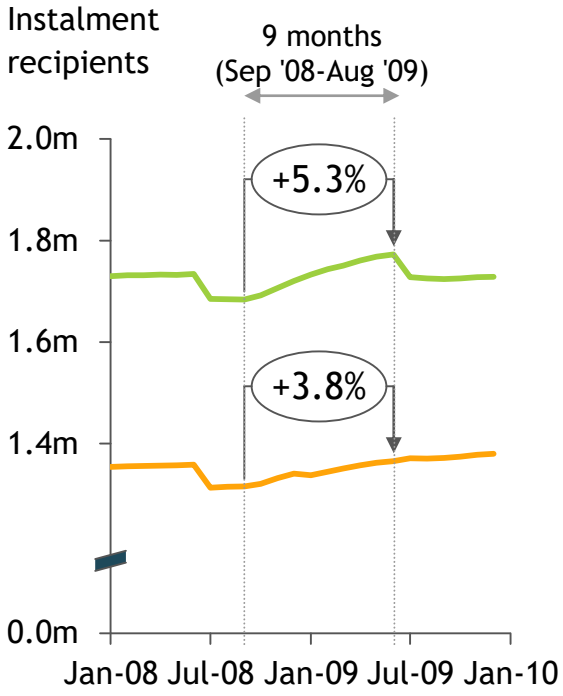
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Volume forecast for FTB is informed by trend of decline, and GFC-driven one-off increase

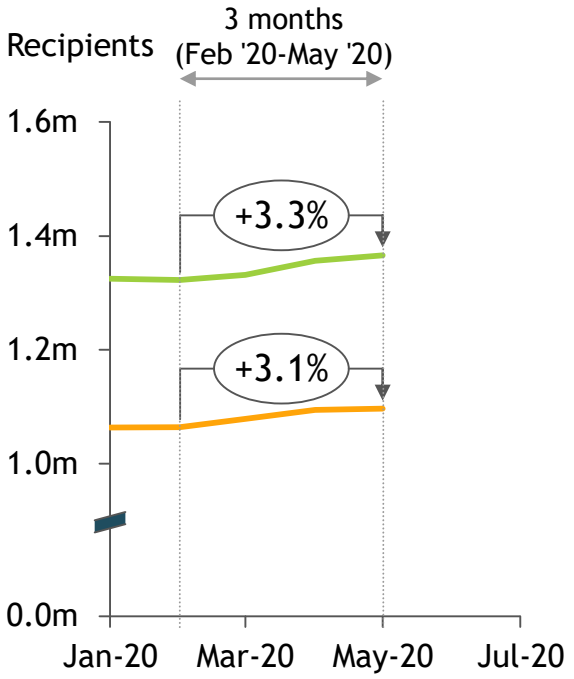
FTB volumes decreasing at ~2.5% p.a (organically and due to policy changes)



A one off increase of 4-5% occurred during the Global Financial Crisis



FTB volumes have increased by ~3% since the start of the COVID-19 crisis



FTB Part A FTB Part B

Source: Project analysis; DSS FTB monthly fact sheets

Assumptions used in FTB forecast in this research

- FTB volumes decrease by ~2% p.a. organically, driven by increases in wages and income
- A further ~2.5% increase in FTB volumes due to C-19 from Jun to Oct 2020 anticipated (on top of the 3.2% increase that has already occurred from Feb to May 2020)
- Trajectory of recovery in FTB volumes expected to broadly follow job loss recovery in each macroeconomic scenario

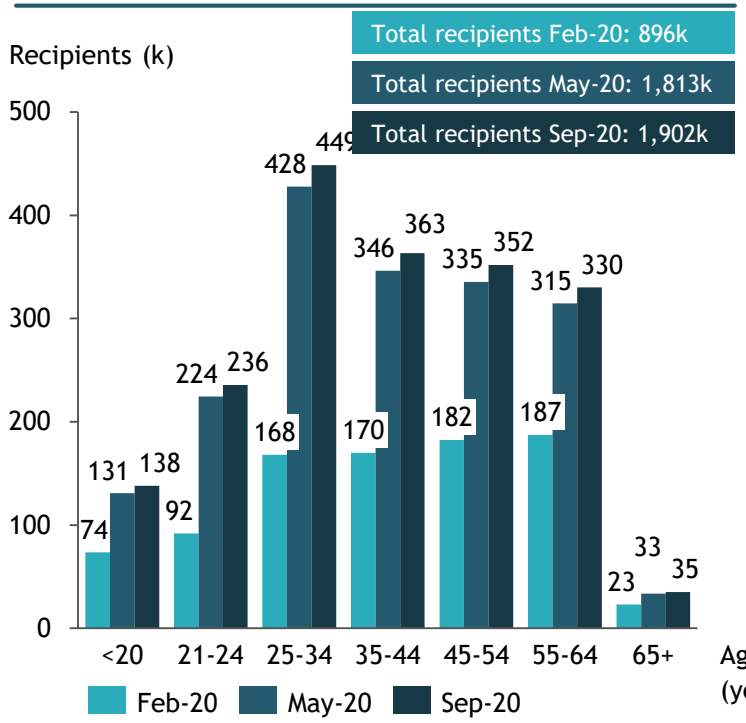
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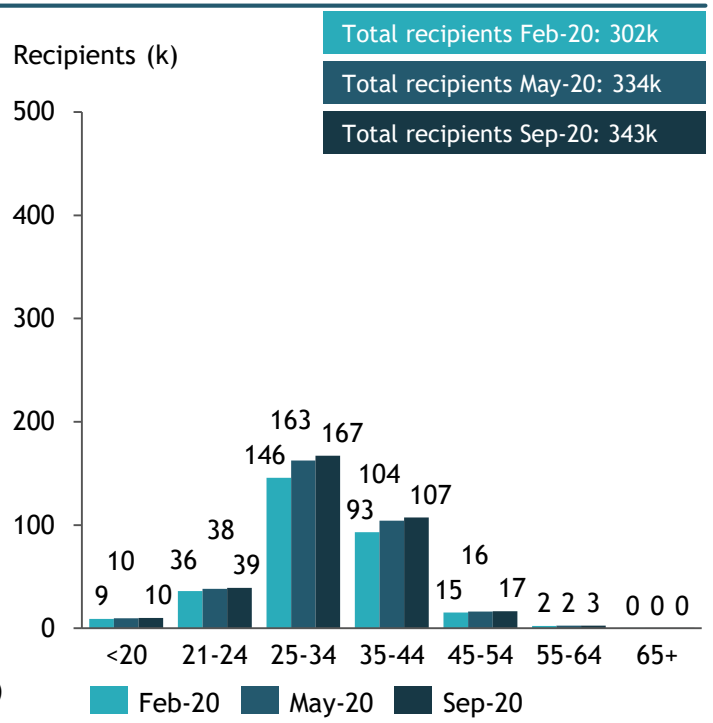
These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

Jobseekers[1]



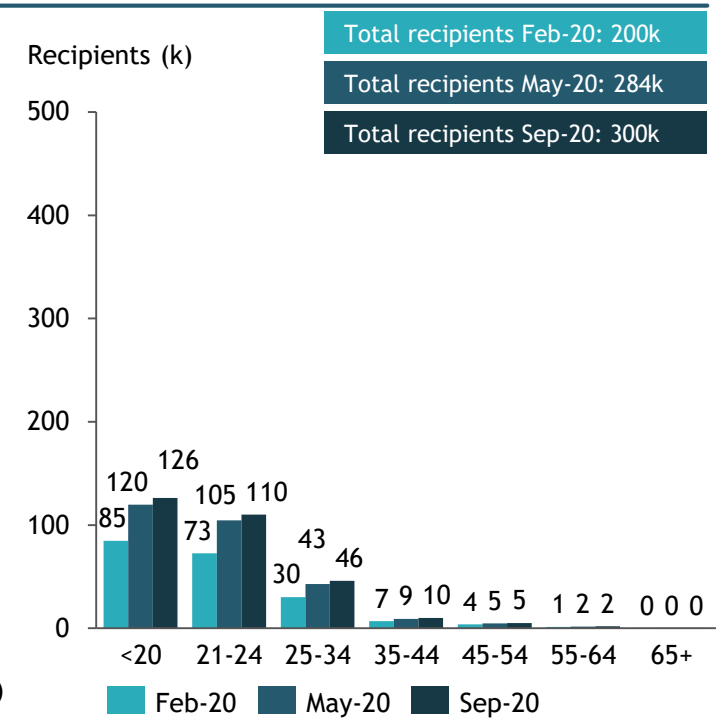
Age distribution skewed towards younger cohorts in May 2020; +7 ppts in 21-34 age group from Feb 2020 to May 2020

Parents of young children[2]



Age distribution largely unchanged from Feb 2020

Students[3]



Age distribution largely unchanged from Feb 2020

1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Excludes nil rate earning recipients, <16 age group not shown
Source: DSS Data (Bluebook), Project analysis

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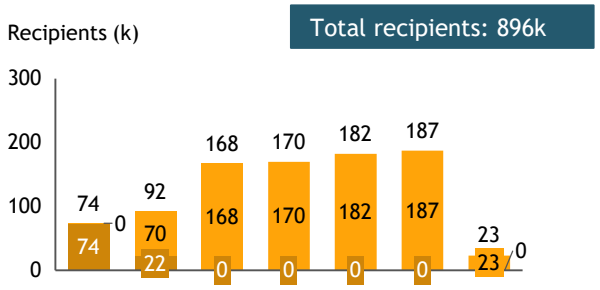
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Back-up: Expected shape of working-age welfare system by payment type

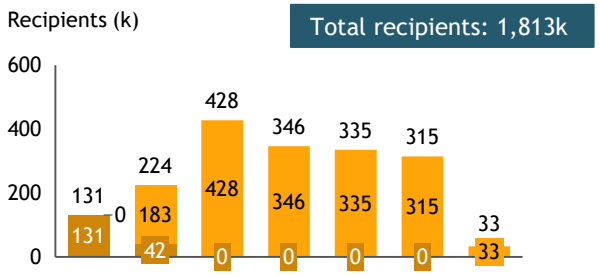
Note: Impact of JobKeeper withdrawal and timing is not yet known

Jobseekers

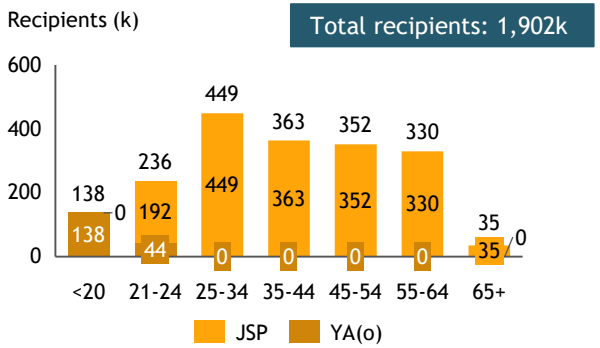
Pre-COVID (as at 28 Feb 2020)



Current (as at 29 May 2020)

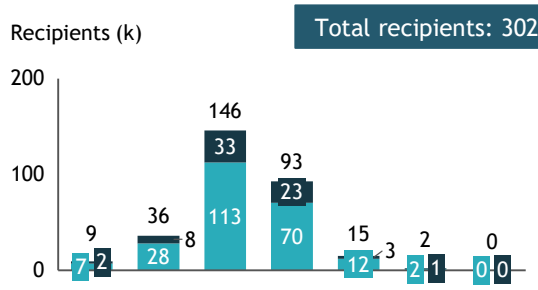


Expected at 24-Sep 2020

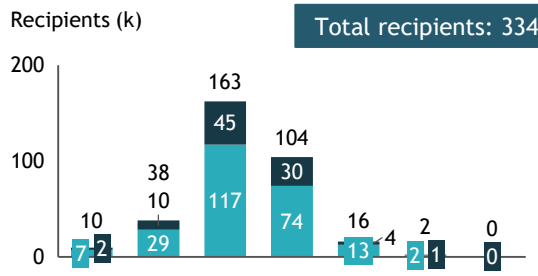


Parents of young children

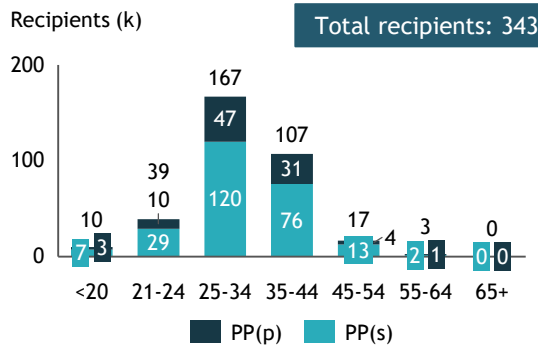
Pre-COVID (as at 28 Feb 2020)



Current (as at 29 May 2020)

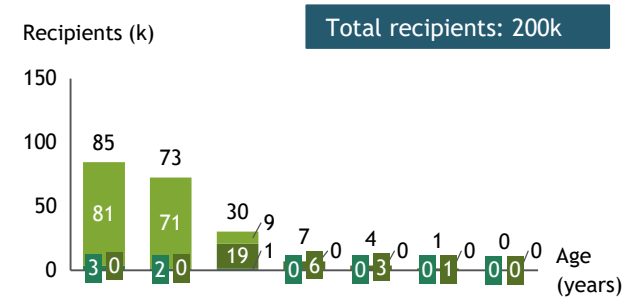


Expected at 24-Sep 2020

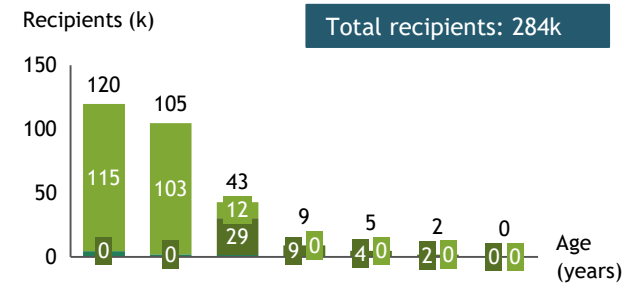


Students

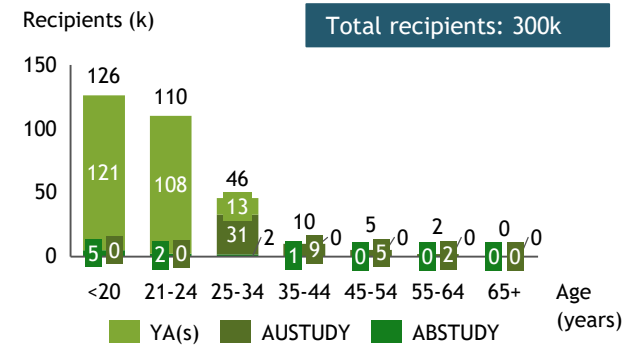
Pre-COVID (as at 28 Feb 2020)



Current (as at 29 May 2020)



Expected at 24-Sep 2020



Note: Assumes Sep 2020 age distribution is the same as May 2020; does not take into account impact of JobKeeper – timing not yet known
Source: DSS Data, Project analysis

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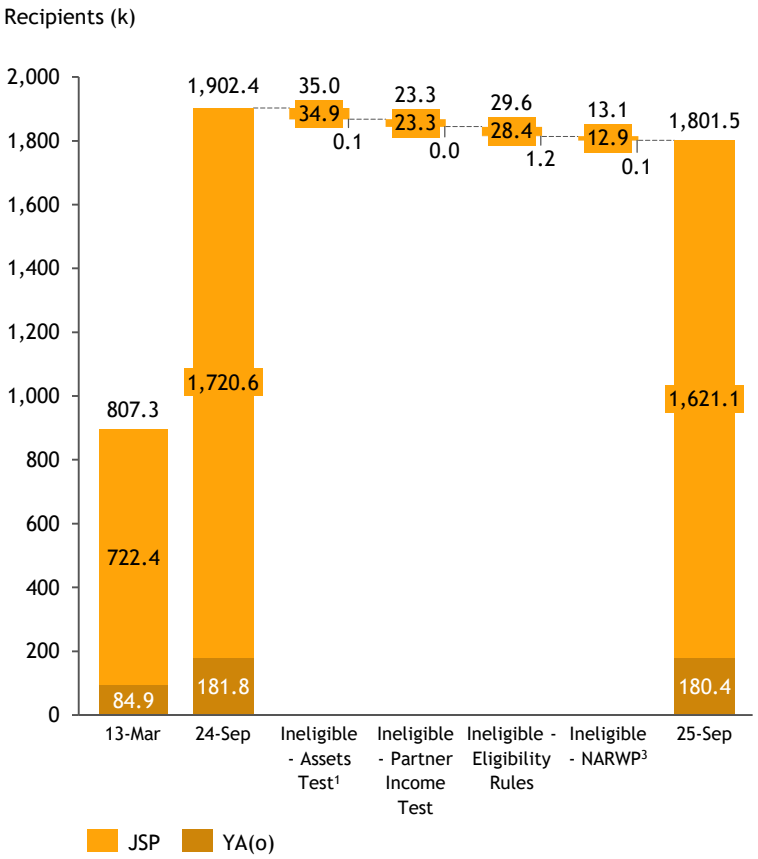
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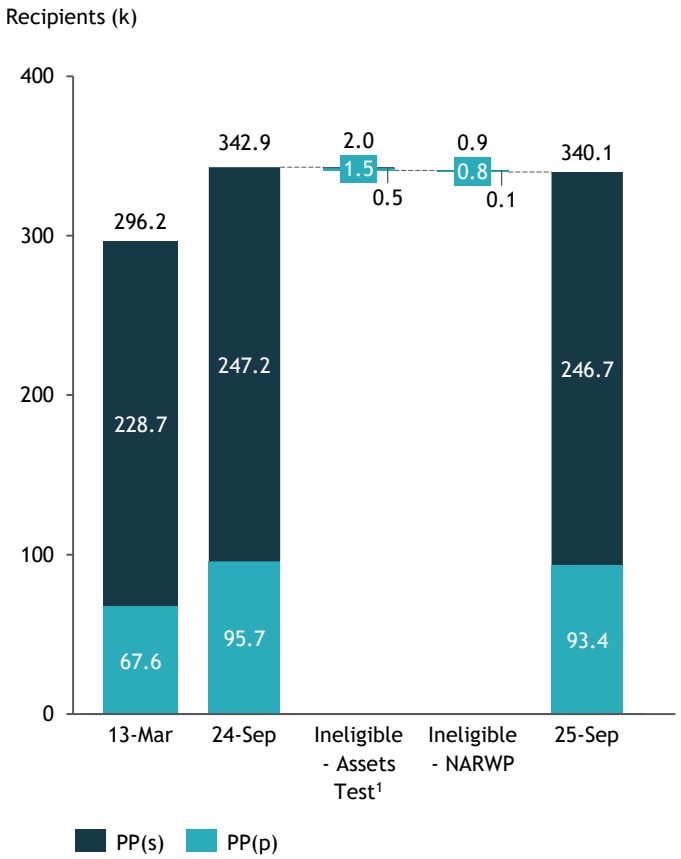
On current path, 100k+ recipients likely to be removed from payment following 25 Sep 2020…

To come: Partner income distribution to be updated; partner income distribution as at 1 Apr 2021

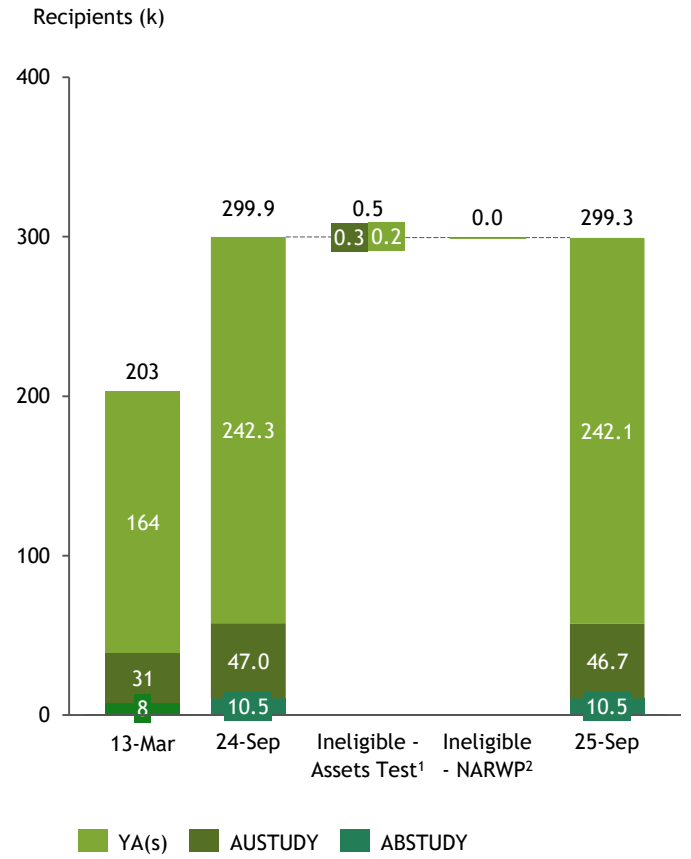
Jobseekers (100k+)



Parents of young children (~3k)



Students (0.5k+)



1. Distribution of total net assets (net financial and non-financial assets) observed in 29 May 2020 assumed to apply in Sep 2020 2. 25% of ~75k stood-down permanent employees and 40k sole traders assumed to opt of payment due to MO requirements 3. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

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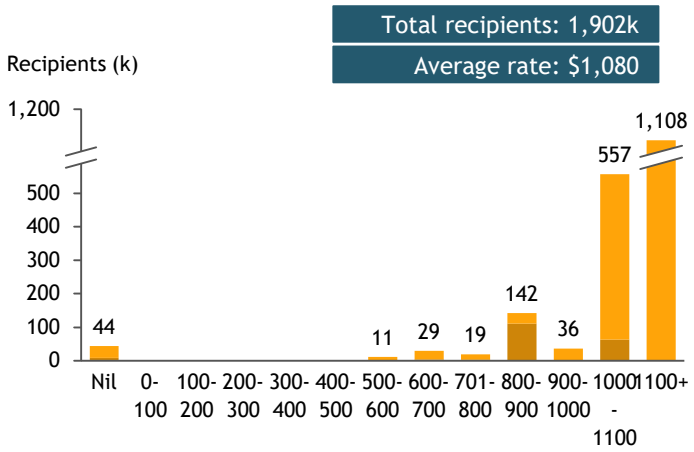
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

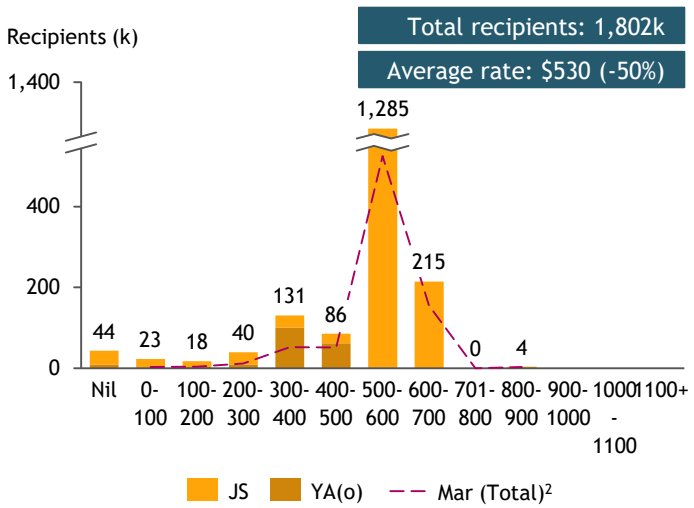
…And average payments will drop by ~45-60%

Note: Excludes FTB, excludes supplements other than C-19, energy, and pharma

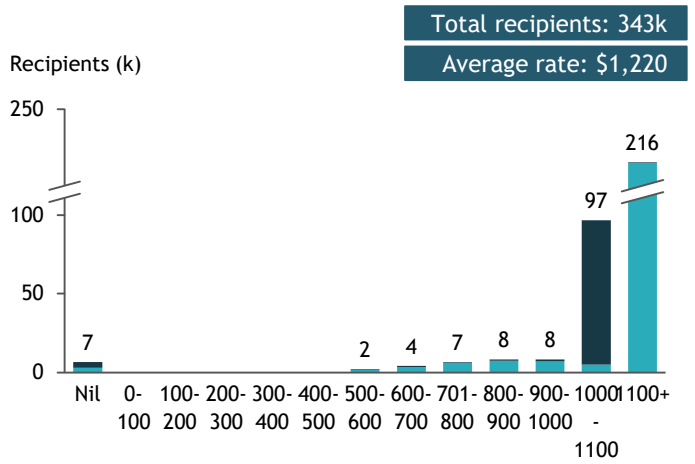
To come: Recipients on nil rates underrepresented. Distribution of payments based on income distribution as at 1 Apr 2021; awaiting data clearance for updated data extract

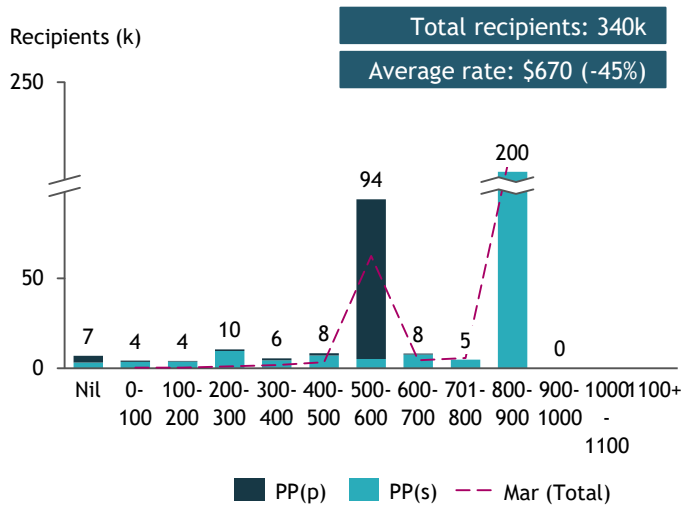
Jobseekers



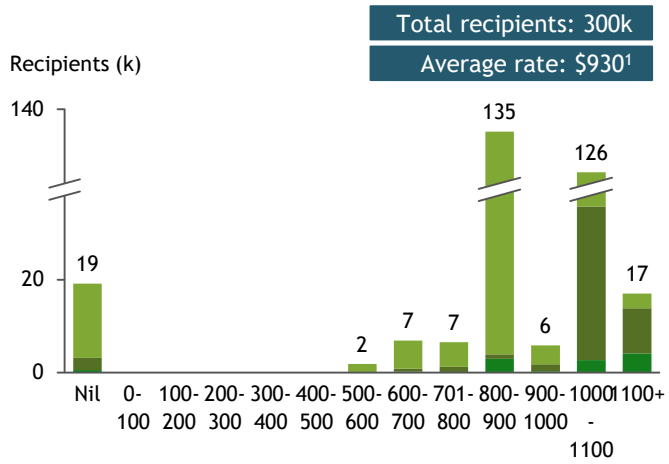


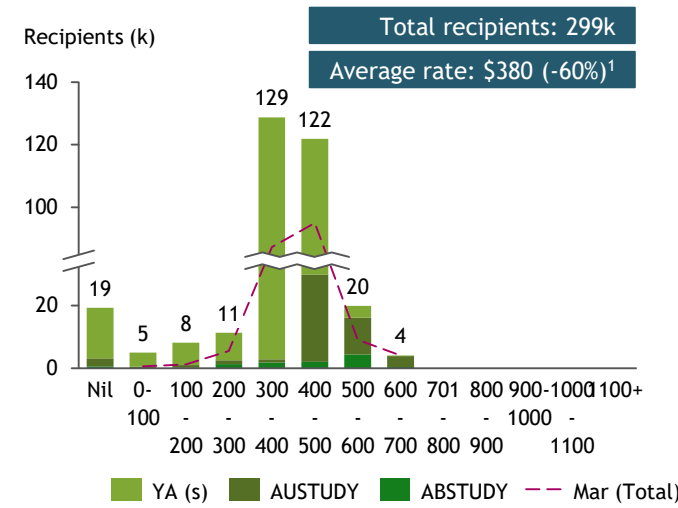
Parents of young children





Students





1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Pharmaceutical and Energy Supplements factored into average payments; includes nil rates determined using 1 Apr 2021 income distributions
Source: DSS Data, Project analysis

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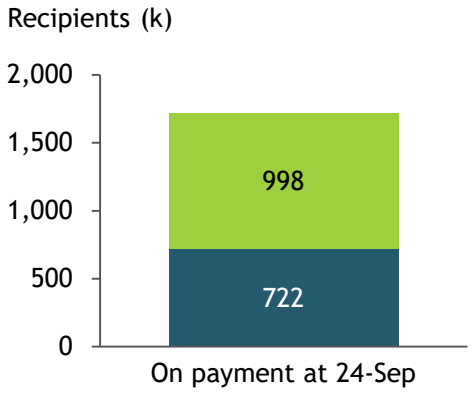
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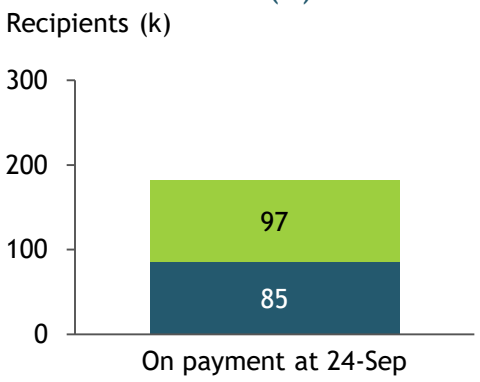
…And 1,200k+ recipients likely required to update information

Jobseekers

JSP

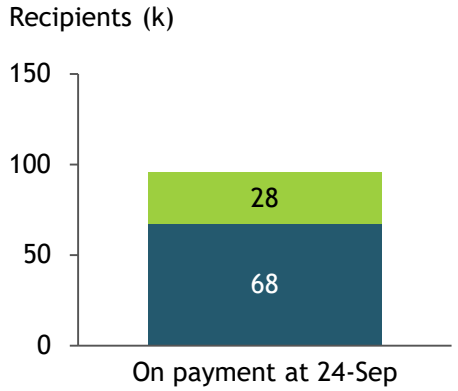


YA(o)

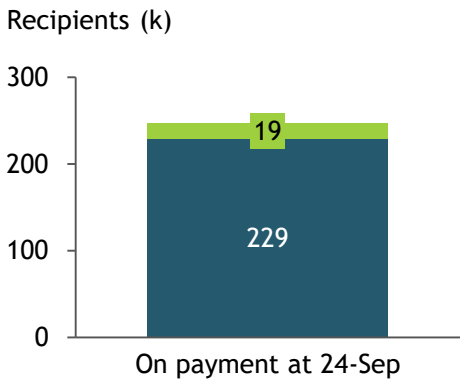


Parents

PP(P)

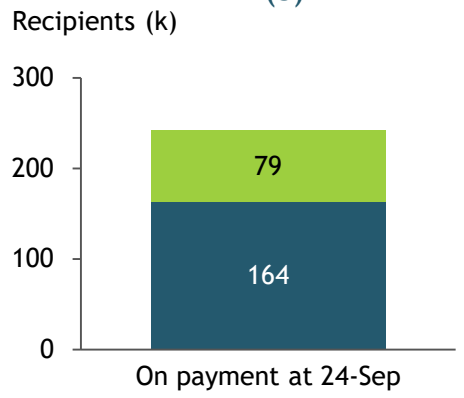


PP(S)

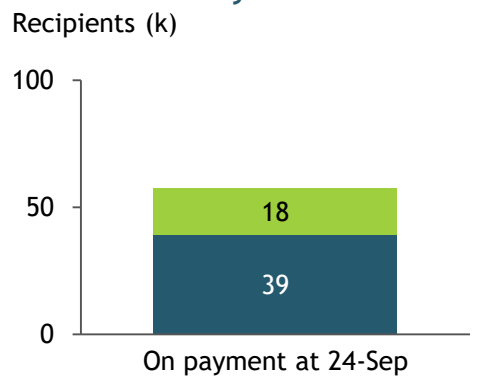


Students

YA(s)



Austudy/ABSTUDY



"New" recipients, joined after 13-March-2020 "Old" recipients

Note: Recipient volumes include suspended recipients and a % of pending claims expected to be granted
Source: DSS Data, Project analysis

Two key updates required

1. **Net assets held by recipients**
   - Services Australia has only collected data on financial assets
2. **Rental amounts being paid**
   - Currently only a self-declaration is required
   - Post 24-September, a lease or tenancy agreement must be provided

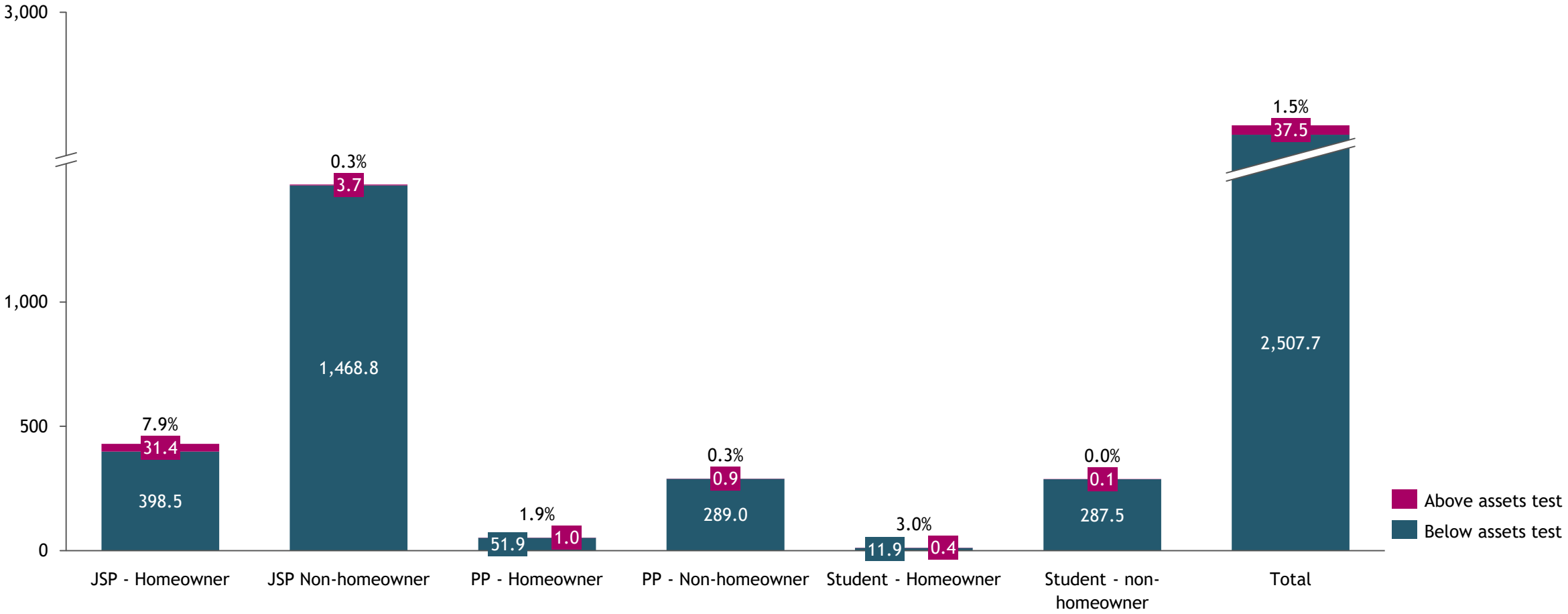
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Backup: ~38k recipients expected to be ineligible under assets test

As at 24 Sep

Recipients (k)/(% above assets limit)



Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

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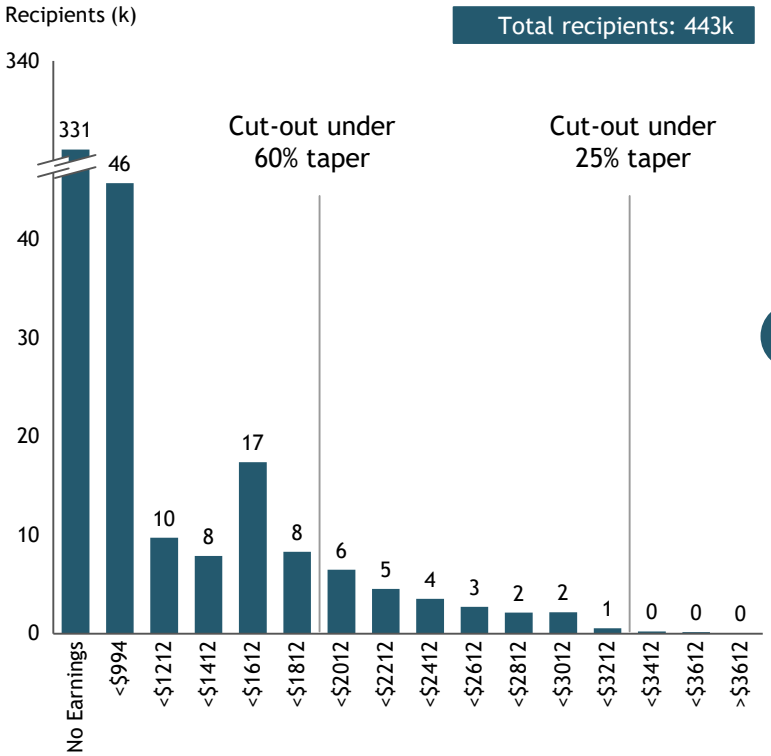
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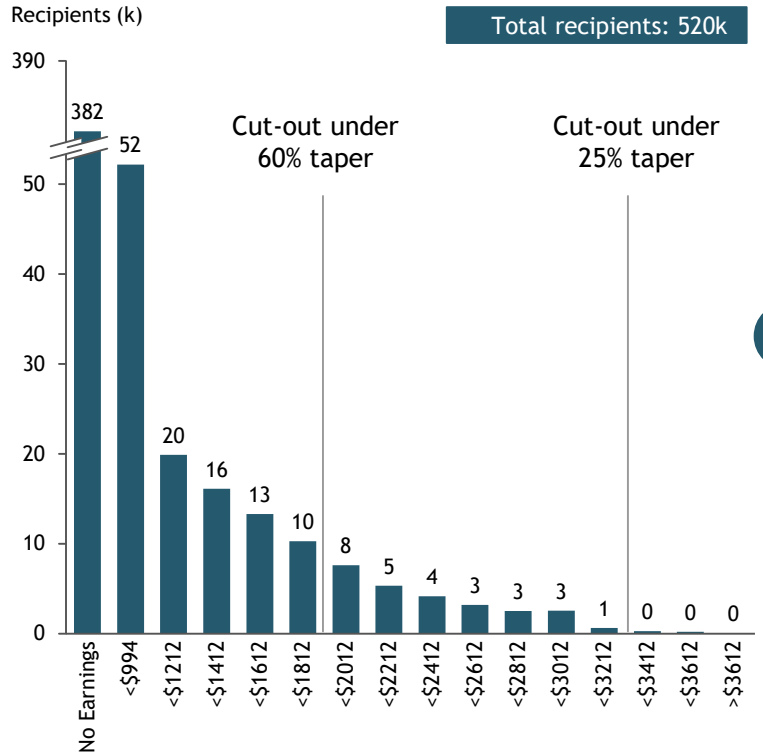
Backup: ~25k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

To come: Partner income distribution to be updated using unit-level data

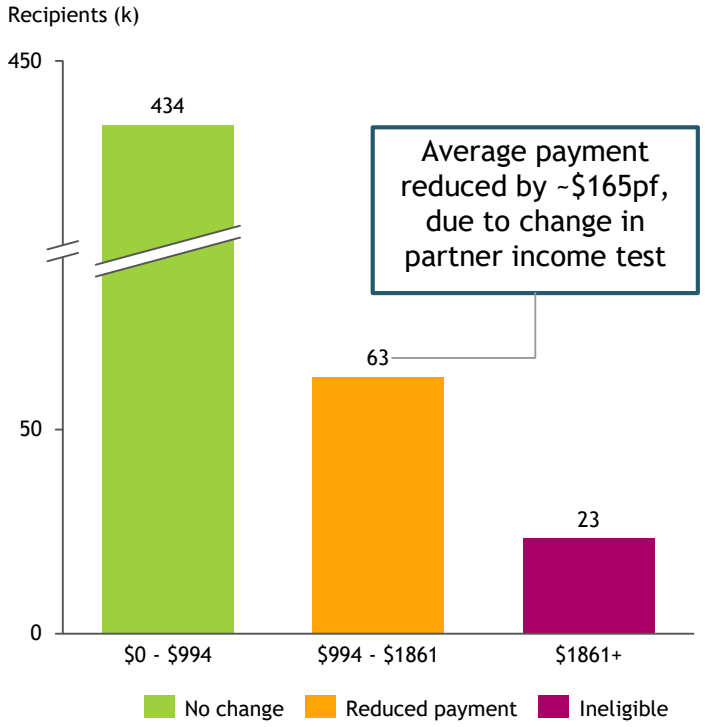
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

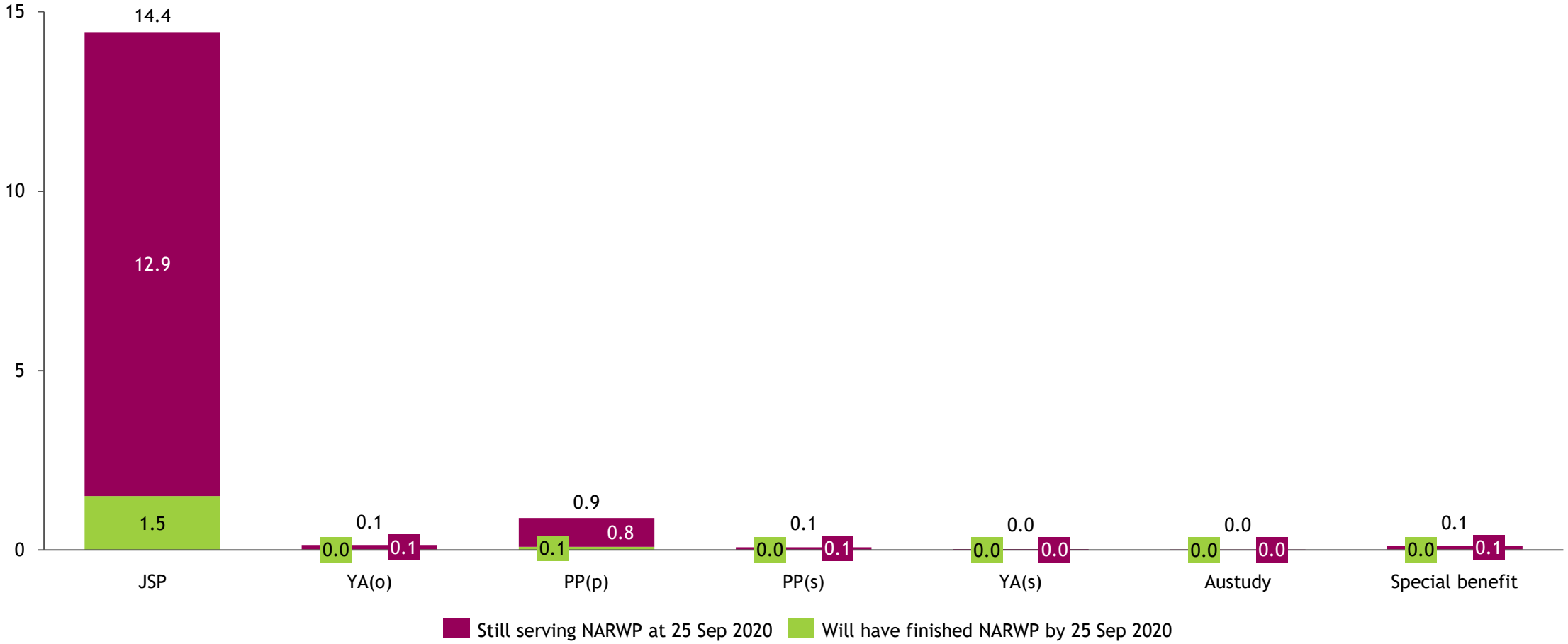
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: ~14k recipients removed from payment if NARWP reinstated in Sep '20

As at 25 Sep

Recipients (k) currently receiving an ISP who would be serving a NARWP



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts; recipients on nil rates excluded
Source: DSS Data, Project analysis

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Backup: Key verifications to be applied to recipients

Principles

Claims and means testing will likely re-commence without retrospectively applying claim information requirements to COVID JobSeekers

However information relevant to ongoing eligibility would likely be sought

Where verification demand is not able to be met by Services Australia, effort priority would focus on high compliance risk items (income) over low risk items (rent)

1. Rental details

Description:

- Self-declaration of rental amount is currently used for COVID supplement period
- From 25 September, recipients will need to have provided verification of rent amounts (e.g. uploaded lease, tenancy agreement)

Estimated # recipients affected:

- All new claims and circumstance changes
- ~300-400k of current cohort anticipated to require update[2]

Suggested service delivery approach and timing:

- Continue full online rent verification and change of circumstance reporting, noting low manual effort priority to apply backlogs

Note:

- Rent declaration error fraud is not considered a compliance high risk[1]
- Precise rental amounts do not necessarily provide increased accuracy as 78% of rent assistance eligible households are eligible for the maximum rate

2. Assets verification

Description:

- Assets[3] test was waived during the period of the Coronavirus Supplement.

Estimated # recipients affected:

- All new claims will be required to report assets.
- All ~1,200k recipients who commenced on payment since 13 March 2020 will need to submit details on their net assets (assets information collected during the initial claim process likely cannot be fully relied upon)

Suggested service delivery approach and timing:

- Start full-scale data request and collection ~3 months prior to reinstatement of Assets Test
- Use outbound call program to notify recipients of the need to submit assets information, and to notify of ineligible after a decision is made

1. In a three month period assuming 197k JobKeeper claimants, proportionalised pre-covid claim churn and 75k change of rental address 2. Random Sample Survey 3. Liquid assets reported as part of the streamlined jobseeker claim.

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"Menu of options" and example two-stage approaches

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A menu of policy options has been developed

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders – $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% – $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets – tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) – No outlay impact	Merge YA(s) and Austudy into a new student payment – $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts – $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) – No outlay impact	Merge into JobSeeker: Special Benefit >65s – $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child – $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN – $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week – $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates – $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 – $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions – tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts – tbd	Streamline waiting periods: Abolish SWPP – <$2m pm	Double the nil rate period to 12 fortnights – tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (25 Sept '20 to 30 June '21)	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two (1 July '21 ongoing)		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $150 p/f, absorb supplements Align all IFAs to $174, max 50% tapers Expand & simplify working credit Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $150 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align all IFAs to $174, max 50% tapers Expand & simplify working credit Move to couple combined income test Abolish the SWPP
Financial Impact[1]	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $39-51b (no change)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $44-60b (+$7b vs. Current Path)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $43-59b (+$6b vs. Current Path)

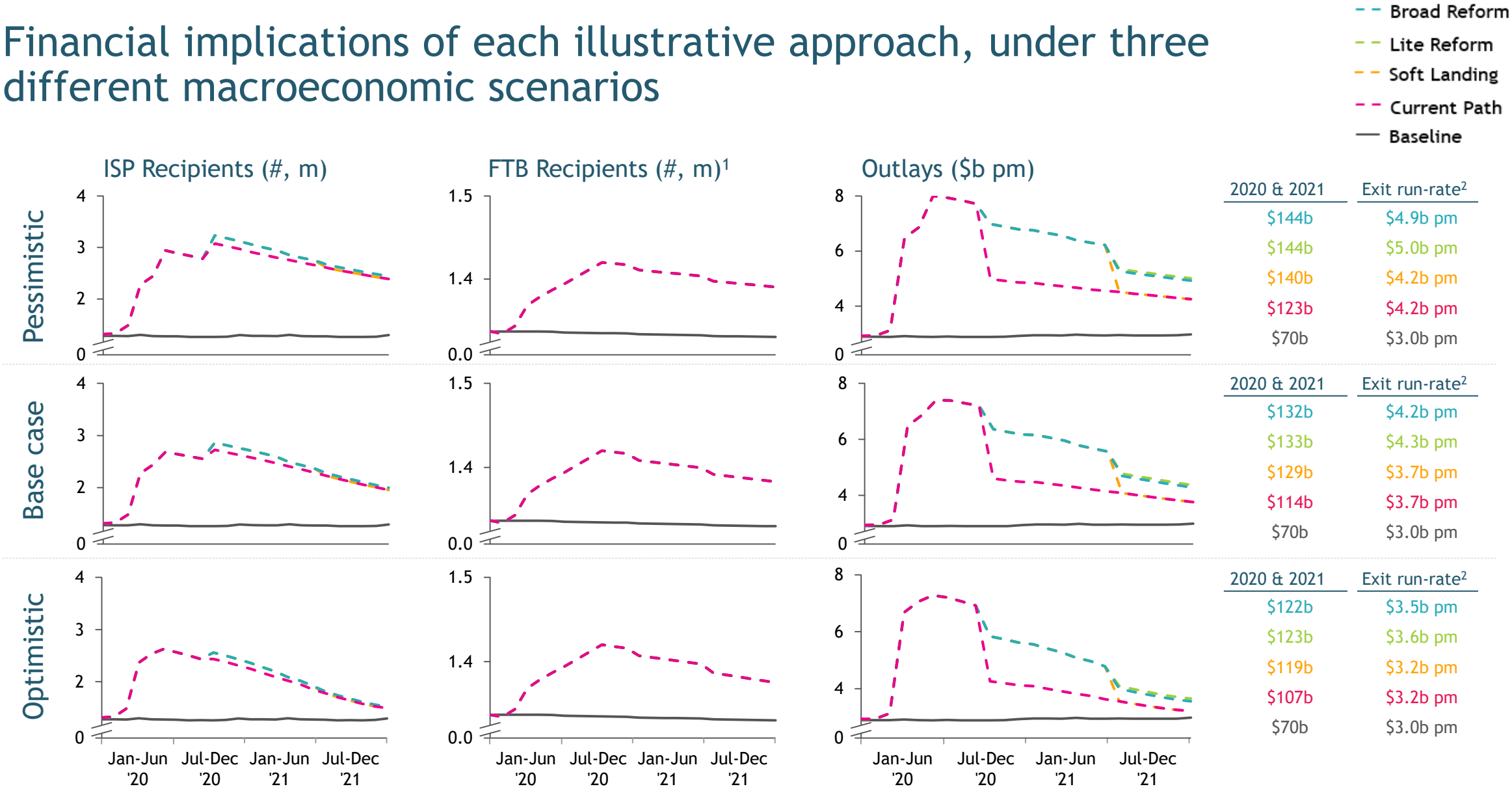
1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Nil rate changes, unrealisation asset discretion, MOCA compliance, couple combined income test not yet incorporated in modelling.
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



	2020 & 2021	Exit run-rate[2]
Pessimistic	$144b	$4.9b pm
	$144b	$5.0b pm
	$140b	$4.2b pm
	$123b	$4.2b pm
	$70b	$3.0b pm
Base case	$132b	$4.2b pm
	$133b	$4.3b pm
	$129b	$3.7b pm
	$114b	$3.7b pm
	$70b	$3.0b pm
Optimistic	$122b	$3.5b pm
	$123b	$3.6b pm
	$119b	$3.2b pm
	$107b	$3.2b pm
	$70b	$3.0b pm

1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting. 2. Jan '22
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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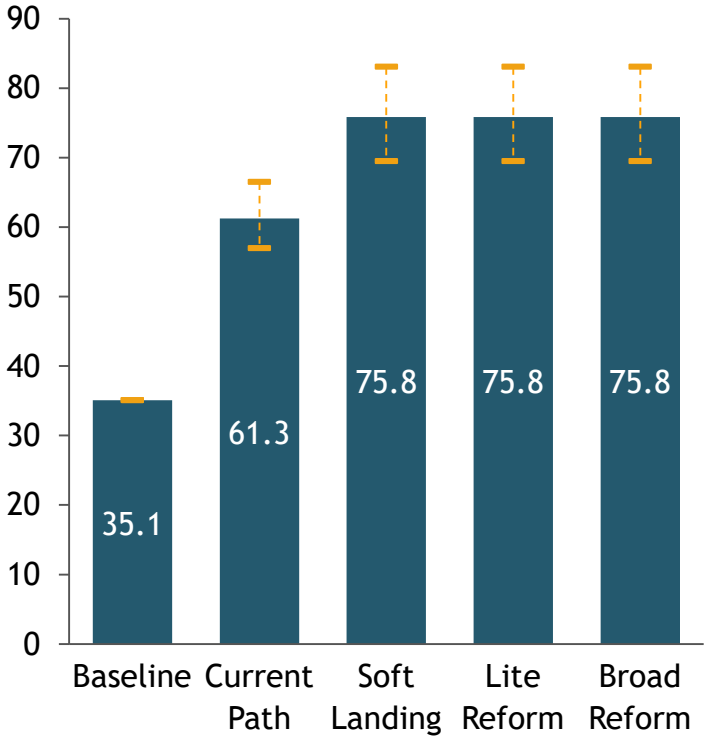
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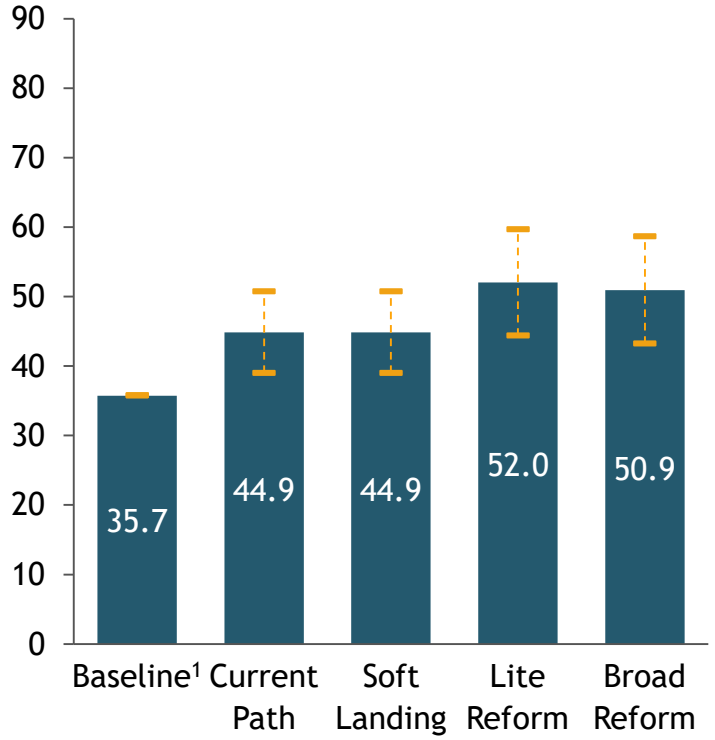
Financial implications: Comparing FY21 and FY22 outlays

Uncertainty range comes from pessimistic and optimistic job loss forecast

FY21 outlays ($b pa)



FY22 outlays ($b pa)



1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

1. **FY22 outlays are generally lower than FY21** - Job loss volumes are projected to improve in all scenarios

2. **Soft Landing outlays equal Current Path from July '21 onwards** - Policy settings only differ during Stage 1 (step-down period)

3. **Soft Landing, Reform Lite and Broad have identical FY21 outlays** - Each of these options shares the share policy settings from July '20 to June '21, before diverging

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

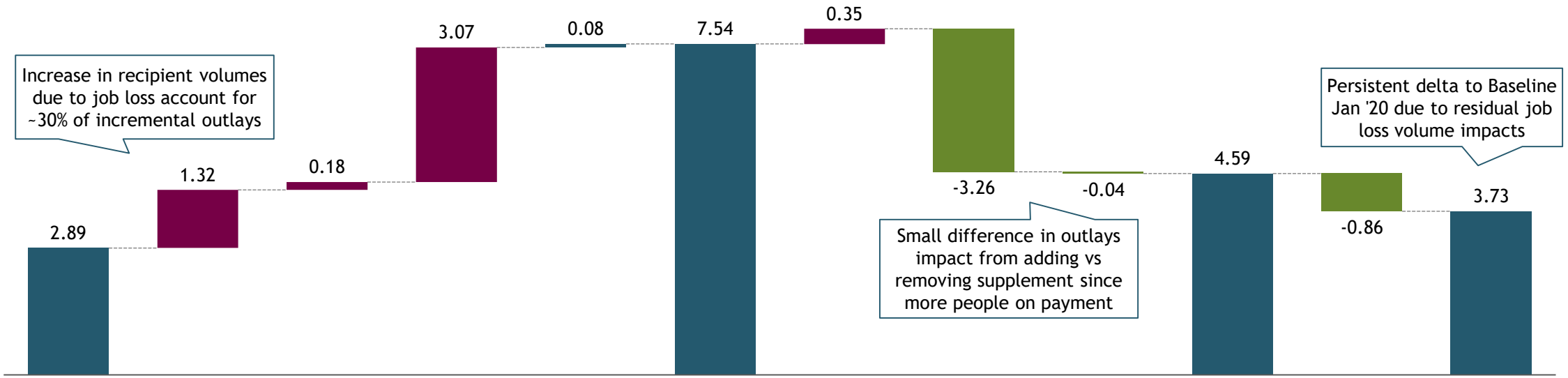
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Financial implications: "Current Path" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	1.3m	+1.2m	+160k		+25k	2.7m	+65k		-20k	2.7m	-830k	1.9m
No. FTB recipients	1.3m	+50k				1.4m	+30k			1.4m	-45k	1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

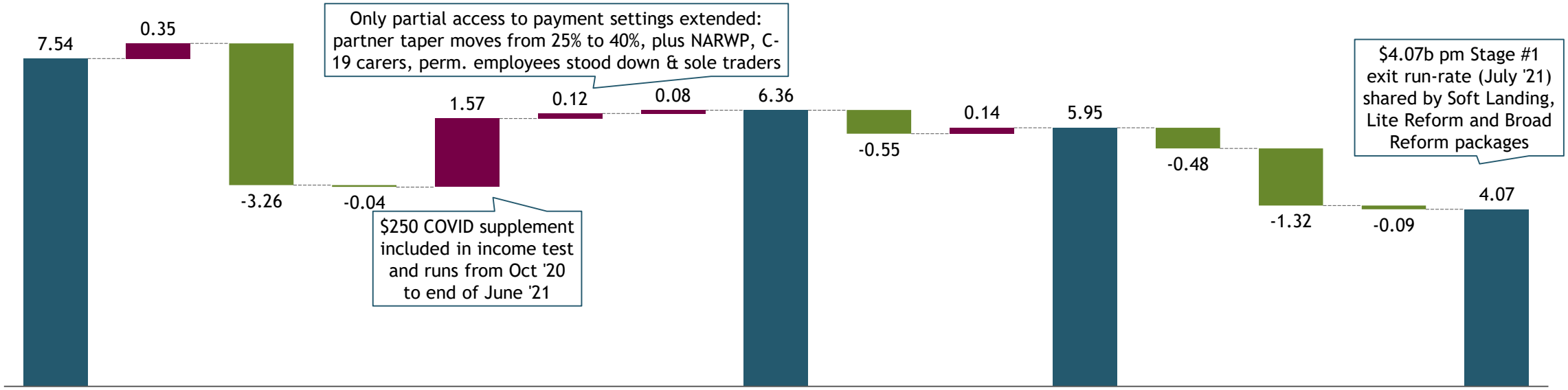
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Financial implications: "Soft Landing – Stage 1 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job losses (includes JobKeeper)[1]	Remove $550 COVID supplement	Remove access to payment measures	Add back $250 COVID supplement	Add access to payment measures	Job seeker IFA $300, 60% taper	Stage 1a run-rate (Oct '20)	Macro job growth volume impact[1]	Remove access to payment measures	Stage 1b run-rate (April '21)	Macro job growth volume impact[1]	Remove $250 COVID supplement	Remove Job Seeker IFA $300, 60% taper	Soft Landing run-rate (July '21)
No. ISP recipients[2]	2.7m	+65k		-100k	+70k	+60k	+10k	2.9m	-350k	-20k	2.5m	-190k	-40k	-35k	2.2m
No. FTB recipients	1.4m	+35k						1.4m	-15k		1.4m	-10k			1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

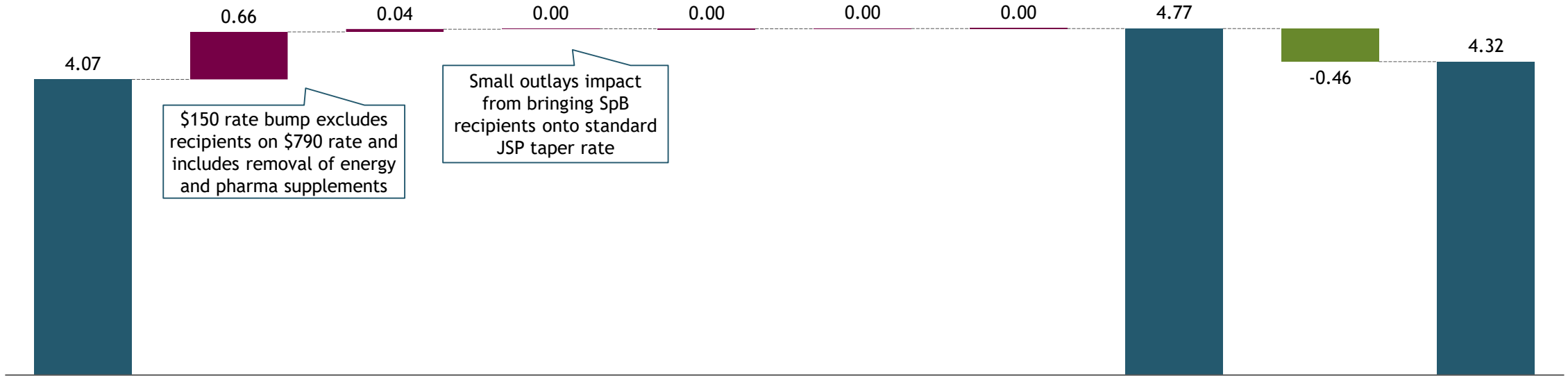
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Financial implications: "Lite Reform – Stage 2 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Current Path / Soft Landing run-rate (July '21)	Add $150 ISP rate increase, remove energy & pharam suppl.[3]	Align income test with pensions	Roll 65+ and TPV SpB cohorts into JSP, YA (O) and Austudy[3]	Roll PP (Single & Partnered) into JSP	Expand and simplify Working Credit	Abolish Seasonal Worker Preclusion Period	Lite Reform run-rate (July '21)	Macro job growth volume impact[1]	Lite Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	+35k	+15k	<5k		tbd	tbd	2.3m	-340k	1.9m
No. FTB recipients	1.4m							1.4m	-15k	1.4m

Top-down estimate of $200m and $17m over forwards for WC and SWPP respectively; not yet built into model

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. $25 increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

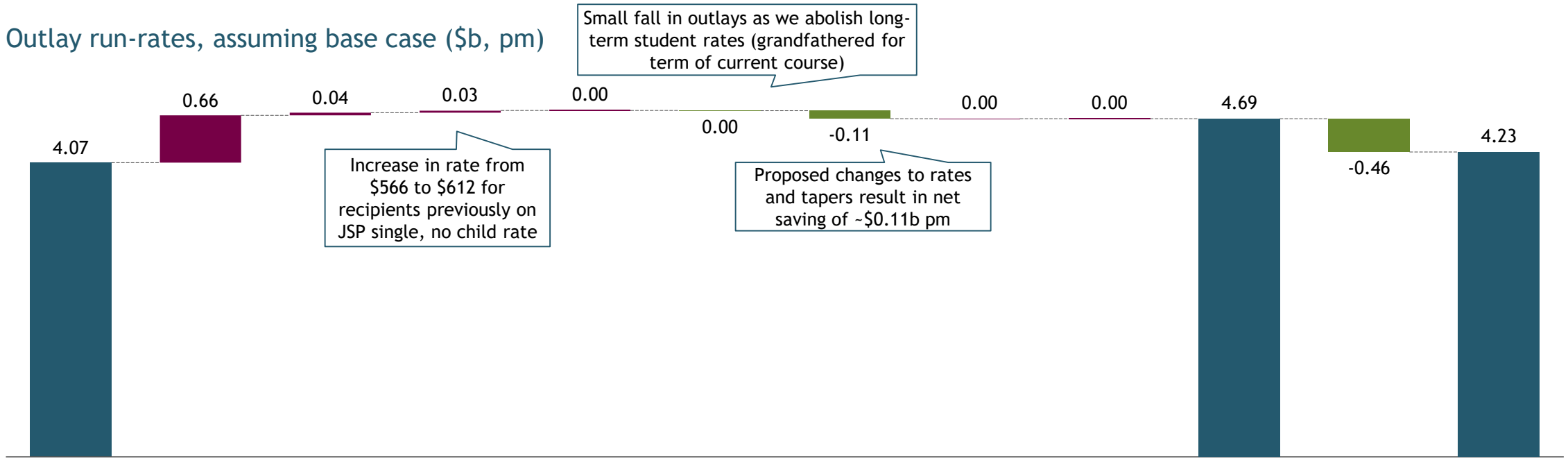
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Financial implications: "Broad Reform – Stage 2 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Current Path / Soft Landing run-rate (July '21)	Add $150 ISP rate increase, remove suppl.[3]	Align income test with pensions	Create new PCW JSP rate	Create 3TWAP (JSP, YA(O), PP, SpB)	Create Student payment (YAS, Austudy)	Create FTB payment (FTB-A, FTB-B)	Simplify Working Credit	Seasonal Worker Preclusion Period[1]	Broad Reform run-rate (July '21)	Macro job growth volume impact[1]	Broad Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	+35k	+15k	<5k	<5k	<5k	tbd	tbd	tbd	2.3m	-340k	1.9m
No. FTB recipients	1.4m									1.4m	-15k	1.4m

New claimants due to change in effective FTB cut-offs not yet modelled

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. $25 increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Implications for recipients for each illustrative approach

Note: Excludes impact of any changes to FTB

		Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
		Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
At 25 Sep 2020 (Stage 1a)	Drop in average payment rate ($ pf)[1]	~$550	~$550	~$550	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300
	# Removed from payment[2]	~100k	~0.5k	~3k	~50k	~0.5k	~2k	~50k	0.5k	~2k	~50k	0.5k	~2k
	# Required to update info[3]	~1,100k	~95k	~50k	~150k	~15k	~5k	~150k	~15k	~5k	~150k	~15k	~5k
At 20 Mar 2021 (Stage 1b)	Drop in average payment rate ($ pf)[1]	-	-	-	-	-	-	-	-	-	-	-	-
	# Removed from payment[2]	-	-	-	~70k	<0.1k	~1k	~70k	<0.1k	~1k	~70k	<0.1k	~1k
At 1 Jul 2021 (Stage 2)	Drop in average payment rate ($ pf)[1]	-	-	-	~$250	~$250	~$250	~$100	~$100	~$200	~$100	~$100	~$200
	# Removed from payment[2]	-	-	-	-	-	-	-	-	-	-	-	-

1. Delta between max average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 24 Sep '20 to forecasted 25 Sep '20 due to assets testing, eligibility, NARWP, and partner income. Impact of Partner Income Test change is preliminary, further data request pending. 3. Using risk-based compliance approach to asset testing: ~11% of cohort with <$1 in assets or assets above the assets cut-off according to May 2020 Services Australia data 4. Assumes an average of ~60-70k new ISP applications granted per month as part of BAU
Source: Project analysis

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Cameos: Current Path as at 25 September 2020

1 Single JS recipient with no children

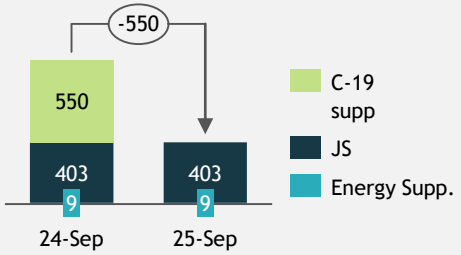
24 September 2020

Eric was made redundant in Mar 2020
Eric now earns $400 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

25 September 2020

- Eric's **welfare payment pf falls from $962 to $412**



- Eric no longer receives the C-19 supplement
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations (MOs)

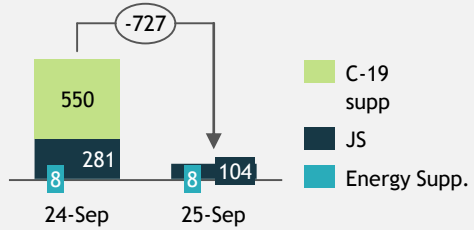
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time.

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $839 to $112** (excl., FTB payments, which remain unchanged)



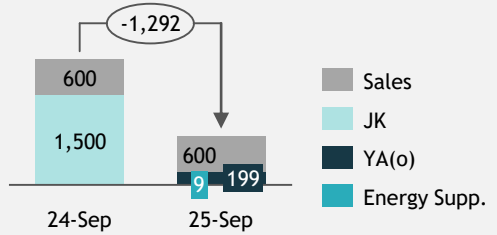
- Mary no longer receives the C-19 supplement
- Mary's payment drops as the partner income test returns to 60% (from 25%)
- Mary needs to submit asset information to continue receiving payments, and meet mutual obligations

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne now earns $600 pf in income, and lives away from home

Leanne begins receiving JK payments

- Leanne's travel blog business is not enough to sustain her financially without JK
- Leanne applies for YA(o) and is successful
- Leanne's **income pf falls from $2,100 to $808**



- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Soft Landing – Stage One as at 25 September 2020

24 September 2020

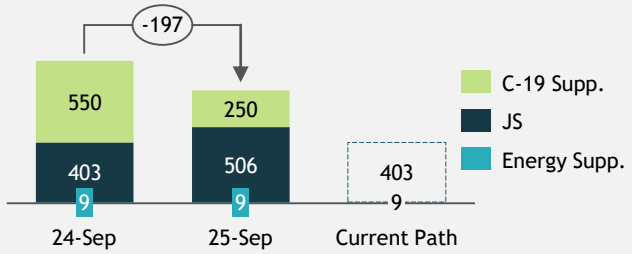
25 September 2020

1 Single JS recipient with no children

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $962 to $765** until 30 Jun 2021[1]



- Eric receives the $250pf C-19 supplement until 20 Mar 2021, which is included in the income test
- Eric benefits from the higher IFA to $300pf
- Eric needs to submit asset information to remain on payment, and meet MOs

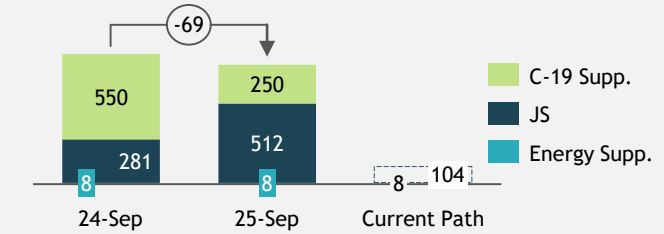
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's 30 year old partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $839 to $770** until 30 Jun 2021 (excl., FTB payments)[1]



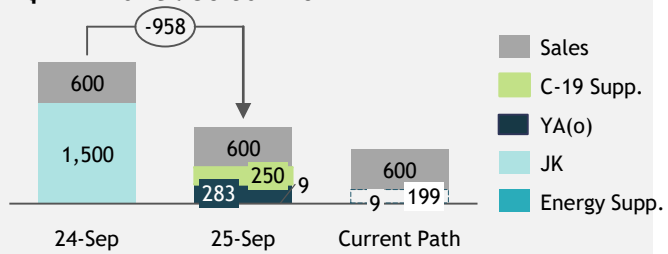
- Mary receives the $250pf C-19 supplement until 30 June 2021
- Mary's income is equal to the higher IFA of $300pf on the personal income test; no reductions in payment incurred
- Mary's partner's income falls under the higher IFA on the partner income test ($1568pf); no reductions in payment incurred

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for YA(o) and is successful
- Leanne's **income pf falls from $2,100 to $1142** until 30 Jun 2021[1]



- Leanne receives the $250pf C-19 supplement until 30 June 2021
- Leanne benefits from the higher IFA ($300pf) on the personal income test
- Leanne remains eligible for YA(o) as a sole trader; she can continue with her travel blog business without job search requirements until 20 Mar 2021

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Stage Two – Lite Reform as at 1 July 2021

30 June 2021

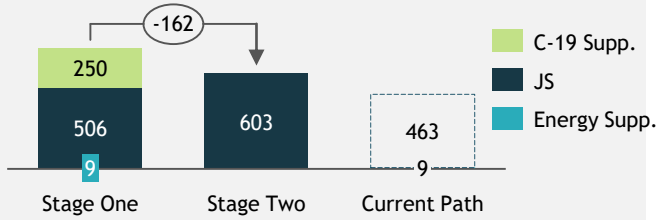
1 July 2021

1 Single JS recipient with no children

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric has been receiving $765pf in welfare payments for the past nine months

- Eric's **welfare payment pf falls from $765 to $603**



- Eric benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of the increase in JSP rate
- Eric benefits from the reduced taper rate at 50% (from 60%), although faces a lower IFA at $174pf (from $300pf)

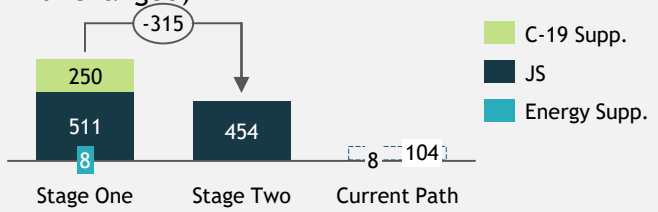
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time. Together, they are expected to earn $50,000 in FY 20/21

Mary has been receiving $770pf in welfare payments in the past nine months (excl. FTB)

- Mary's **welfare payment pf falls from $770 to $454** (excl., FTB payments, which remain unchanged)



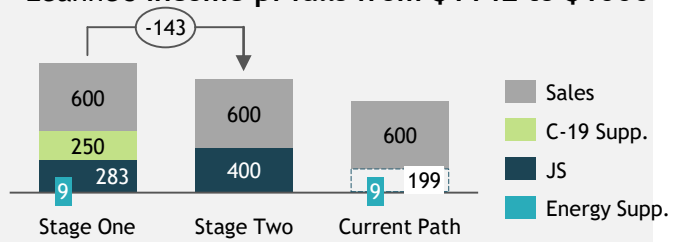
- Mary benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of increase in JSP rate
- Mary benefits from the reduced taper rate at 50% (from 60%), and her IFA reduces to $174pf (from $300pf)
- Mary's Partner income test has a higher taper vs pre-30 June at 50% (from 40%), and IFA of $1212pf (from $1568)

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne has been receiving $542pf in welfare payments. Leanne will also need to consider switching from YA to JSP in August 2021 when she turns 22 years old

- Leanne's **income pf falls from $1142 to $1000**



- Leanne benefits from a $150 rate uplift in YA(o) payment
- Energy supplement absorbed as part of the increase in YA(o) rate
- Leanne faces a taper rate of 50% (from 60%) and lower IFA vs pre-30 June on the personal income test at $174pf (from $300pf)
- From 1 July, Leanne will be on JS rather than YA(o), as the two payments have merged
- Leanne will need to continue to meet MOs

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Stage Two – Broader Reform as at 1 July 2021

30 June 2021

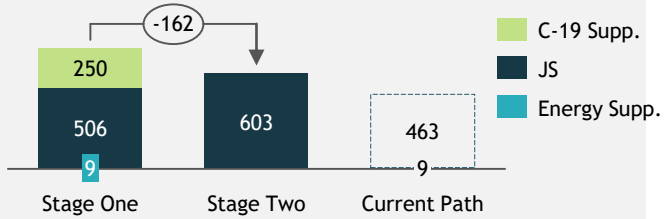
1 July 2021

1 Single JS recipient with no children

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric has been receiving $765pf in welfare payments for the past nine months

- Eric's **welfare payment pf falls from $765 to $603**



- Eric benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of the increase in JSP rate
- Eric benefits from the reduced taper rate at 50% (from 60%), although faces a lower IFA at $174pf (from $300pf)

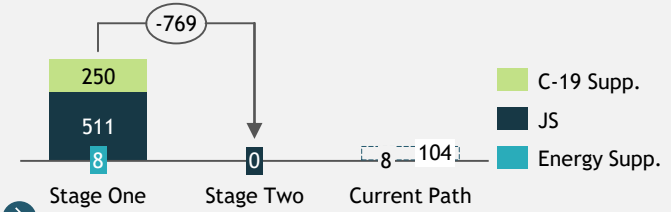
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time. Together, they are expected to earn $50,000 in FY 20/21

Mary has been receiving $770pf in welfare from the past nine months (excl. FTB)

- Mary's **welfare payment pf falls from $770 to $0** (excl., FTB payments, which increase to $8,555 from $7,816 per year)[1]



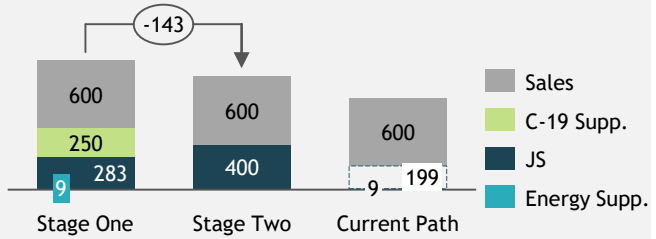
- Mary benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of increase in JSP rate
- Under the combined couple income test, Mary no longer receives payment with a combined household income of $1800pf

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne has been receiving $542pf in welfare payments. Leanne will also need to consider switching from YA to JSP in August 2021 when she turns 22 years old

- Leanne's **income pf falls from $1142 to $1000**



- Leanne benefits from a $150 rate uplift in YA(o) payment
- Energy supplement absorbed as part of the increase in YA(o) rate
- Leanne faces a taper rate of 50% (from 60%) and lower IFA vs pre-30 June on the personal income test at $174pf (from $300pf)
- From 1 July, Leanne will be on JS rather than YA(o), as the two payments have merged
- Leanne will need to continue to meet MOs

1. Includes FTB-A and FTB-B
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Implementation considerations: Each Stage likely needs to progress separately

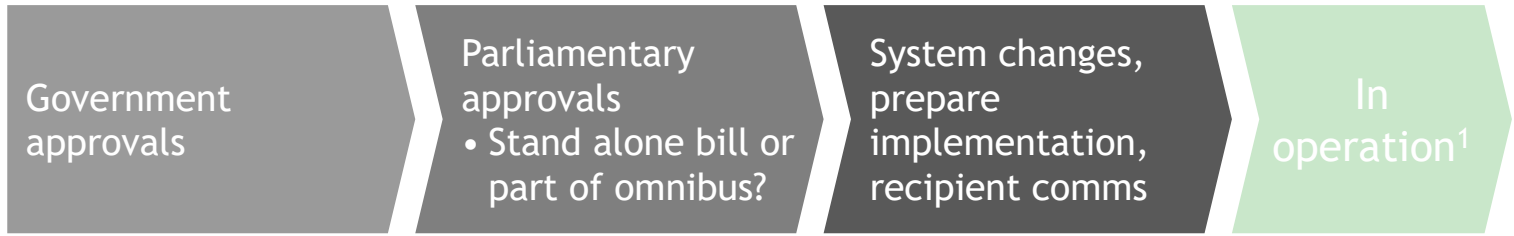
I.e. two separate Cabinet Submissions, two Bills for Parliament

Note: Assumes Package 3 "Broader Reform" being pursued

Temp relief
Payment types
Rates
Incentives
Service delivery

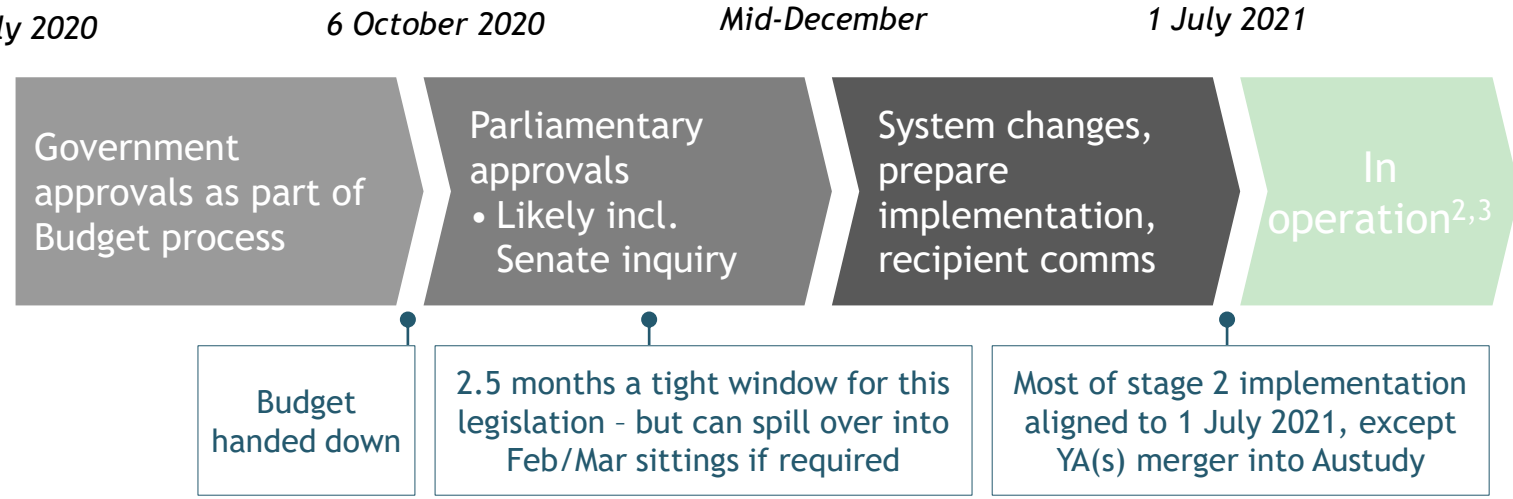
Stage 1: C-19 Response

- Extend Coronavirus supplement at $250 p/f
- Extend select 'access to payments' measures
- Expand unrealisable assets discretion
- Increase JSP & YA(o) IFAs and tapers
- Shift MOCA effort toward compliance
- Double the nil rate period to 12 fortnights



Stage 2: Broader reform

- Merge into JSP: PP(P), PP(S), and YA(o)
- Merge into JobSeeker: SB >65yo cohort
- Merge into JobSeeker: SB TPV cohort
- Merge YA(s) and Austudy into new payment[2]
- New single FTB payment, tiered by child age[3]
- Lift rates by $100 p/f, absorb supplements
- Create new mature aged / PCW rate in JSP
- Expand & simplify working credit[1]
- Align IFAs with pensions, max 50% tapers
- Move to a combined income test for couples
- Streamline waiting periods: Abolish SWPP



Note: In practice, system changes will need to commence prior to legislation passing
1. Working credit changes not expected to be implemented until 20 March 2020 2. Merger of YA(s) and Austudy would take place in January 2021 3. Moving to single FTB payment would most likely take place at end of financial year, so from 1 July 2021

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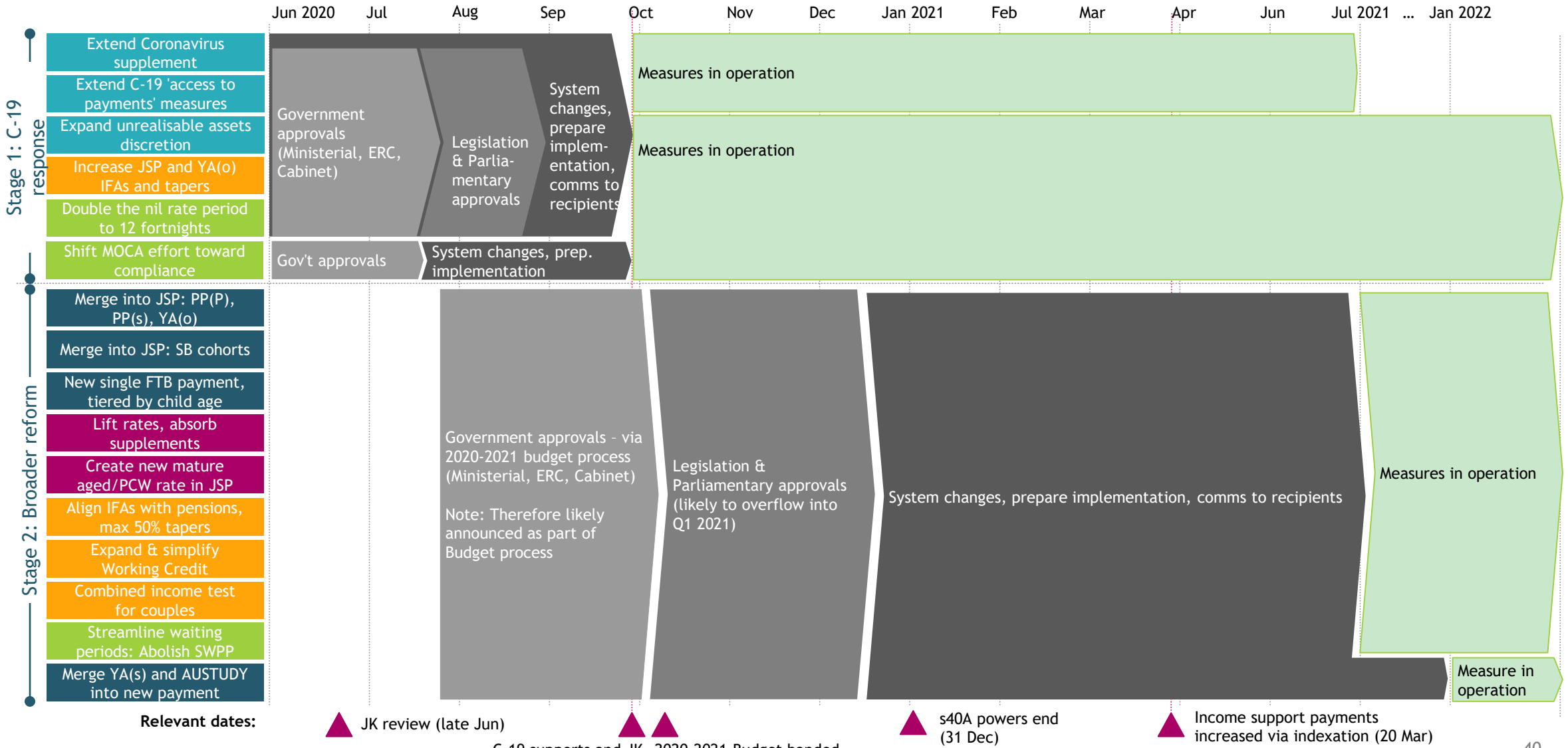
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Backup: More detailed timeline

These dates currently used in the modelling – able to be updated as required

Temp relief
Payment types
Rates
Incentives
Service delivery

Note: All timings need to be tested and refined with Services Australia



Source: Project analysis

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Modelling approach and interactive dashboard

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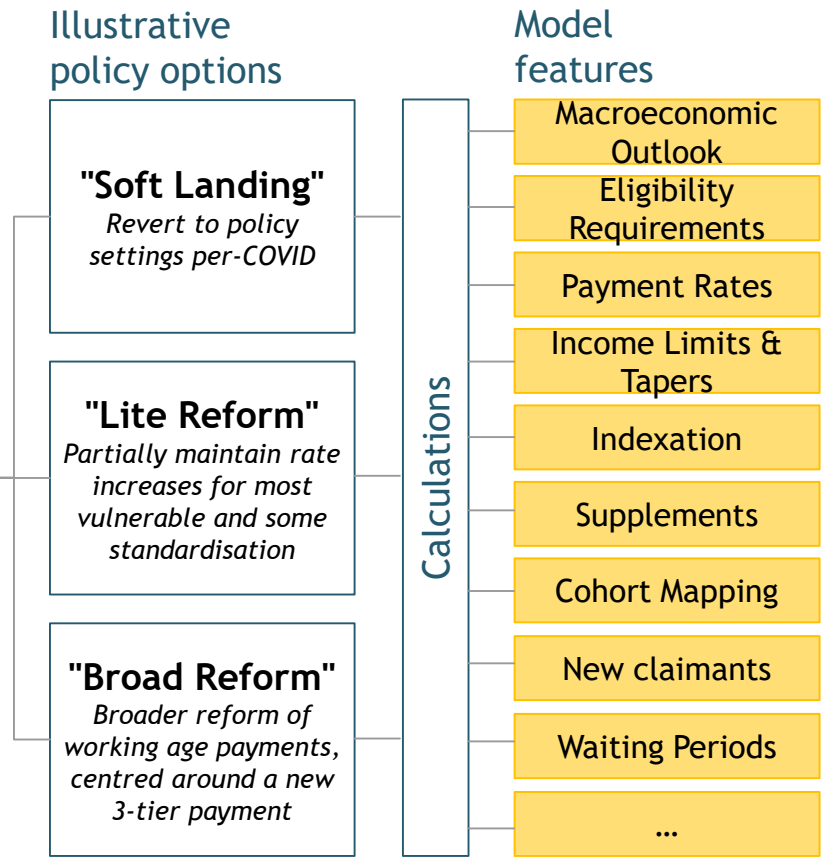
Modelling approach: Policy options were developed iteratively by progressing and testing one 'model feature' at a time

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- RBA job loss forecast
- Social Security Guide
- Social Security Guide
- Social Security Guide
- ABS / Social Security Guide
- Social Security Guide
- Project team analysis
- Dingo extracts
- tbd
- tbd

Next steps

Refer to detailed model backlog in next steps section below

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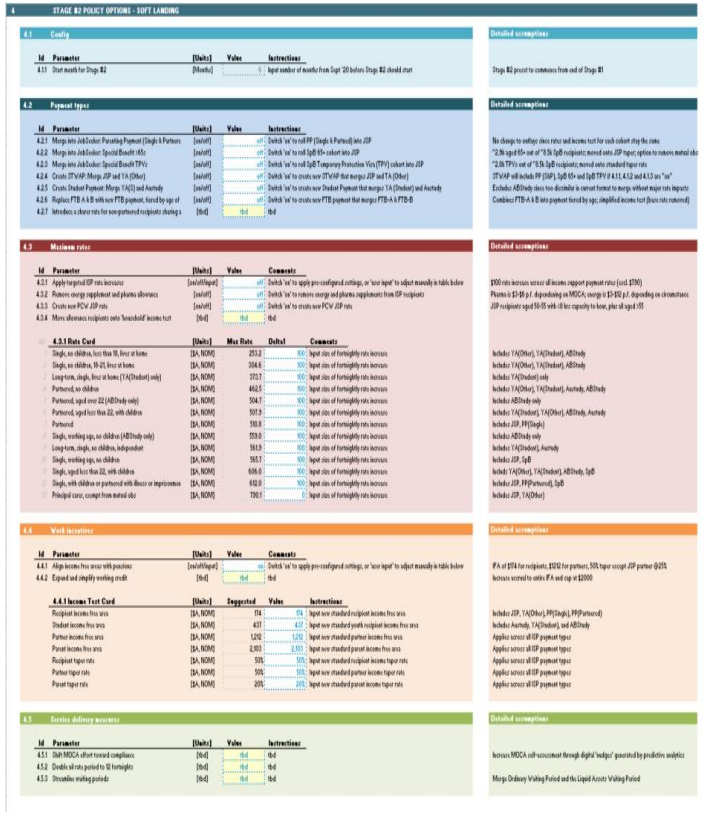
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Interactive dashboard: Structured around modular menu options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phon… — $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Abolish SWPP — <$2m pm	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Interactive dashboard: Additional configuration available for 4 menu options with largest impact on outlays

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table



Parameters available for each

Extend C-19 supplement
- Size of supplement
- Income test treatment

Extend C-19 eligibility supports
- Inclusion of asset test relaxation
- Inclusion of partner income taper @40%
- Inclusion of sole traders & self-employed
- Inclusion of carers for infected and isolated
- Inclusion of permanent employee stood down due to COVID

Lift ISP payment rates
- Size of rate increase for each level across ISP payment types

Align income test
- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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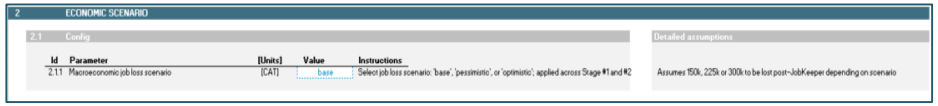
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Interactive dashboard: Step-by-step instructions for how to use

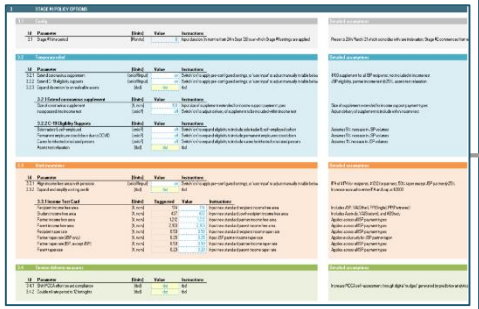
Step 1: Set macroeconomic scenario

- Choose from **'base', 'pessimistic', or 'optimistic'** macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



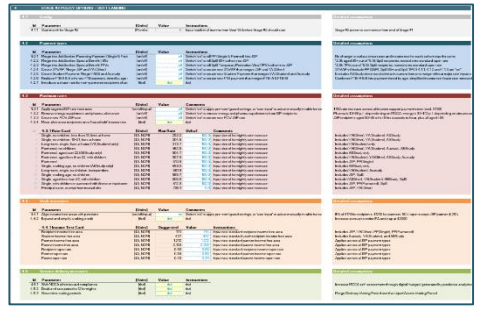
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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Detailed view of the policy options explored

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Introduction to this section

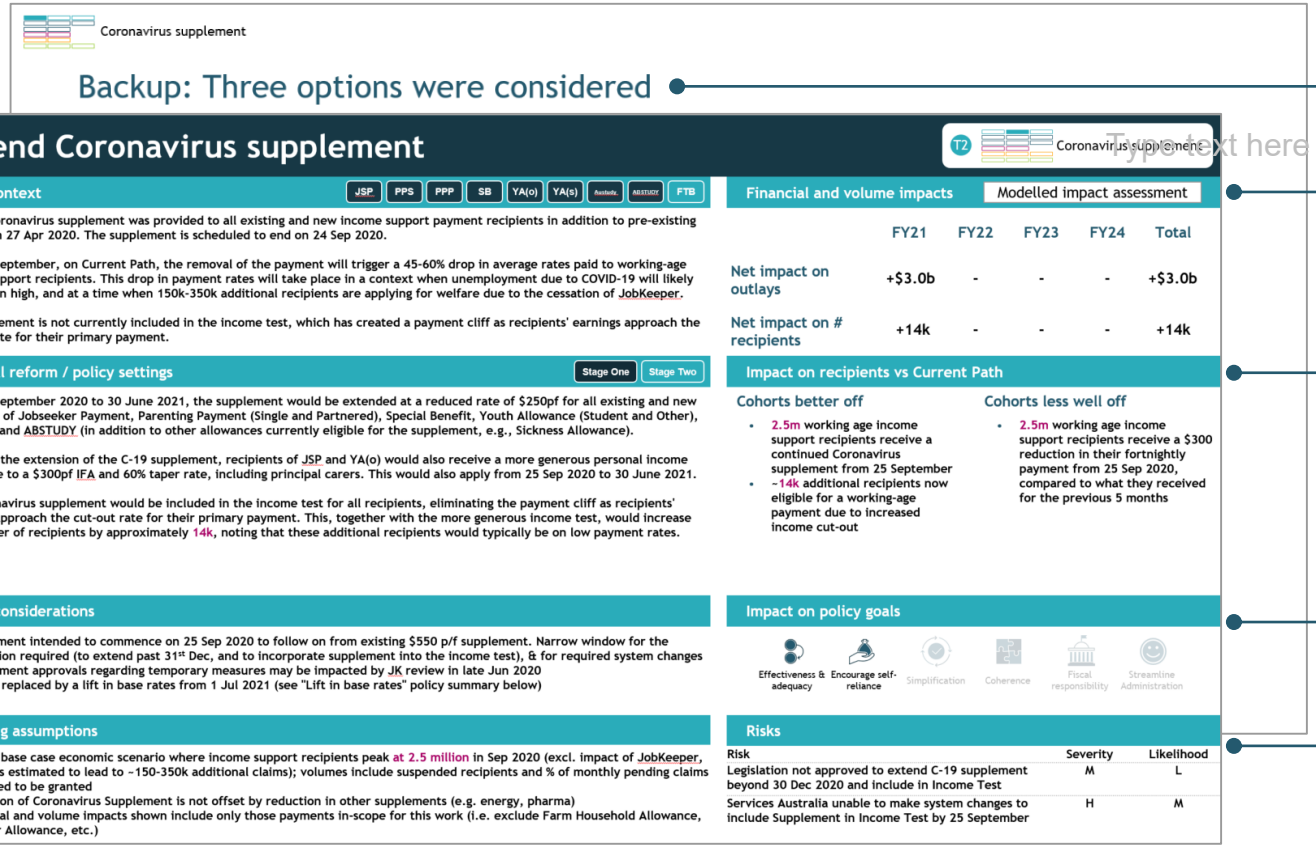
Policy Summaries used for each policy option explored

Context and key considerations for this policy topic

Key changes under this policy options

Issues to consider on implementation and timing

Assumptions underpinning the modelled impacts



Backup slides, laying out the options that were considered, and further analysis/detail

Impact of policy on Gov't outlays and recipient volumes

Impact of policy option on specific recipient sub-cohorts

High level assessment of which policy goals are supported by the option

Key risks to consider

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Recap: Menu of policy options

Note: Actual costs of each option vary based on combination selected

Temporary relief	T1 Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	T2 Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	T3 Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	P1 Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	P3 Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	P5 Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	P2 Merge into JobSeeker: Youth Allowance (o) — No outlay impact	P4 Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	P6 Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	R1 Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN — $1.0-$1.5b pm	R2 Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	I1 Align Income Free Areas with pensions, max 50% taper rates — $10-$50m pm	I2 Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	I3 Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	S1 Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	S2 Streamline waiting periods: Abolish SWPP — <$2m pm	S3 Double the nil rate period to 12 fortnights — tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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Extend C-19 'access to payment' measures

T1 'Access to payment' measures

Policy context

JSP PPS PPP SB YA(o) YA(s) Austudy ABSTUDY FTB

Several initiatives were undertaken to streamline access to welfare payments in response to the employment impact of C-19 social distancing rules. These included expanded eligibility; temporary suspension of assets testing, certain waiting periods, and some verification requirements; and a more generous partner income test.

Pre-Coronavirus policy settings are scheduled to be re-instated from 25 September 2020, which will would see over 100k current recipients become instantly ineligible for welfare, require over 1200k to engage with Services Australia in coming months to provide various verification information, and remove the streamlined access to payments at the same time an estimated 150k-350k new claims are expected to be received as JobKeeper ends in late September 2020. This would place significant stress on existing and new recipients, and service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020, a "stepped down" set of access to payment measures would be provided:

- The **Assets Test** is reinstated for working-age welfare recipients - resulting in 35k+ recipients becoming ineligible
- The **Partner Income Test** moves from a 60% to 40% taper rate until 30 Jun 2021, instead of moving to 25% taper rate; income free area increases to $1,568 from $994pf. This would see ~15k recipients become ineligible, and ~35k recipients see a reduction in their payment rate
- Three **waiting periods** would continue to be waived until 19 Mar 2021: Ordinary Waiting Period, Seasonal Workers Preclusion Period, and the Newly Arrived Residents Waiting Period; the Liquid Assets Waiting Period would be reinstated from 25 September 2020
- Jobseeker **Payment eligibility** to stood down workers, sole traders, and carers of C-19 infected or isolated extended until 19 Mar 2021
- Provision of **verification/proof** on rental arrangements, employment separation certificates, and assets returns required, however to streamline service delivery, risk-based compliance would be adopted for a period, rather than universal manual reviews

These settings will provide a streamlined pathway for the anticipated 150k-350k new applicants to the working-age welfare system when JobKeeper comes to an end in September 2020. They also provide stability for potentially more vulnerable cohorts in the system, e.g. newly arrived residents who would otherwise be serving the NARWP.

Timing considerations

- **Changes to the nature of these access to payment measures (such as the partner income taper moving to 40%) may require legislation (although many of these changes will be able to be completed by instrument)**
- **Given the required implementation date of 25 Sep 2020, only a narrow window of time exists for the required legislation to pass Parliament**
- **Government approvals for temporary measures may be impacted by JK review in late Jun 2020 and 23 July F&E statement**

Modelling assumptions

- **Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)**
- **Assumes that requirements to verify rental arrangements, and employment leads to no significant changes to recipient volumes**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	$0.5b	-	-	-	$0.5b
Net impact on # recipients	+60k	-	-	-	-

Impact on recipients vs Current Path

Cohorts better off

- **~14k recipients remain on payment who would be serving the NARWP**
- **~4k recipients remain eligible for welfare under the 40% partner income taper**
- **40k recipients continue to be eligible as sole traders or self-employed, and are not required to undertake job search**
- **150k-350k new claimants receive a streamlined access to welfare post-JobKeeper**

Cohorts less well off

- **35k+ ISP recipients above assets limit become ineligible**
- **~3k recipients who were on welfare due to the 25% partner income test taper rate become ineligible from 25 Sep**
- **>1,200k recipients are now expected to provide new information to Services Australia on their rental arrangements and asset levels**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend access to payment measures beyond 30 Dec 2020	M	L
Services Australia unable to make required system changes by 25 September	H	M

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C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	~38k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper (for JSP only)	~80k[3]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP[1]	~550-650k new claims[4]	Reinstated	Grandfather	Waived	Reinstated	Waive OWP & SWPP only	Waived	Reinstated	Grandfather	Waived
NARWP	~14k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	~75k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[2]	~550-650k new claims[4]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification
Implications		• 100k+ recipients removed from payment from 25 September[5] • Regular claim process for anticipated wave of claimants when JobKeeper ends • Reduced cost for the welfare system in terms of outlays (not administration)			• 70k+ recipients removed from payment 25 September • Some streamlining for anticipated wave of claimants when JobKeeper ends • Reduced cost for welfare system vs current C-19 measures			• No recipients lose eligibility • Continue current levels of support for new claimants as JobKeeper ends • Cost to welfare system from these measures continues at current levels		
Cost vs. Current Path		• No change from Current Path			• +$0.5b vs Current Path			• +$0.7b vs Current Path		

Note: "Grandfather" means grandfathering current recipients already in income support system. Source: DSS data, Project analysis
1. Costing outlay impact not modelled. Included in backlog for future sprints. 2. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 3. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 4. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 5. Impact of permanent employees stood down not yet quantified

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Backup: Further detail on the options

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020		2: Stepped down measures until 20 Mar 2021		3: Extend measures in full until 20 March 2021	
Assets Test	38k+	Reinstated	Asset testing resumes including reporting and compliance	Reinstated	Asset testing resumes including reporting and compliance	Waived	Asset test continues to not be applied
Partner Income Taper	~80k	60%	Partner cut-out is $1858.5 pf	40%	Partner cut-out is $2290.75	25%	Partner cut-out is $3068.8
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	New claims incl JobKeeper have waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods
NARWP	~14k	Reinstated	Recipients serving NARWP are off payment	Waived	All recipients serving NARWP and on payment continue	Waived	All recipients serving NARWP and on payment continue
Eligibility: Sole traders	~40k	Closed	Sole-traders have mutual obligations or leave payment	Closed	Sole-traders have mutual obligations or leave payment	Open	Sole-traders serve mutual obs through continuing business
Eligibility: Stood down	~75k	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Open	Individuals retained but not receiving income eligible
Eligibility: C-19 carers	~0	Closed	Individuals caring for C-19 patients not eligible	Open	C-19 carers remain eligible	Open	C-19 carers remain eligible
Verifications[1]	~550-650k new claims[3]	Reinstated	Full verification reinstated, necessitates contact and processing	Reinstate w/risk based compliance	Full verification reinstated but risk based assessment and compliance	Self-verification	Retain self-assessment and no verification of rent, member of a couple etc.

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, Project analysis

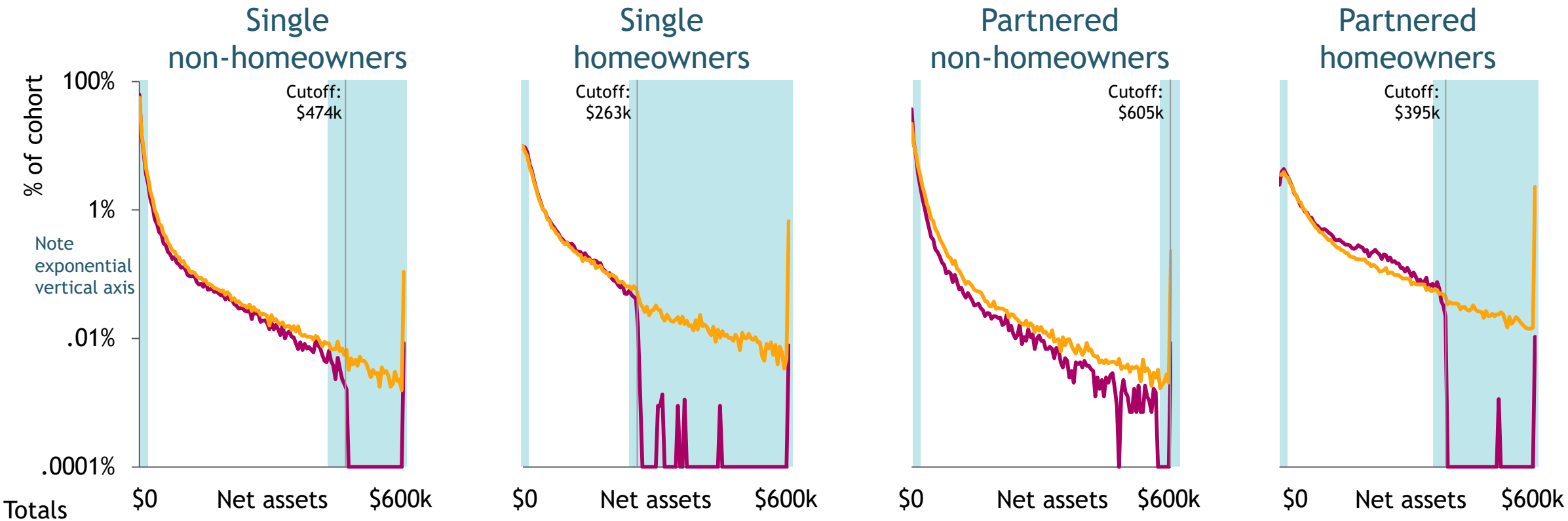
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Risk-based approach to assets verification is possible – could be a targeted first step ahead of a broader compliance effort

Net assets distributions across Jobseekers, Parents, & Students, as at Feb 2020 and May 2020

Suggested priority cohorts for review



	Totals	To be reviewed[1]	Likely ineligible[2]
Single non-homeowners	384k	288k	35k
Single homeowners	23k	10k	
Partnered non-homeowners	38k	2k	
Partnered homeowners	35k	22k	

Should refine further by removing recipients with $2-5000 in assets

Should refine further by removing recipients with $2-5000 in assets

Note: Should also consider reviewing recipients with high financial assets and limited/no non-financial assets, and vice versa

1. Suggested for review as per above graph. Does not include those with high financial assets and limited/no non-financial assets, which are also suggested for review 2. Appear to have assets in excess of the relevant cut-off, as per Blue Book data as at 20 May 2020 Source: DSS Blue Book data

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Extend Coronavirus supplement

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T2 Coronavirus supplement

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

$550pf Coronavirus supplement was provided to all existing and new income support payment recipients in addition to pre-existing rates from 27 Apr 2020. The supplement is scheduled to end on 24 Sep 2020.

From 25 September, on Current Path, the removal of the payment will trigger a 45-60% drop in average rates paid to working-age income support recipients. This drop in payment rates will take place in a context when unemployment due to COVID-19 will likely still remain high, and at a time when 150k-350k additional recipients are applying for welfare due to the cessation of JobKeeper.

The supplement is not currently included in the income test, which has created a payment cliff as recipients' earnings approach the cut-out rate for their primary payment.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020 to 30 June 2021, the supplement would be extended at a reduced rate of $250pf for all existing and new recipients of Jobseeker Payment, Parenting Payment (Single and Partnered), Special Benefit, Youth Allowance (Student and Other), AUSTUDY and ABSTUDY (in addition to other allowances currently eligible for the supplement, e.g., Sickness Allowance).

Alongside the extension of the C-19 supplement, recipients of JSP and YA(o) would also receive a more generous personal income test, move to a $300pf IFA and 60% taper rate, including principal carers. This would also apply from 25 Sep 2020 to 30 June 2021.

The Coronavirus supplement would be included in the income test for all recipients, eliminating the payment cliff as recipients' earnings approach the cut-out rate for their primary payment. This, together with the more generous income test, would increase the number of recipients by approximately 85k, noting that these additional recipients would typically be on low payment rates.

Timing considerations

- Supplement intended to commence on 25 Sep 2020 to follow on from existing $550 p/f supplement. Narrow window for the legislation required (to extend past 31st Dec, and to incorporate supplement into the income test), & for required system changes
- Government approvals regarding temporary measures may be impacted by JK review in late Jun 2020
- May be replaced by a lift in base rates from 1 Jul 2021 (see "Lift in base rates" policy summary below)

Modelling assumptions

- Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Extension of Coronavirus Supplement is not offset by reduction in other supplements (e.g. energy, pharma)
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$14.0b	-	-	-	+$14.0b
Net impact on # recipients	+85k	-	-	-	n/a

Impact on recipients vs Current Path

Cohorts better off

- 2.5m working age income support recipients receive a continued Coronavirus supplement from 25 September
- ~85k additional recipients now eligible for a working-age payment due to increased income cut-out

Cohorts less well off

- 2.5m working age income support recipients receive a $300 reduction in their fortnightly payment from 25 Sep 2020, compared to what they received for the previous 5 months

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make system changes to include Supplement in Income Test by 25 September	H	M

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Extend C-19 supplement or lift basic rates – Three options to consider

Hypothesis

1: Extend supplement at $150 to 20 March, with max 50% tapers, then replace with lift in base rates

Description

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$150 C-19	$150 base rate lift	
Students	$150 C-19	$150 base rate lift	
PPS	$150 C-19	$25 base rate lift	
PPP	$150 C-19	$150 base rate lift	
SB	$150 C-19	$150 base rate lift	
Income Test	Align income test with pensions ($174 IFA, 50% taper)		
Energy, Pharma supplements	No change	Abolished for above recipients	

Implications

- Cut-out for single JSP at 25 Sep: $1,605
- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Only two points of change required, with the second point being a modest change for most recipients

Cost

FY21[1]	+$7.9b
FY22[1]	+$7.0b

2: Extend supplement at $250 to 30 June, increase IFA and taper for jobseekers

Description

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$250		-
Students	$250		-
PPS	$250		-
PPP	$250		-
SB	$250		-
Income Test	For JSP & YA(o): $300 IFA, 60% taper No change for others		
Energy, Pharma supplements	No change		

Implications

- Cut-out for single JSP at 25 Sep: $1,670
- Extra support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Only two points of change required, but both are substantial for recipients

Cost

FY21[1]	+$14.0b
FY22[1]	no change

3: Extend supplement at $350 to 20 March, then at $250 to 30 June, no change to IFAs or tapers

Description

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$350	$250	-
Students	$350	$250	-
PPS	$350	$250	-
PPP	$350	$250	-
SB	$350	$250	-
Income Test	No change		
Energy, Pharma supplements	No change		

Implications

- Cut-out for single JSP at 25 Sep: $1,670
- Highest support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Three points of change where recipient payments reduce

Cost

FY21[1]	+$16.8b
FY22[1]	no change

Note: Analysis of cut-outs assumes only Energy Supplement is payable, no CRA or other supplements
1. Delta against Current Path: $57.9b for FY21 and $41.2b in FY22, assuming revert to pre-COVID settings from end of Sept '20. 2. Hold PPS increase constant at $25. 3. Both supplement and rate changed.
Source: DSS data, Project analysis

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Backup: Inclusion of supplement in the Income Test brings only a minor increase in outlays

	Excluded from income test	Included in income test
$250 p/f for 9 months For JSP & YAO: $300 IFA, 60% taper No income test change for other payment	A Additional cost: approx. **+$13.4b** Additional recipients: approx. **40k** (Sept '20) Implications: • **No additional incentive** to work, EMTR cliff persists • **JSP/YA(o) cut-out increases** by ~$150 p/f (no impact on cut-out for other payments)	B Additional cost: approx. **+$14.0b** Additional recipients: approx. **85k**[1] (Sept '20) Implications: • **Supports incentives** to work, no EMTR cliff • **Increases cut-out across payments** by ~$600 p/f (IFA, taper, rate)
$350 p/f for 6 months; $250 p/f for 3 months No income test change for other payments	C Additional cost: approx. **+$15.6b** Additional recipients: no change Implications: • **No additional incentive** to work, EMTR cliff persists • **No increase in cut-outs**	D Additional cost: approx. **+$16.8b** Additional recipients: approx. **75k** (Sept '20) Implications: • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $600 p/f, then $400 p/f

Hypothesis on preferred option

Note: All figures above are calculated as delta to the Current Path
Source: Project analysis, DSS data

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Expand discretion exercised around unrealisable assets

T3 Unrealisable assets

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

JSP recipients commencing on payment since March 2020 include some who own significant assets. Approximately ~35k recipients are anticipated to have net assets beyond their relevant assets limit by 24 September 2020. The reinstatement of the Assets Test (whenever it occurs) risks creating instances of financial hardship where a recipient owns significant assets but is unable to realise (sell) those assets for a reasonable value, for instance due to the market impact of COVID-19, or the inability to travel as a result of COVID-19 restrictions.

Currently "unrealisable assets" are defined as assets that cannot be sold or realised, or cannot be used as a security for borrowing. Policy today allows for exclusion of certain assets from a recipient's asset test when the officer is satisfied that the asset is "unrealisable" and the recipient would suffer severe financial hardship without income support. Flexibility is required to prevent an increase in the instance of financial hardship among impacted recipients.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020, the definition of "unrealisable asset" would be expanded to include assets which are unable to sold or realised for a fair value due to Coronavirus impacts on the relevant market, or due to Coronavirus-related travel restrictions required for the proper management of the sale.

Expanding the definition of unrealisable assets in this way would contribute to preventing a number of hardship cases once the assets test is reinstated.

This expanded definition would cease from a specified future date, for example 1 July 2021.

Timing considerations

- Expanded definition would need to be in place from the date when the Assets Test is reinstated (expected to be 25 September 2020)
- Sufficient lead-time would need to be provided to update the relevant manuals and operational blueprint

Modelling assumptions

- Impact of expanded discretion around unrealisable assets yet to be incorporated into the model
- Impact will be modest due to the small number of recipients that will be impacted

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- Recipients and claimants who have a high level of unrealisable assets otherwise ineligible under the assets test

Cohorts less well off

N/A

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Expanding the definition leads to new litigation / AAT appeals of Services Australia Decisions	L	M

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 35k individuals currently in receipt of JobSeeker have assets above the threshold - the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September – to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily increasing the flexibility of the unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Merge PPS and PPP into JSP

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P1 Merge PP into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Having distinct Parenting Payments alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- The requirement for PP recipients to transition to JSP once children turn 6 (if partnered), or 8 (if single), requiring additional administrative handling
- A perceived lack of clarity regarding the policy intent behind PP – when generally, all working age payments should be orienting recipients toward suitable work for their circumstances

Merging Parenting Payment into Jobseeker will simplify the welfare system, reduce administrative overhead, and better orient parents of young children toward seeking work and taking up employment opportunities

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, roll over PPS and PPP recipients onto JSP; retain existing rates and expand eligibility of JSP to include parents regardless of age, who are main carers of children aged 6 (if partnered), or 8 (if single). Retain mutual obligation exemptions for principal carers.

PPS recipients could retain their preferential Income Free Areas and Taper Rates, in the absence of the dedicated policy measure to align Allowance IFAs and taper rates to those used for pensions.

Provides an opportunity to also consider phasing in mutual obligations earlier for parents of young children; e.g., provide exemptions for very young children, followed by Parents Next, then part-time mutual obligations once children reach primary school age.

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	-	-	-	-
Net impact on # recipients	-	~330k moved from PPS/PPP into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **PPS and PPP recipients no longer required to transition to JSP once children turn 6/8 years old - reduced administrative burden**

Cohorts less well off

- **~50k PPS recipients who have earnings face lower IFA and higher taper rate (if no grandfathering, or other policy changes are made)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	H

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Merge YA(o) into JSP

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Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, the distinction between JSP and YA(o) rests largely on age: JSP being for jobseekers >21 years old, and YA(o) being for jobseekers <22 years old. This distinction creates a number of friction points in the system, including:

- The requirement for YA(o) recipients to transition to JSP at the age of 22, requiring additional administrative handling
- The complexity for staff and recipients to understand, with different income tests, payment rates, exemptions and obligations
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Jobseeker Payment

Merging YA(o) into JSP would simplify the welfare system, increase the emphasis on job search for <22 year olds on welfare, and decrease administrative overhead

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, abolish lower age limit for JSP, and roll YA(o) recipients onto JSP at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into JSP	Old rate	Recommended rate	Notes
Single, at home, <18	$253.20	No change	
Single, at home, <22	$304.60	No change	
Single, away from home, <22	$462.50	No change	
Partnered, <22	$462.50	No change	
Partnered w child, <22	$507.90	$510.80	Aligns with >22 rate
Single w child 8+ years, <22	$606.00	$612.00	Aligns with >22 rate
Mutual obs exempt/single parent with child <8 years	$790.10	No change	

Note: Without other changes to income tests being made, YA(o) recipients would be shifted to a lower IFA from $143pf to $104pf

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	<$2m	<$2m	<$2m	<$5m
	Small outlay req. to align similar rates				
Net impact on # recipients	-	~165k moved from YA(o) into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~200 YA(o) recipients partnered with children receive higher rates**
- **YA(o) recipients single with children above 8 years old receive higher rates**

Cohorts less well off

- **~15k YA(o) recipients with earnings receive lower payment rates due to moving to a lower IFA**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Merge YA(s) into Austudy

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P3 Merge YA(s) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | **YA(s)** | **Austudy** | ABSTUDY | FTB

There is an opportunity to consolidate YA(s) and Austudy into a single student payment to simplify and improve student payment policy. ABSTUDY is not included as it offers highly targeted support, with complex and bespoke rules in place.

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would simplify the welfare system, reduce administrative overhead, and more clearly align payment types with policy intent

Potential reform / policy settings

Stage One | **Stage Two**

From 20 Mar 2021, abolish lower age limit for Austudy, and roll YA(s) recipients onto Austudy at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into Austudy	Old rate	Recommended rate
Single, under 18, at home	$253.20	No change
Single, over 18, at home	$304.60	No change
Single, away from home	$462.50	No change
Single, with children	$606.00	$612.00
Partnered	$462.50	No change
Partnered w child	$507.90	$510.80
Principal carer, Mutual obs exempt	$790.10	No change

Notes: Higher rates for long-term income support recipients would also be removed, with those current recipients paid out a lump sum commensurate with the value of the higher rate over their current course of study (<3,000 recipients). Non-age requirements between YA(s) and AUSTUDY would also be aligned, incl. "full-time study" requirement, allowable time requirements, and temporary incapacity exemptions. Existing recipients will be grandfathered for the duration of their current course.

Timing considerations

- **Changes to student payments typically best take place on 1 January. Therefore next opportunity to implement this change would be 1 January 2022**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020**
- **Grandfathered long-term income support recipients not included in modelling**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($25m)	($23m)	($20m)	($70m)
	Small saving from abolishing long-term rates				
Net impact on # recipients	-	~235k moved from YA(s) into Austudy			

Impact on recipients vs Current Path

Cohorts better off

- **~10k Students aged 25+ receiving YA(s)**
- **~700 YA(s) recipients partnered with children receive higher rates**
- **YA(s) recipients single with children above 8 years old receive higher rates**
- **Austudy students have access to temporary incapacity exemptions on Austudy, rather than needing to transition to and from JSP**

Cohorts less well off

- **~3.5k long-term income support recipients (if not grandfathered or compensated)**
- **Austudy students will no longer receive payments when allowable time limits are exceeded (several will be removed from payment if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Payment simplification: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate **$462.50** f/n plus supplements, with mutual obs
- **$143 IFA, 50-60%** income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to $565.70 f/n plus supplements, mutual obs continue
- $104 IFA, 50-60% income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) until child turns 8
- Payment rate increases to $790.10 f/n plus some additional supplements, no mutual obs
- $188.60 IFA 40% income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to $612.00 f/n plus some additional supplements, part time mutual obs
- $143 IFA, 40% income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate **$304.60** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to **$462.50** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit

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Rolling PP (P&S) into Jobseeker

From

	Jobseeker		Parenting Payment		To Jobseeker	
Eligibility	Unemployed Aged 22 to Age Pension age		Principal carer of qualifying child <6 if partnered or <8 if single		Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]	
Mutual obligations	Enter into job plan and participate in job search/ activities, unless exempt Mutual obs dependent on age and capacity		May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan		Enter into job plan and participate in job search/activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single	$565.70	Single	$790.10	Single	$565.70
	Single w/children/ mature aged rate	$612.00			Single w child >8/mature aged rate	$612.00
	Single, PCP, mutual obs exempt	$790.10			Mutual obs exempt/single parent w. qualifying child[1]	$790.10
	Partnered	$510.80	Partnered	$510.80	Partnered	$510.80
Supplements	Individual circumstances		As per JSP + Pension Supplement and Pensioner Education Supplement		Individual circumstances	
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP		As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single		Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single	

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

Rationale for change

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Eliminate requirement to transfer from PP to JSP when children reach 6 or 8 years old
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying additional obligations to parents

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rolling YA(o) into Jobseeker

	From Youth Allowance (Other)		To Jobseeker, Youth Rates	
Eligibility	Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study		Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study	
Mutual obligations	Participate in job search or other approved activities Participate in part-time study or training, in combination with other approved activities		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single, under 18 years, at home	$253.20	Youth Single, under 18, at home	$253.20
	Single, 18-21 years, at home	$304.60	Youth Single, 18-21, at home	$304.60
	Single, 18-21 years, away from home	$462.50	Youth Single, 18-21, away from home	$462.50
	Single, with dependent child	$606.00	All ages, single, with dependent child	$612.00
	Single, principal carer with exemption	$790.10	All ages, single, principal carer	$790.10
	Partnered, no child	$462.50	Youth Partnered, no child	$462.50
	Partnered, with dependent child	$507.90	Youth Partnered, with dependent child	$510.80
Supplements	Energy Supplement (various rates from $3.90 to $12.00), Youth Disability Supplement (if eligible), Pharmaceutical Allowance (if eligible)		Simplified Energy Supplement, other supplements remain the same	
Tapers & IFA	Parental Income test of 20c per $1 over $54,677 50% above $143 60% above $250		Same as today	

Rationale for change

Youth Allowance (other) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Fewer overall payment types
- ✓ Eliminate requirement to transfer from YA(o) to JSP at the age of 22
- ✓ Greater alignment of payment type with focus on finding work ("Jobseeker" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(O) but not YA(S) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Jobseeker Payment
- x Lower Income Free Area for current Youth Allowance (other) recipients

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rolling YA(s) into Austudy

	From		To
	Youth Allowance (S)	**Austudy**	**Austudy**
Eligibility	Full-time students and Australian Apprentices aged 16 – 24 Secondary students under 18 living away from home	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 25 years or over	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 16 years or over
Mutual obligations	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship
Rates	Single, under 18 years, at home $253.20 Single, over 18 years, at home $304.60 Single, away from home $462.50 Single, with child $606.00 Single, principal carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $507.90 **Three more special rates for long term income support*	Single, no dependent children $462.50 Single, with dependent children $606.00 Member of a couple, no dependent children $462.50 Member of a couple, with dependent children $507.90 **Two more special rates for long term income support recipients*	Single, under 18, at home $253.20 Single, 18-24, at home $304.60 Single, away from home or >24 $462.50 Single, with dependent child $612.00 Single, Principal Carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $510.80 **No special rates for long term income support recipients, with grandfathering of current cohort*
Supplements	Energy Supplement (from $3.90 to $12.00)	Energy Supplement (from $7.00 to $14.10) and Pharmaceutical Allowance if aged over 60 and on payment for 9 months	Individual circumstances
Tapers & IFA	50% above $437 60% above $524	50% above $437 60% above $524	50% above $437 60% above $524

Rationale for change

Youth Allowance (Student) could be combined with Austudy to simplify the different categories of student payments. This would create a consistent set of adult and youth rates in both unemployment and student payments.

Pros:

- ✓ Fewer overall payment types
- ✓ Greater alignment of payment type with policy intent ("Austudy" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(S) but not YA(O) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Austudy

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

New JobSeeker Rate Mapping – Tiers One and Two

From			To	
JobSeeker Single principal carer with exemption (4,000 recipients)	$790.10			
Parenting Payment Single (234,000 recipients)	$790.10	>	**Tier One rate** Single	$790.10
Youth Allowance (Other) Single principal carer with exemption (4 recipients)	$790.10			
JobSeeker Single, with dependent child (134,000 recipients)	$612.00			
JobSeeker Single, aged 60 or over, after 9 months (66,000 recipients)	$612.00	>	**Tier Two rate** Single	$612.00
Youth Allowance (Other) Single with child (500 recipients)	$606.00			

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

New JobSeeker Rate Mapping – Tier Three

From		To	
JobSeeker Single, no children (714,000 recipients)	$565.70	**Basic Rate, Single**	$565.70
JobSeeker Partnered (300,000 recipients)	$510.80	**Basic Rate, Partnered**	$510.80
Parenting Payment **Parenting Payment Partnered** (71,000 recipients)	$510.80		
Youth Allowance (Other) Partnered, with child (1,000 recipients)	$507.90		
Youth Allowance (Other) Single, under 18 years, at home (5,000 recipients)	$253.20	**Basic Rate, Youth Single, under 18 years, at home**	$253.20
Youth Allowance (Other) Single, over 18 years, at home (65,000 recipients)	$304.60	**Basic Rate, Youth Single, 18-21 years, at home**	$304.60
Youth Allowance (Other) Single, over 18 years, away from home (4,000 recipients)	$462.50	**Basic Rate, Youth Single, away from home**	$462.50
Youth Allowance (Other) Single, over 18 years, away from home (42,000 recipients)	$462.50		
Youth Allowance (Other) Partnered, no children (4,000 recipients)	$462.50	**Basic Rate, Youth Partnered**	$462.50

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New Austudy Rate Mapping

From		To	
Youth Allowance (Student) Principal carer of a dependent child (0 recipients)	$790.10	**Higher Rate, Single**	$790.10
Youth Allowance (Student) Single, with children (200 recipients) **Austudy** Single, with children (3,000 recipients)	$606.00 $606.00	**Higher Rate, Single**	$612.00
Youth Allowance (Student) Single, under 18 years, at home (3,000 recipients)	$253.20	**Basic Rate, Single, under 18, at home**	$253.20
Youth Allowance (Student) Single, over 18 years, at home (99,000 recipients)	$304.60	**Basic Rate, Single, 18-24, at home**	$304.60
Youth Allowance (Student) Single, under 18 years, away from home (4,000 recipients) **Youth Allowance (Student)** Single, over 18 years, away from home (71,000 recipients) **Austudy** Single, no child (20,000 recipients)	$462.50 $462.50 $462.50	**Basic Rate, Single, away from home**	$462.50
Youth Allowance (Student) Partnered, no child (4,000 recipients) **Austudy** Partnered, no child (2,000 recipients)	$462.50 $462.50	**Basic Rate, Partnered**	$462.50
Youth Allowance (Student) Partnered, with children (2,000 recipients) **Austudy** Partnered, with children	$507.90 $507.90	**Basic Rate, Partnered with children**	$510.80

Grandfathered Rates

Youth Allowance and Austudy currently have five rates for long-term income support recipients.

These rates are for recipients who either commence full-time study of an apprenticeship, having been in receipt of an income support payment for at least 6 out of the last 9 months since turning 22.

It is proposed that these rates be grandfathered for those eligible for this payment (less than 3,000 recipients). Once these recipients finish their current course of study they will move to a standard rate.

Current rates (Youth Allowance):

Single, living at home - $373.70

Single, living away from home - $561.90

Member of a couple, no dependent children - $507.90

Austudy

Single, no dependent children - $561.90

Member of a couple, no dependent children - $507.90

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Backup: Key policy objectives for youth payments to consider when designing three-tier working age payment

Policy objectives for youth and student payments to uphold

Designed to provide means-tested income support for youths and students based on parental and personal income

- Aligns with societal expectation for parents to provide support for young adults where they have the means to do so

Incentivise work for adults aged 22+ by keeping student payment rates below unemployment rates

- Same level of support for work and study is provided for adults aged 18-21 (with preference towards study)

Implied expectation through policy settings that students will supplement their own income through work when possible

- Youth disability supplement intended to support those with PCW

Targeted support provided to Aboriginal and Torres Strait Islanders students through ABSTUDY, recognising unique circumstances, e.g., targeted support provided to teenagers, Masters and Doctorate students

Key issues to address if new three-tier working age payment is created

Payment rates for recipients of different ages in different circumstance (dependent, away from home etc)

Ongoing inconsistencies between YA(o) and YA(s), e.g., age eligibilities, availability of long-term income support rates

Two separate student payments, YA(s) and AUSTUDY, adds complexity in systems build and customer/staff understanding

- Inconsistent payment rates for 25+ aged students
- AUSTUDY satisfactory progress requirements allows allowable time to be exceeded before payment will cease; YA payments will cease once allowable time is exceeded

- "Full-time study" requirement for YA(s) vs. "qualifying study" for AUSTUDY despite full-time study load requirement in practice

Ongoing transitions from YA to JS produces additional admin costs and workload

Large scale loss of part-time/casual work; reducing youths' ability to self-support

- 75% YA(s) received no earnings in Apr 2020 – an increase of 15 ppts from 60% in Sep 2020

1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019), Department of Jobs and Small Business Australian Jobs Report (2019)

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Merge Special Benefit (>65s) into JSP

P4 Merge SpB(>65) into JSP

Policy context

JSP | PPS | PPP | **SB** | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are over the Age Pension age and are not qualified for the age pension due to residential requirements. These recipients are subject to quarterly activity reviews, despite a low likelihood that employment circumstances will change, which generates costly administrative outlays.

To simplify payments and retain Special Benefit as the 'payment of last resort', JSP may be a more relevant payment for recipients over the Age Pension age.

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, the upper age limit on JSP would be removed, with exemptions from mutual obligations provided to recipients aged over Age Pension age. Special Benefit recipients over the Age Pension age would then be rolled over onto JSP (~3k current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB mature aged recipients	Old rate	New rate	Notes
Single, no children, 22 or older	$565.70	No change	
Single, aged 60 or older, on payment for at least 9 months	$612.00	No change	
Member of a couple, aged 60 or older	$612.00	$510.80	Existing recipients on this rate would be grandfathered

Recipients aged above 65 who are partnered would be grandfathered on their current rate ($612 pf, vs the $510.80 pf they would receive under normal circumstances on JSP).

Special Benefit recipients who are above the age pension age will be subject to the same JSP IFA and income tapers.

Timing considerations

- **Merging Special Benefit (>65s) into JSP ideally finalised when temporary measures expected to cease and Stage Two is expected to commence - 1 Jul 2021**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims Grandfathering of partnered recipients aged 65+ modelled; recipients continue to receive $510.80 pf**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	+$3m	+$3m	+3m	-$9m
	Small outlay due to income test alignment				
Net impact on # recipients	-	~3k moved from SpB into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~3k Special Benefit recipients aged 65+ shift onto JSP and receive a standard income test, IFA and taper rather than the 100% taper rate on SB**

Cohorts less well off

- **~2k Special Benefit partnered recipients aged 65+ receive lower rate (if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes to legislation and systems; implementation by Mar 2021 may not be possible	M	M

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Merge Special Benefit (TPVs) into JSP

P5 Merge SpB(TPVs) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are of working age and deemed appropriate for JobSearch but do not residentially qualify for JobSeeker Payment; the majority of this cohort are Temporary Protection Visa holders. Recipients do not have access to an income free area and a 100% taper rate applies, disincentivising the uptake of work. Only ~1% of Special Benefit recipients report income each fortnight.

To incentivise employment and simplify payments, JSP may be a more relevant payment for recipients holding TPVs.

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, extend eligible visas for JobSeeker Payment to include Temporary Protection Visas, and rollover existing Special Benefit recipients who are deemed appropriate for JobSearch but do not residentially qualify to JSP (~2,400 current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB TPV recipients	Old rate	New rate
Single, no children, 22 or older	$565.70	No change
Single, w children	$606.00	No change
Member of a couple, no children	$462.50	$510.80

Recipients will be subject to the JSP income free area (from $0 to $104pf) and income tapers (from 100% to 50-60% depending on income).

Given likely sensitivity of providing JSP access to TPVs, an alternative is to amend the Special Benefit income free area and taper to incentive employment.

Timing considerations

- **Merging Special Benefit (TPVs) into JSP ideally finalised when temporary measures expected to cease and Stage Two is expected to commence - 1 Jul 2021**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$9m	$8m	$7m	$24m
	Small outlay due to income test alignment				
Net impact on # recipients	-	~4k moved from SpB into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~4k recipients holding TPVs moved onto JSP IFA and lower taper**
- **~1k partnered recipients with no children holding TPVs receive higher payment rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding merging of cohort may extend timelines to implement changes to legislation; implementation by 20 Mar 2021 may not be possible	M	M

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Key decision: Rolling Special Benefit into Jobseeker

From: 3 key cohorts on Special Benefit

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,380 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,621 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker/new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;

2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

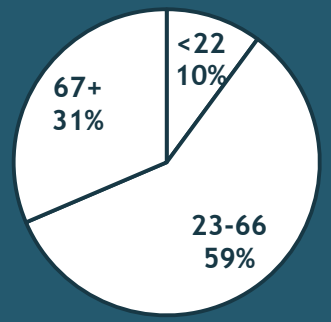
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Appendix – Cohort analysis of working age Special Benefit recipients

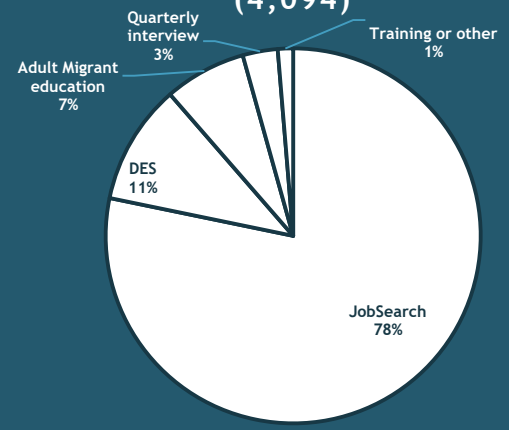
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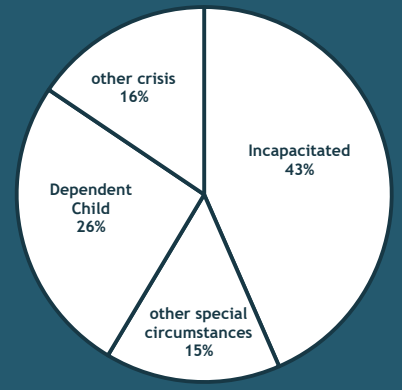
Working Age Recipients

Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)

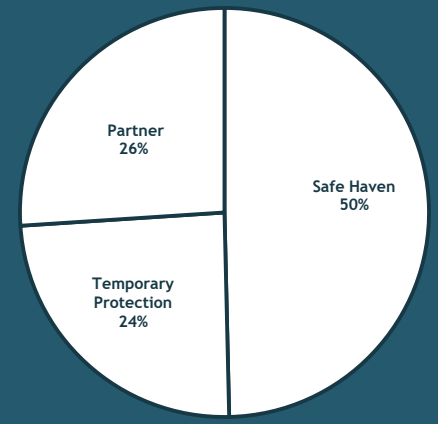
MUTUAL OBLIGATIONS - WAP (4,094)



MUTUAL OBLIGATION EXEMPTIONS - WAP (853)



VISA TYPES - WAP (4,947)



Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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Streamlining FTB

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P6 FTB

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | **FTB**

Family Tax Benefit is designed to support low and low-middle income families with a contribution towards the cost of raising children. Current policy settings have given rise to several challenges:

1. Current settings provide incentives/support for single-earner households relative to dual-earner households – whereas post-COVID, good policy suggests encouraging all working-age adults to engage in the labour force and take a job where one is available
2. FTB payment rates do not reflect the increasing costs of raising children as children grow older
3. FTB payment rates do not reflect economies of scale in family budgets as family sizes grow
4. Separation of Part A and Part B, and the relevant supplements, drives complexity unnecessarily – especially given vast majority of FTB cohort receive both FTB-A and FTB-B concurrently
5. FTB policy settings currently results in several payment cliffs for recipients receiving both payments (at FTB-B cut-out ($100,000 for primary income earner), and at cut-out of FTB-A Supplement ($80,000))

Potential reform / policy settings

Stage One | Stage Two

From Jul 2021, merge FTB-A and FTB-B to form a single FTB payment tiered by age of child and the number of children:

- First child receives rate equivalent to FTB-A and FTB-B incl. supplements
- 2nd and 3rd child receives rate equivalent to FTB-A without $766.50 supplement
- Subsequent children receive half of 2nd and 3rd child rates

Update taper rates to cut-in at $38,520, tapering at 20% for income up to $90,000 (or 15% for single parents), then at 30% for income over $90,000

Retain FTB base rates for those who fail the Maintenance Action test only

Age	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate – 2nd and 3rd child	$4,855	$5,858	$6,315
Rate – Subsequent children	$2427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 – cut in	$90,000	Taper rate	30%

Timing considerations

- **Measure should be implemented on 1 July 2021, to align with the start of a new financial year**

Modelling assumptions

- **Assumes FTB population does not change as a result of changes to the taper rates and cut-outs (this should be refined/updated in future iterations of the model)**
- **Does not include impact on tax revenues via the ATO**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($1.3b)	($1.3b)	($1.3b)	($3.9)
	Small savings due to changes in rates and tapers				
Net impact on # recipients	-	~1.4m moved onto new single FTB payment			

Impact on recipients vs Current Path

Cohorts better off

- **Dual-earner households, except 1-child households earnings $86k-$106k**
- **Single-earner households with 2+ children earning >100k**
- **Single parents with 2+ children earning >$100k**

Cohorts less well off

- **Single-earner families with 1 child, earning >$38.5k**
- **Single-earner families with 2+ children earning <$100k**
- **Dual-earner families with 1 child earning $86k-$106k**
- **Single parents with 1 child earning >$38.5k**
- **Single parents with 2+ children earning <$80k**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding cohorts less well-off may lead to extended timeframes to implement changes to legislation	M	H

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Streamlining FTB

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P6 FTB

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | **FTB**

Family Tax Benefit is designed to support low and low-middle income families with a contribution towards the cost of raising children. Current policy settings have given rise to several challenges:

1. Current settings provide incentives/support for single-earner households relative to dual-earner households – whereas post-COVID, good policy suggests encouraging all working-age adults to engage in the labour force and take a job where one is available
2. FTB payment rates do not reflect the increasing costs of raising children as children grow older
3. FTB payment rates do not reflect economies of scale in family budgets as family sizes grow
4. Separation of Part A and Part B, and the relevant supplements, drives complexity unnecessarily – especially given vast majority of FTB cohort receive both FTB-A and FTB-B concurrently
5. FTB policy settings currently results in several payment cliffs for recipients receiving both payments (at FTB-B cut-out ($100,000 for primary income earner), and at cut-out of FTB-A Supplement ($80,000))

Potential reform / policy settings

Stage One | **Stage Two**

From Jul 2021, merge FTB-A and FTB-B to form a single FTB payment tiered by age of child and the number of children:

- First child receives rate equivalent to FTB-A and FTB-B incl. supplements
- 2nd and 3rd child receives rate equivalent to FTB-A without $766.50 supplement
- Subsequent children receive half of 2nd and 3rd child rates

Update taper rates to cut-in at $38,520, tapering at 20% for income up to $90,000 (or 15% for single parents), then at 30% for income over $90,000

Retain FTB base rates for those who fail the Maintenance Action test only

Age	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate – 2nd and 3rd child	$4,855	$5,858	$6,315
Rate – Subsequent children	$2427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 – cut in	$90,000	Taper rate	30%

Timing considerations

- **Measure should be implemented on 1 July 2021, to align with the start of a new financial year**

Modelling assumptions

- **FTB recipient volumes expected to continue decreasing organically by ~2% p.a. over the long term, due to wage and earnings lifts**
- **FTB recipient volumes expected to increase by ~2.5% from Jun to Oct 2020 due to C-19, on top of the 3.2% increase from Feb-May that has already occurred**
- **Recovery of FTB volumes to baseline expected to follow job loss recovery in the base case economic scenario**
- **Assumes FTB population does not change as a result of changes to the taper rates and cut-outs (this should be refined/updated in future iterations of the model)**
- **Does not include impact on tax revenues via the ATO**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($1.3b)	($1.3b)	($1.3b)	($3.9)
	Small savings due to changes in rates and tapers				
Net impact on # recipients	-	~1.4m moved onto new single FTB payment			

Impact on recipients vs Current Path

Cohorts better off

- **Dual-earner households, except 1-child households earnings $86k-$106k**
- **Single-earner households with 2+ children earning >100k**
- **Single parents with 2+ children earning >$100k**

Cohorts less well off

- **Single-earner families with 1 child, earning >$38.5k**
- **Single-earner families with 2+ children earning <$100k**
- **Dual-earner families with 1 child earning $86k-$106k**
- **Single parents with 1 child earning >$38.5k**
- **Single parents with 2+ children earning <$80k**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding cohorts less well-off may lead to extended timeframes to implement changes to legislation	M	H

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FTB A & B: Policy goals and key issues to address

Policy goal of FTB

Support low and low-middle income families with a contribution toward the cost of raising children

Note: FTB has historically had the effect of reducing overall income inequality in Australia – however this effect has been declining for over a decade

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- FTB-A only steps up once at 13yo, and FTB-B steps down at 5yo

Separate A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- FTB-A provides a consistent amount per child, rather than decreasing as the family grows

Delivery via Services Australia brings >750,000 additional people into the welfare system – with ~57% of FTB recipients not on an income support payment

Several payment cliffs:

- At $80,000 income due to FTB-A supplement cut-out
- At $100k for the primary income earner for FTB-B
- At the base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Figures exclude FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB: Example reform options

Update: Now includes a lower taper rate for single parent households

	1: Single FTB payment, with decreasing rates per child as family grows	*Hypothesis* 2: As per Example 1, but with earlier taper cut-in, and lower taper rate	3: As per Example 2, but with lower rate for 0-4s, and expanded Newborn Supplement
Description	First Child: Equivalent to FTB A & B incl. supplements rolled together, except 5-12 children take average of 0-4 and 13-18 rates 2nd & 3rd children: Equiv. to FTB A, but without the $766.50 supplement 4th & subsequent: Half of 2nd/3rd rate Tapers: Cut-in as per FTB A, at 30%, or 25% for single parents Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 1 2nd & 3rd children: As per Example 1 4th & subsequent: As per Example 1 Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1	First Child: As per Example 2, but 0-4 rate 30% reduced, and 5-12 rate 15% reduced 2nd & 3rd children: Same % reductions as for 1st 4th & subsequent: Half of 2nd/3rd rate For newborns: Expand Newborn Supplement to $3,696. Would remove multiple birth allowance Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1
Winners	✓ Almost all dual-earner households ✓ Families with 6-12 aged children ✓ Single-earner households with 2+ children and >$100k income	✓ Dual-earner households, except 1-child households earning $86k-$106k ✓ Single-earner households with 2+ children earning >$100k	✓ Families with newborns (0-1 yo) ✓ Dual-earner households, except those with children aged 1-4 ✓ Single-earner households with 2+ older children, earning >$100k
Losers	x Single-earner families with 1 child, and income >$56k x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement)	x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement) x Dual-earner families with 1 child earning $86k-$106k	x Almost all families with 1-4 year olds x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction x Dual-earner families with 1 child earning $86k-$106k

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients) Source: DSS data as at 27 December 2019, McClure Review

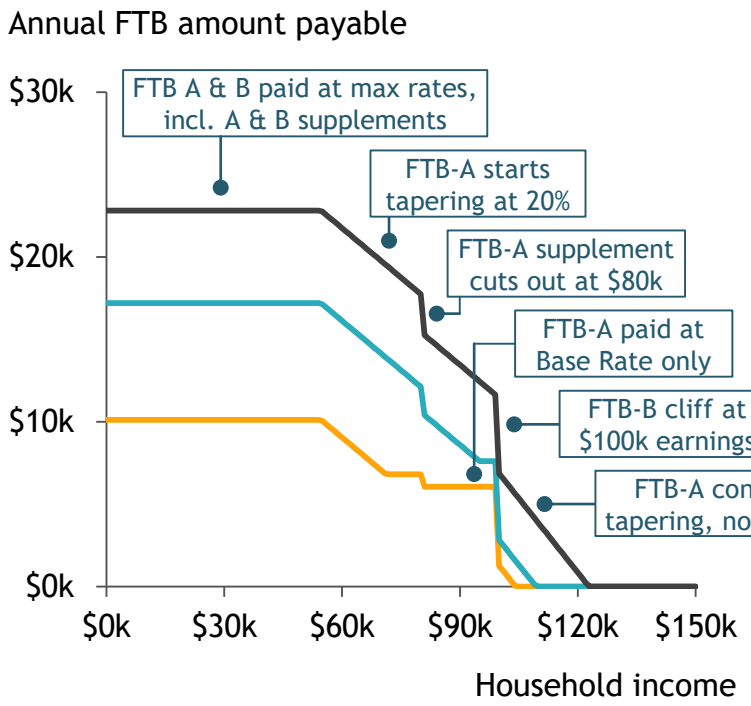
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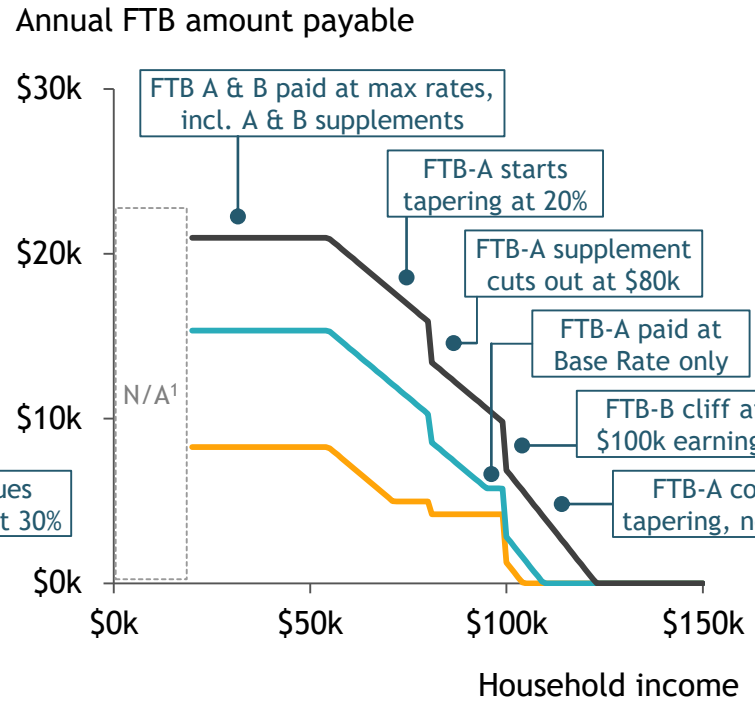
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FTB: Current income tests for varying family circumstances

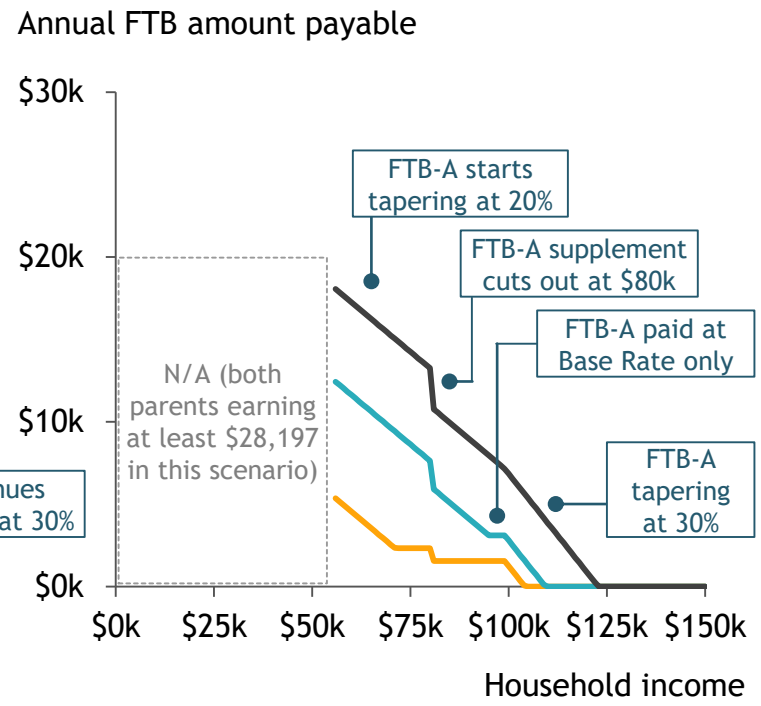
Current: One earning parent



Current: Two earning parents, with $15k income for secondary earner



Current: Two earning parents, with >$28,197 income for secondary earner



Family with 1 child <5, — Family with 2 children, 1x<5, 1x16 — Family with 3 children, 1x<5, 1x10,1x16

1. Both parents earning at least $10,000 in this scenario

Source: Project analysis; Services Australia Guide to welfare payments

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FTB: Example income tests for the three reform options

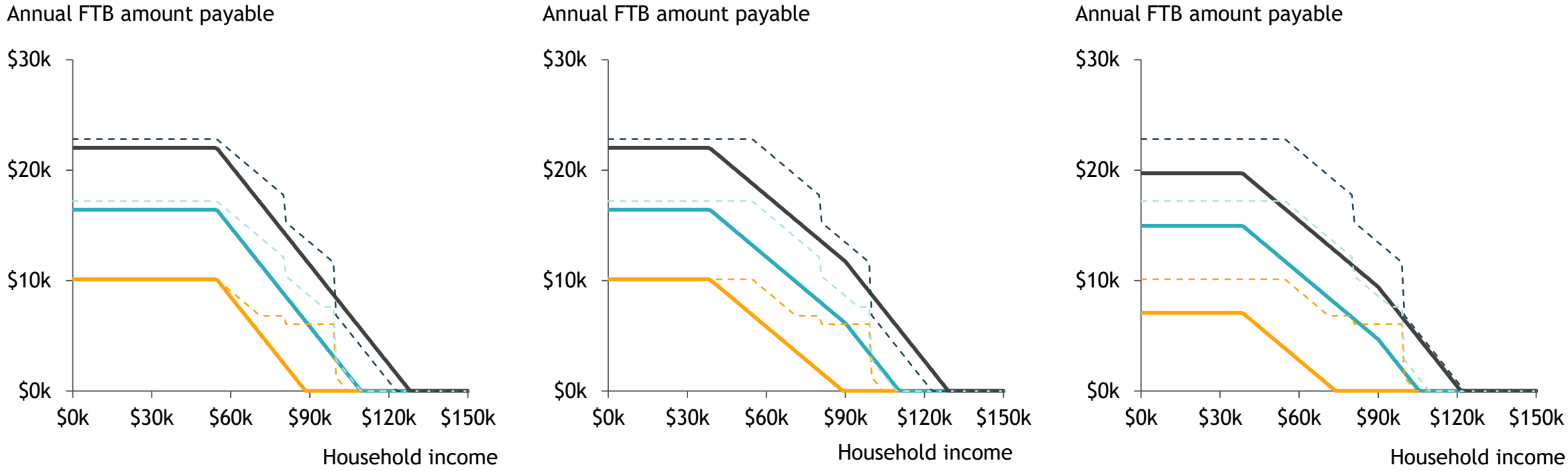
Comparison vs Two-parent single-earner households

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2, but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Source: Project analysis

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FTB: Example income tests for the three reform options

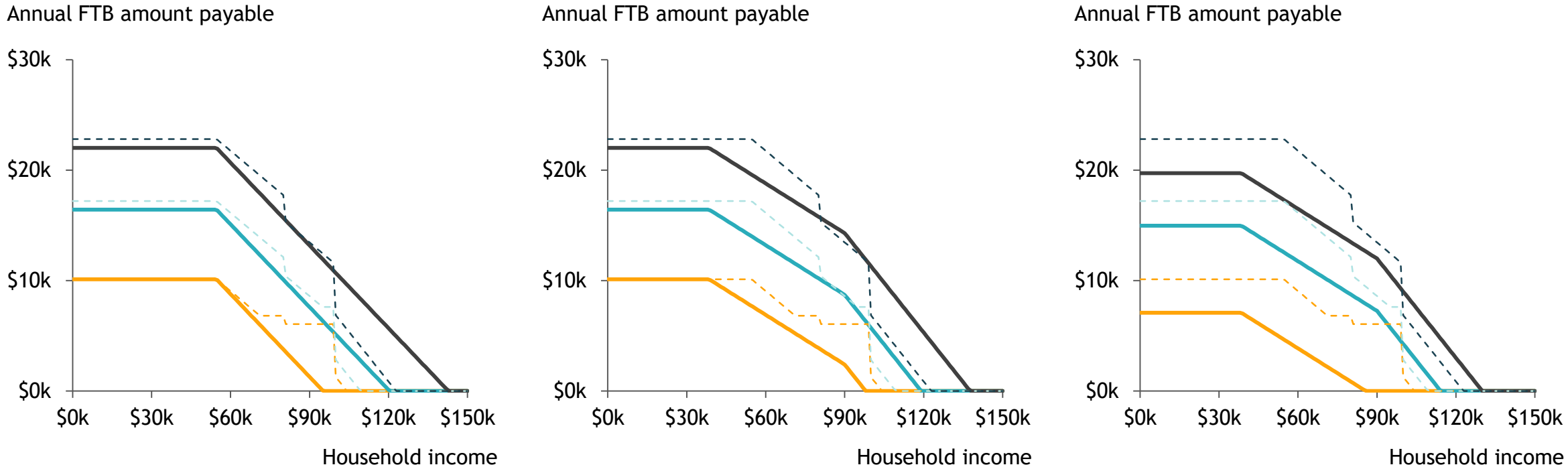
Comparison vs Single parent households

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2,
but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Source: Project analysis

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FTB: Example income tests for the three reform options

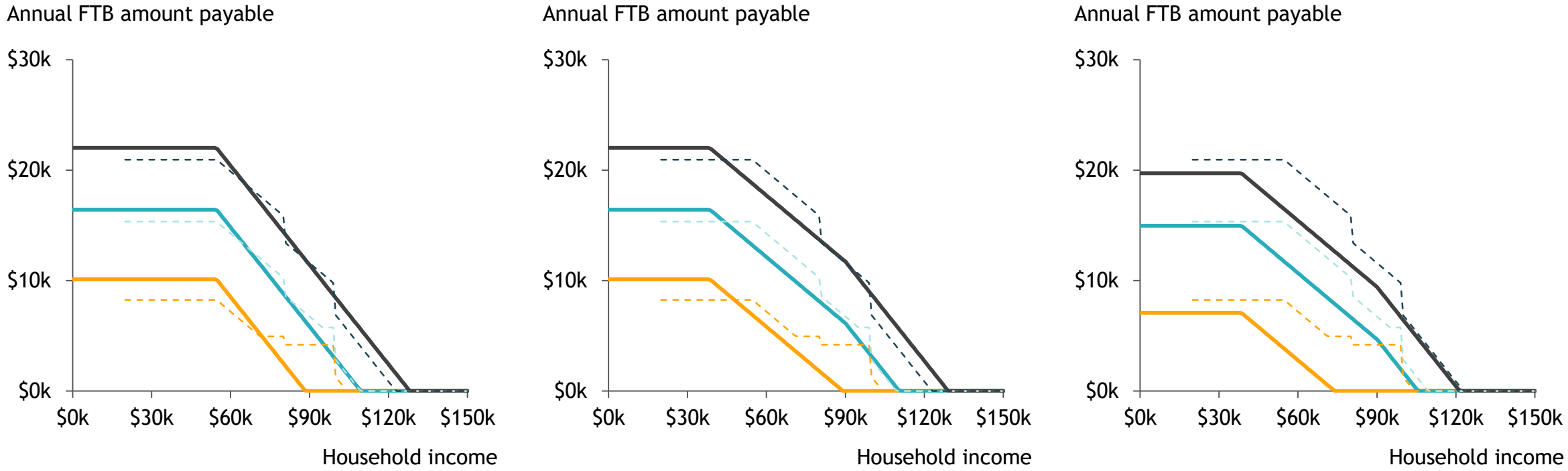
Comparison vs Two earning parents, with $15k income for secondary earner

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



Source: Project analysis

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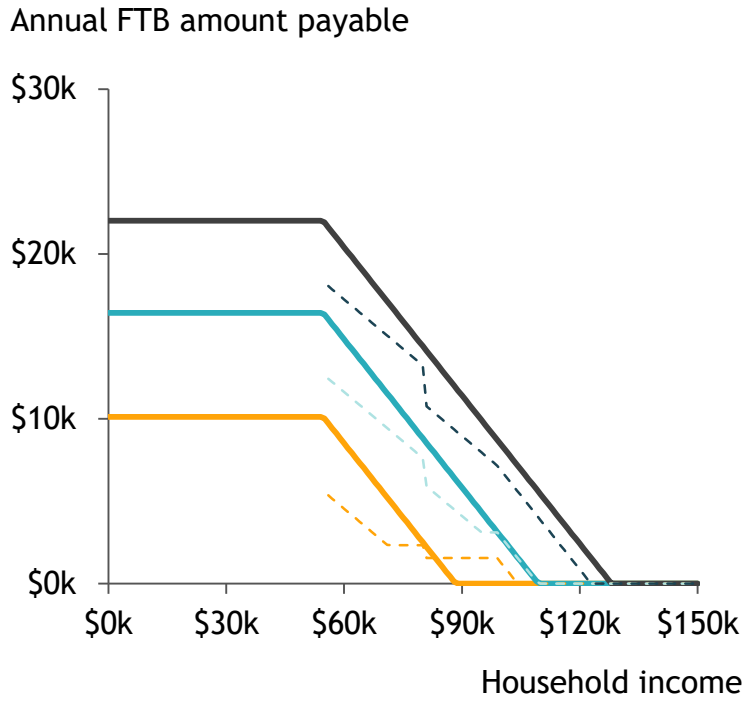
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

FTB: Example income tests for the three reform options

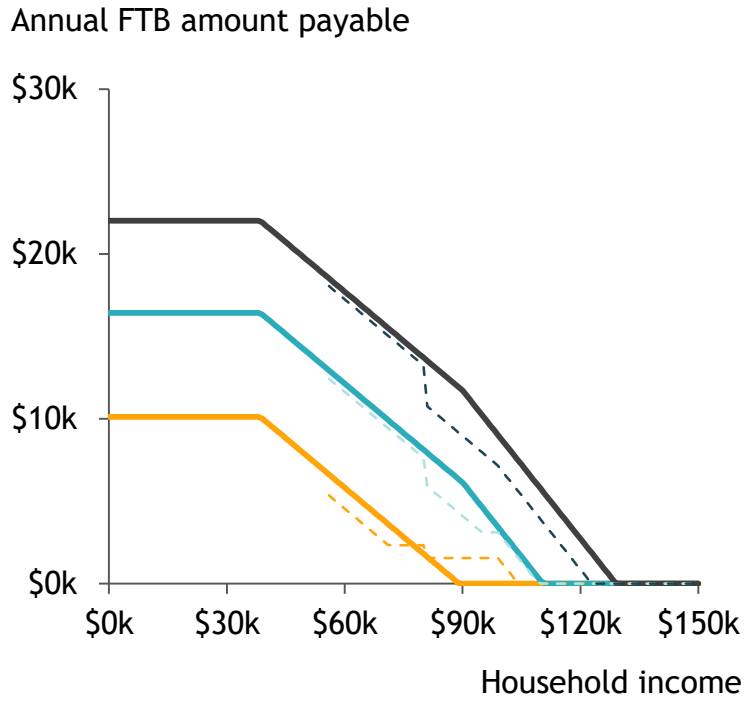
Comparison vs Two earning parents, with >$28,197k income for secondary earner

Hypothesis

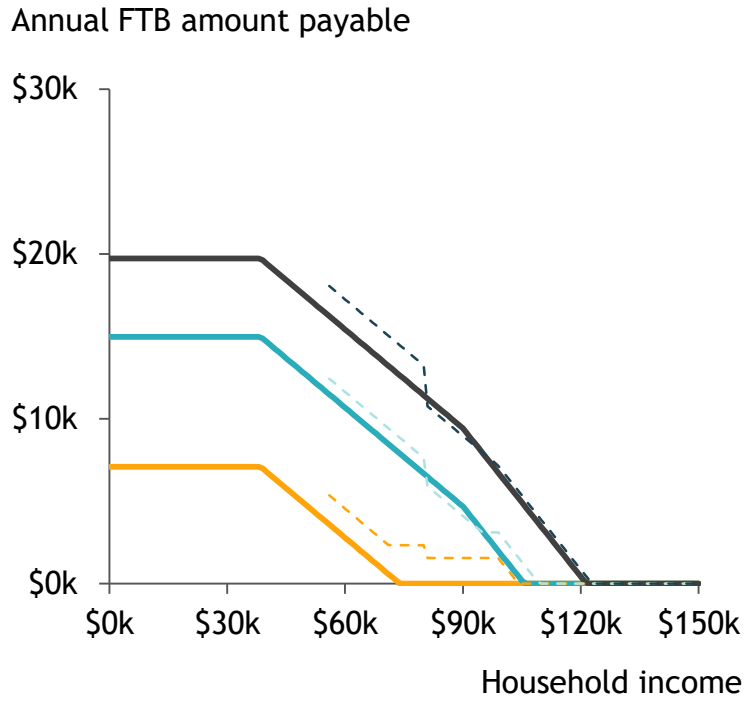
Example 1:
Single FTB payment, with decreasing rates per child as family grows



Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



Example: Family with 1 child <5,
Example: Family with 2 children, 1x<5, 1x16
Example: Family with 3 children, 1x<5, 1x10,1x16
Current: Family with 1 child <5 (single income)
Current: Family with 2 children, 1x<5, 1x16 (single income)
Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: Project analysis

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Backup: FTB example rate tables

Current rates

FTB-A

	0-12	13-19	
Standard rate	$4,855	$6,315	
Taper 1 - cut in	$54,677	Taper rate	20%
Taper 2 - cut in	$98,988	Taper rate	30%
Base rate	$1,559		
Base rate taper – cut in	$98,988	Taper rate	30%
Supplement	$766.50	Cut-out	$80,000

FTB-B

	0-4	5-18	
Standard rate incl. supplement	$4,500	$3,256	
Secondary earner taper – cut in	$5,694	Taper rate	20%
Primary income earner cut-out	$100,000		

Example options for rates

1

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate – Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$54,677	Taper rate	30% (25% for single parents)
Taper 2 - cut in	N/A	Taper rate	N/A

2

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate - Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

3

	0-4	5-12	13-18
Rate – First child	$7,085	$9,224	$11,581
Rate - 2nd & 3rd child	$3,398	$4,747	$6,315
Rate - Subsequent children	$1,699	$2,373	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement

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Lift in base rates

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R2 Mature age / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

As a result of the C-19 supplement and temporary measures, recipients received a $550+ lift in payments from 27 April to 24 September 2020. This supplement may be extended in some form through to March 2021, likely at a lower rate.

At the cessation of the C-19 supplement, a decision to raise base rates for lower and mid-tier welfare payments would reduce the "shock" of the C-19 supplement cessation, help address adequacy concerns about the lower-tier payment rates, and also creates an opportunity to consolidate or abolish several small supplements currently paid to working-age recipients, including Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, and Telephone Allowance. This would result in a substantial simplification of the working age welfare system.

Potential reform / policy settings

Stage One | Stage Two

When the C-19 supplement ceases (likely 30 June 2021), lift the payment rates for working age & student payments:

- For recipients currently receiving the $790.10 basic rate (i.e. PPS and JSP Principal Carers), by $25 pf
- For all other allowance recipients, by $150 pf

In parallel, abolish for JSP, PPS, PPP, SB, YA(o), YA(s), Austudy, and ABSTUDY recipients: Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, Telephone Allowance, Essential Medical Equipment Payment, Remote Allowance, Training Allowance, Fares Allowance, and Education Entry Payment.

Note that approximately 1% of PPS recipients (~3k) receive sufficient supplements to mean they would not be fully compensated by the $25 pf increase. To avoid them being worse off, they could receive a lump sum payment equivalent to the forward value of the relevant supplements.

Timing considerations

- Recognising tight timeframes to implement changes to legislation and systems by 25 September 2020, changes can be implemented from 1 Jul 2021 when C-19 supplement is expected to end

Modelling assumptions

- Volume impact of increase in base rates (will be modest, <1% increase in recipient numbers, <0.3% impact on outlays)
- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients, and a % of monthly pending claims
- Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$6.7b	$5.1b	$4.6b	$16.4b
Net impact on # recipients	-	+35k	+25k	+20k	n/a

Currently only accounts for absorption of Energy Supplement and Pharma Allowance. Inclusion of other supplements requires further data extract

Impact on recipients vs Current Path

Cohorts better off

- Allowance recipients on lower and mid-tier rates typically $110-$140 better off per fortnight
- Allowance recipients on the higher tier ($790.10) rate, typically $1-$5 better off

Cohorts less well off

- Small cohort of ~3k PPS recipients who receive APW/LLN supplement may be worse off as their payment rise of $25 p/f is insufficient to compensate for loss of all the relevant supplements. May require a lump sum payment to compensate

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Abolition of supplements may be controversial as it reduces targeting of welfare, may lead to leg. delays	M	L
The quantum of rate increase may be controversial with some seeing it as insufficient, leading to leg. delays	M	H

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Two example options for an increase to base rates: Increase by $100 across all, or increase to $150 and absorb supplements

1: Increase base rates by $100 p/f from 30 June, with no change to supplements

Description

Payment type	1 July 2021
JSP, YA(o)[1]	$100 base rate lift
Students	$100 base rate lift
PPS	$25 base rate lift
PPP	$100 base rate lift
SB	$100 base rate lift
Supplements	No change

Implications

- Addresses longer term adequacy concerns
- No progress toward simplification
- More equal treatment of recipients across welfare system – e.g. everyone on JSP receives the same $100 p/f increase

Cost

FY21	no change
FY22[1]	+4.9b

Hypothesis

2: Increase base rates by $150 p/f from 30 June, and abolish 10+ supplements

Description

Payment type	1 July 2021
JSP, YA(o)[1]	$150 base rate lift
Students	$150 base rate lift
PPS	$25 base rate lift
PPP	$150 base rate lift
SB	$150 base rate lift
Supplements	Abolish for Allowance and PPS recipients: Energy Supplement, Pharma Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Allowance, Remote Area Allowance, Education Entry Payment, Fares Allowance, and Training Allowance

Implications

- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Different recipients in welfare system will benefit from this change to differing extents – e.g. a recipient receiving many supplements today will receive less of an overall increase than others

Cost

FY21	no change
FY22[1]	+6.7b

1. JSP PCP recipients would also receive just a $25 base rate increase
Source: DSS data; Project analysis

Note: Modelled costs only currently include energy and pharma allowance

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Raising base rates by $150 would create potential to abolish 10+ supplements for allowance recipients, with no net losers

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements	
Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

To: Potential end-state

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements	
Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supplem	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

1. Pensioner Education Supplement also able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

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Backup: 10 supplements could be absorbed into the $100 base rate rise

Mobility allowance provides up to $139.10 p/f – would need to be grandfathered or paid out separately

Shows circumstances with broad eligibility for supplements. FTB not shown. Fares Allowance not shown since eligibility is confined to students

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612.0	790.1	612.0	510.8	510.8
	Energy supplement	8.8	9.5	12.0	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.7	4.7	4.7	4.7	4.7	4.7
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Essential Medical Equip.	6.2	6.2	6.2	6.2	6.2	6.2
	Remote Area Allowance	18.2	18.2		18.2	15.6	15.6
	Pensioner Edu. Supplement			62.4			
	Education Entry Payment[1]	8.0	8.0		8.0	8.0	8.0
	Rent assistance cap[2]	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**771.9**	**849.6**	**1066.4**	**825.1**	**705.5**	**738.0**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**805.3**	**876.1**	**979.2**	**851.6**	**742.4**	**774.9**
	Increase vs current	**33.4**	**26.5**	**-87.2**	**26.5**	**36.9**	**36.9**

Note: Fares Allowance applies primarily for Youth Allowance Student and Austudy recipients and is not shown here

1. One-off payment of $208 per year, shown here as a fortnightly amount 2. Assumes not sharing a dwelling, and max family size of two children

Source: Services Australia Guide to welfare payments; Project analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort), and TBC were receiving PES. May need to compensate these recipients with a lump sum or grandfathering as they are not fully compensated by the $25 lift

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New Mature Aged / PCW rate

DSS - FOI LEX 46667 - MR22/00379 - Document 2

R2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial capacity to work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income support payment rate: $612 pf
- Roll over existing 60+ long-term income support recipients to new payment category

Update mutual obligations requirements to allow jobseekers aged 50+ (previously 55+) to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study. Retain mutual obligation requirements for jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 – may lead to delays	L	M

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Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	**JSP 60+ on payment for 9 months**	**JobSeeker Payment Higher Rate**
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 55+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $104 60% above $254

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

Hypothesis

1 All >50s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 215,000 recipients would receive a higher rate

Additional outlays: ~$260m p.a.

2 All >55s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 137,000 recipients would receive a higher rate

Additional outlays: ~$170m p.a.

3 All >60s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 59,000 recipients would receive a higher rate

Additional outlays: ~$70m p.a.

Included in new rate

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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Backup: Age / PCW recipient number breakdown

Age	<7 hours	8 to 14 hours	15 to 22 hours	23 to 29 hours	>30 hours (No PCW)
<50	1,037	2,809	100,604	52,856	290,282
50 – 54	281	888	30,184	10,181	36,929
55 – 59	280	1,023	36,232	8,881	32,914
60+	398	1,915	54,114	8,115	54,705
Total	**1,996**	**6,635**	**221,134**	**80,033**	**414,830**

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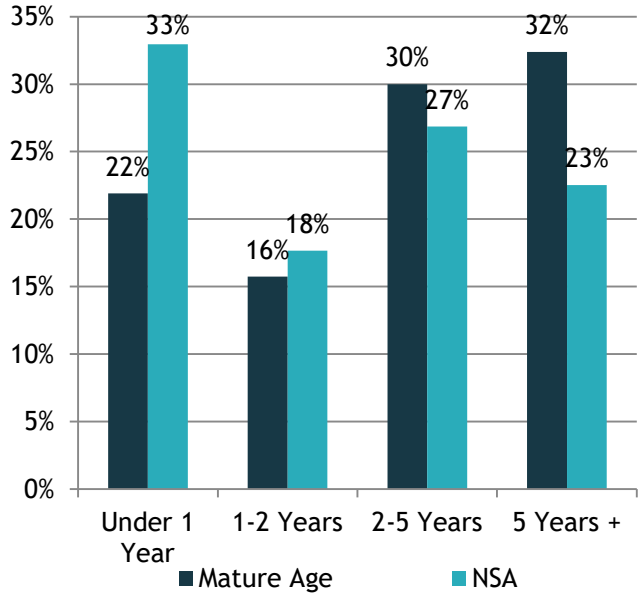
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

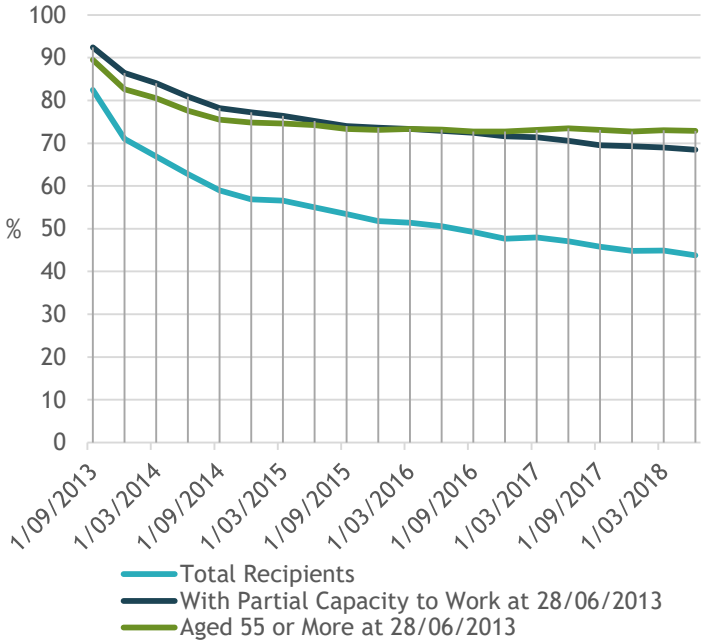
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



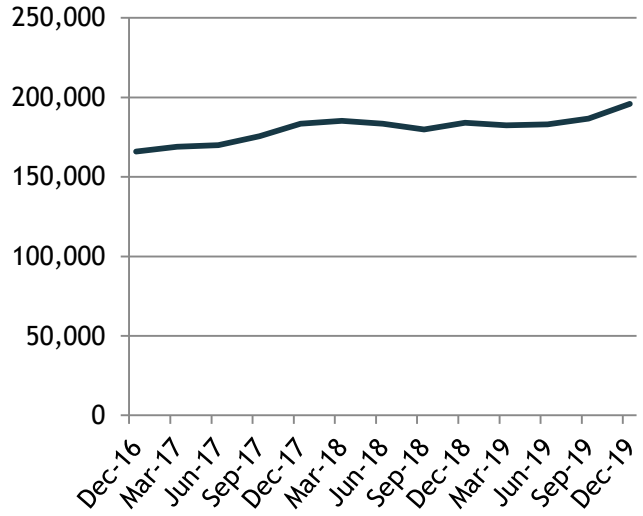
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Align Income Free Areas with pensions, max 50% taper rates

I1 IFAs and taper rates

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Income free areas and low taper rates are currently used to incentivise the uptake of employment, with higher income free areas for student payments recognising higher levels of seasonal, and part-time/casual work amongst students.

There are three key issues with the current working-age payment income tests:

1. Income tests are complex and varied; each typically apply two different taper rates at different income levels. This can make it challenging for recipients to have confidence they will always be better off for every dollar earned
2. High taper rates of 60% are common, which may reduce the incentive to work at these income levels
3. High taper rate of 60% for partners stacks with tax rates, producing high EMTRs at the household level for low-middle income families

Streamlining IFAs and taper rates can simplify the welfare system, improve incentives for work and engagement in the labour force.

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, recipients of JSP, PP(s), PP(p), YA(o), and Special Benefit would move to a consistent individual income test and partner income test, aligned to Pension income tests:

- Individual income test: Income Free Area of $174pf, a single taper rate of 50% (vs $104 and 50-60% for most recipients today)
- Partner income test: Income Free Area of $1212pf, a single taper rate of 50% (vs $994 and 60% for most recipients today)

From 1 Jul 2021, recipients of YA(s), Austudy, and ABSTUDY would move to a consistent income test and a higher partner income test:

- Individual income test: Income Free Area of $437pf, a single taper rate of 50% (vs $437 and 50-60% for most recipients today)
- Partner income test: $1,212pf for partnered recipients; a single taper rate of 50% (vs $944 or $994 and 50-60% for most recips today)

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Permanent changes for all ISPs to be in place from 1 Jul 2021, alongside other changes to payment types and payment rates**
- **As a result, tight timeframes are imposed to pass legislation and implement the required system changes**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **Apr 2020 income and partner income distributions used to model impact during COVID period (Apr-Sep 2020)**
- **Mar/adjusted May 2020 income and partner income distributions used to model impact from Oct 2020 onwards**
- **Grandfathering of PP(s) recipients not modelled**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.1b	$0.0b	$0.4b
Net impact on # recipients	-	+15k	+5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **~300k+ ISP recipients with individual earnings benefit from more generous individual income test**
- **~20k ISP recipients with partners who benefit from more generous Partner Income Test**
- **~15k ISP recipients become eligible for welfare who were previously ineligible as a result of changes to individual and partner income tests**

Cohorts less well off

- **~245k PP(s) recipients face reduced IFA and higher taper rate - suggest compensating via a lump sum or grandfathering**
- **~90k JS (Prin. Carer) face higher taper rate (from 40% to 50%) - suggest compensating via a lump sum or grandfathering**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding tighter income test for PP(p) and JS (Prin. Carer) recips may affect legislative timeframe	L	L
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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Potential interim-states for 25-Sep-2020 to 30-Jun-2021

Before and after examples, for three types of households



Note: All scenarios assume no supplements being received

- Pre-COVID payment rate and income test
- During COVID-19 payment rate and income test
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper
- Post 25-September, $350 supplement, Income Test same as pre-COVID, Partner IFA $1564 & 40% taper

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Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	70,880 (10.6%[1])	6,331 (10.6%[1])	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

1. Same income distribution used for all Job Seeker cohorts. To be updated. Source: Project analysis, DSS data, Services Australia guide to welfare payments

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices**: $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

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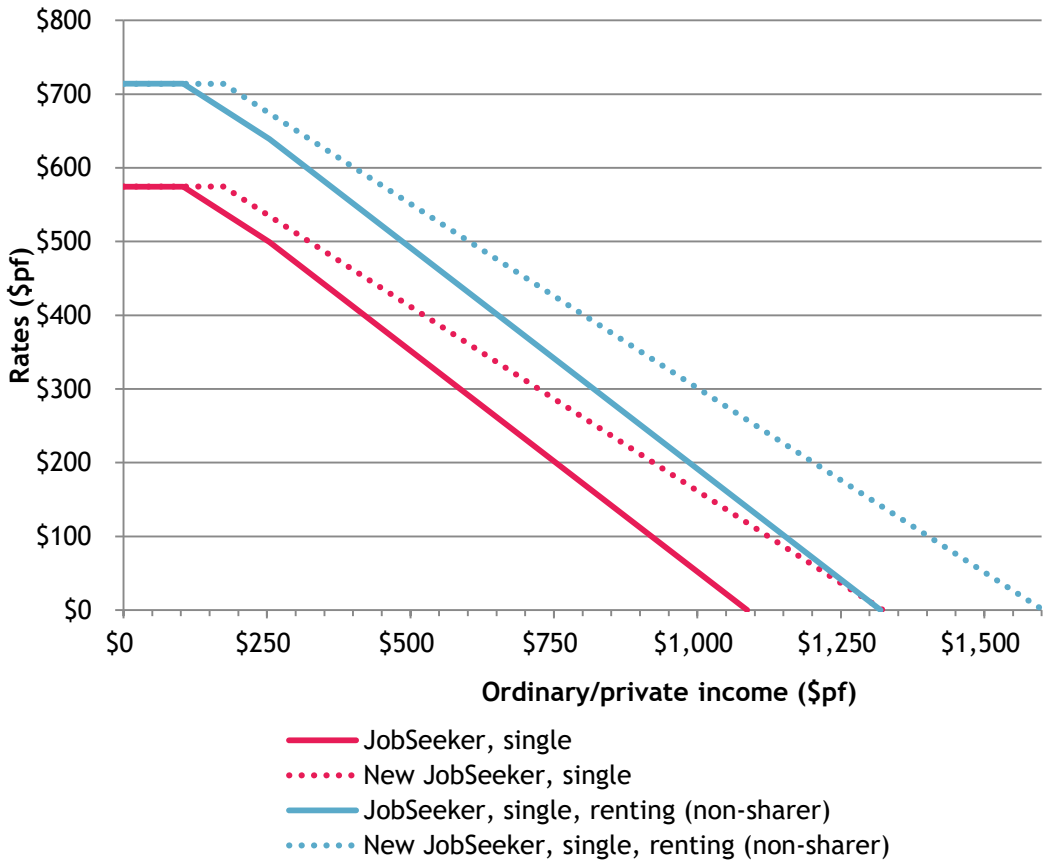
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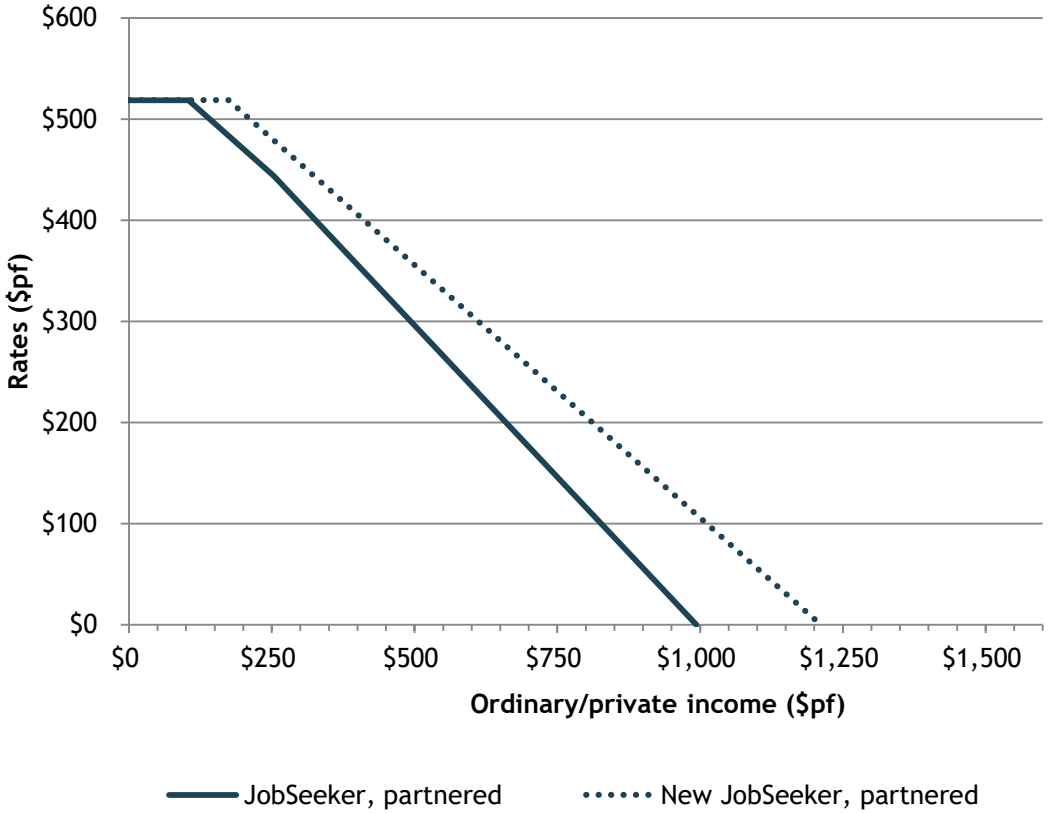
Backup: Income test charts (Jobseeker)

Increasing the free area to $174 and reducing the taper to a single taper rate of 50c for every $1 of private income earnt would extend the income test cut-out by more than $200 for both single and partnered recipients and would bring the withdrawal of income support for recipients who are renting closer to the minimum wage. Single recipients who are renting would be able to earn an extra $280 before their income is reduced to zero.

JobSeeker Payment Single - with and without Rent Assistance



JobSeeker Payment Partnered



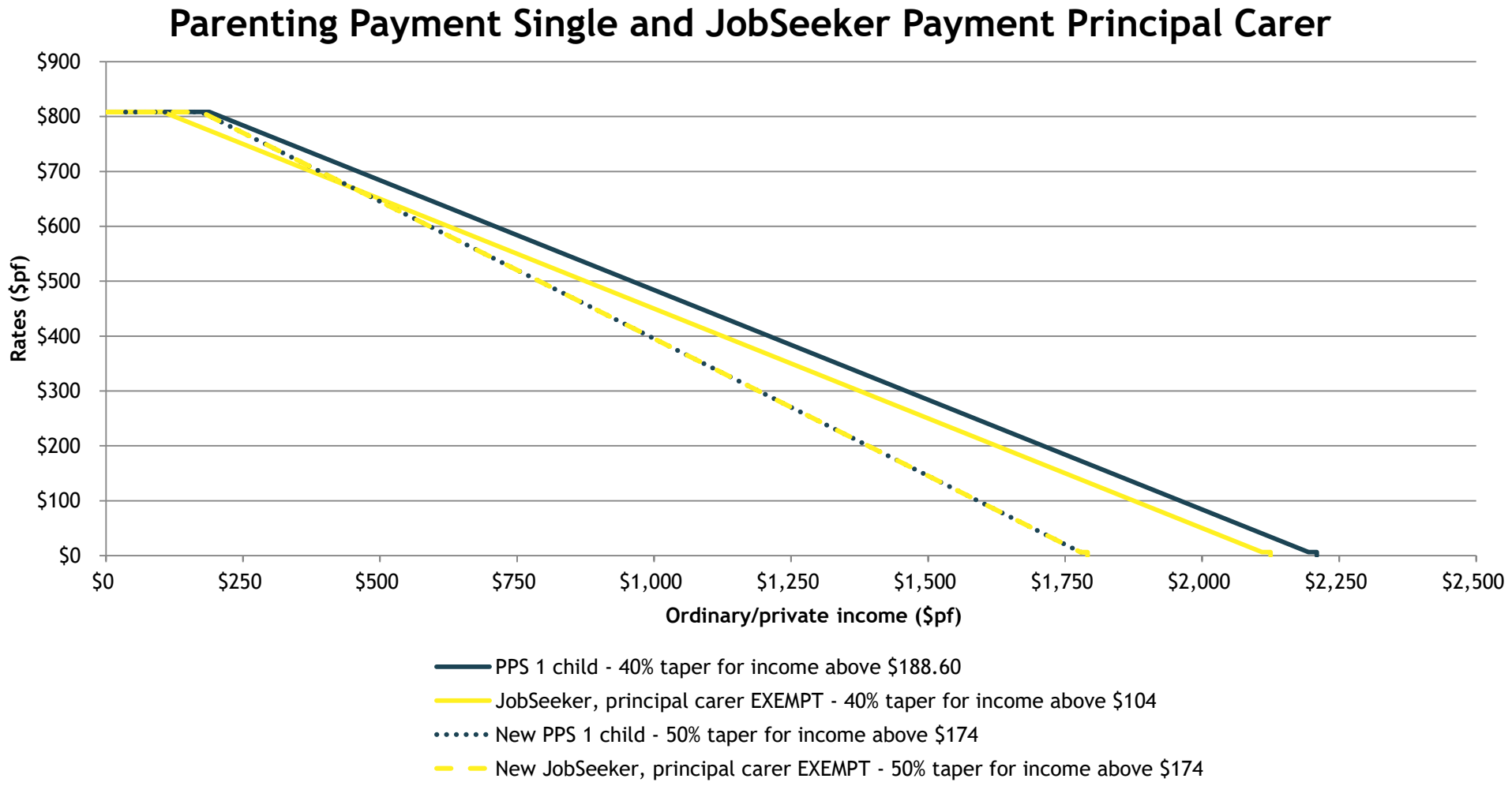
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Backup: Income test charts (Parenting Payment & Principal Carer)

Aligning the free area to $174 for both PPS and Principal Carer and reducing the taper rate from 40c to 50c would result in an earlier income cut out for both payments. The Principal Carer cohort would have a more generous income free area but due to the harsher taper rate the point at which income support payments are withdrawn would be reduced by approximately $330. The Parenting Payment Single cohort would receive a reduction in both the income free area and a harsher taper rate resulting in the income cut out point reducing by just under $420.



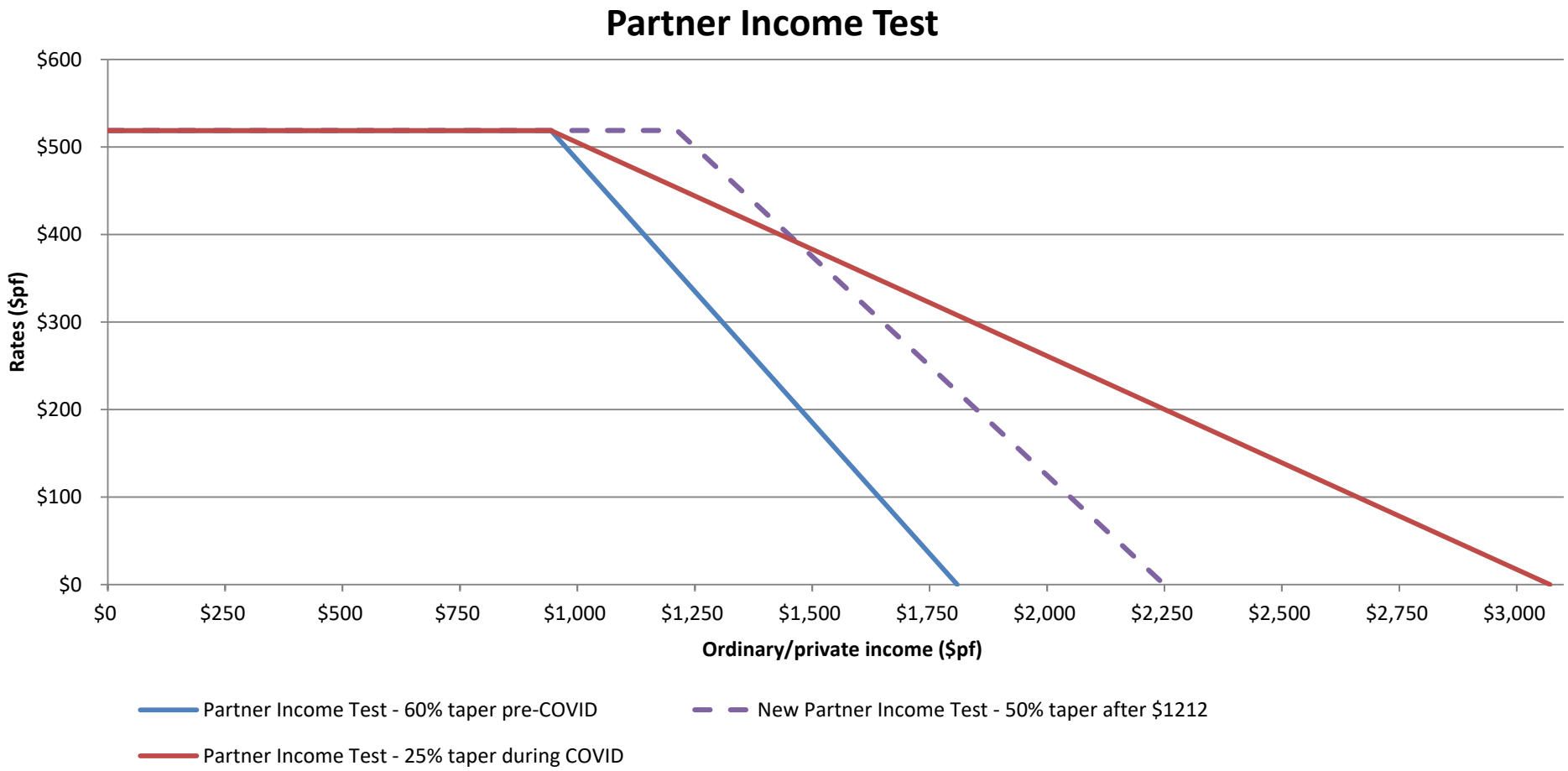
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Backup: Income test charts (Partner Income Test)

Increasing the free area to the new partner income cut out of $1,212 per fortnight would keep the rationale of the free area consistent with previous settings. This in combination of reducing the taper from 60c to 50c for every $1 of private income earnt by the partner would extend the income limit from $1,858.50 to $2,249.40.



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Expand and simplify working credit

DSS - FOI LEX 46667 - MR22/00379 - Document 2

I2 Working credit

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

While job losses during COVID-19 have been well publicised, underemployment has also risen; the ABS reported a rise in underemployment from 8.8% in mid-March 2020 to 13.7% in mid Apr 2020.

The Working Credits scheme rewards recipients for testing themselves in the labour market by helping recipients keep more of their initial payments in a new job. This is important to encourage self-reliance, particularly during a period where employment levels are lower than normal. However today the working credit scheme is not seen as particularly effective:

- Credits accrue slowly (just 48 per fortnight for JobSeeker recipients), and have a low cap of $1,000 for most recipients
- The scheme is complex and therefore poorly understood, which directly limits its effectiveness
- Working Credit differs to Income Banks for students on an ISP, and Work Bonus available to pensioners – creating complexity

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2020, Working Credit would be expanded, and more closely aligned to the student payment Income Bank to better incentivise employment and assist in broader economic recovery:

- Rate of accrual would increase from $48 p/f to be the entire Income Free Area each fortnight
- The cap on the maximum number of accrued Working Credits would be expanded to $2,000
- Working Credits would continue to apply only to employment income (as opposed to unearned income)
- For Apprentices on YA(S), their Income Bank arrangements would remain the same, but with an increase in the accrual cap to $2,000
- Students Income Bank policy settings would remain unchanged (accrue all of $437 IFA, max credit balance of 10,900)

Note that YA(o) recipients today have a Working Credit cap of $3,500. These recipients would also have a cap of $2,000 credits moving forward, but with a much faster rate of accrual (maximum credit limit reached after 12 fortnights instead of 21).

To improve recipients' understanding of Working Credits, front-end system changes are recommended to allow recipients to see in their reporting tools how Working Credits will improve their total earnings + income support payment.

Timing considerations

- **Changes to working credit ideally in place by 1 Jul 2021 when temporary changes to IFAs and taper rates cease**
- **Longer implementation timeframe is required due to the complexity of the system and operational changes required. This is particularly so for the front-end system changes to provide new digital tools for recipients to see how Working Credit could impact their payments**

Modelling assumptions

- **Internal DSS costing of this measure**

Financial and volume impacts

Preliminary impact assessment

Estimated FY21-24 net outlays: approx. +385m

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **JSP, PP(p), PP(s) recipients experiencing intermittent employment, due to faster accrual and higher maximum cap**
- **Some YA(o) recipients, due to faster accrual of working credits**
- **YA(s) Apprentices, due to higher Income Bank cap**

Cohorts less well off

- **Some YA(o) recipients who would have accrued working credits up to their previously higher 3,500 cap (but they do receive a faster accrual instead)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk that the additional outlays have minimal impact on recipient behaviours in seeking employment	L	L
Risk that new digital tools for recipients to assess impact on their payments are not well used	L	M

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Household (couple) income test

I3 Household income test

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, there are currently different income testing arrangements for Pension recipients and Allowance recipients. Pension recipients have a income test at the "couple" level, while allowance recipients have a sequential individual income test and partner income test. Arguably the use of a couple income test for pensions aligns with their greater reliance on asset-generated income as opposed to employment income. However the use of a different, sequential income test for allowance recipients bring several challenges:

- The sequential individual + partner income test is inherently more complex to understand and administer than the couple income test;
- The sequential individual + partnered income tests means that households with the same overall income can be treated very differently depending on the distribution of that income between partners
- The sequential individual + partnered income test is less effective at targeting welfare support to the lowest income households, who are at the greatest risk during the COVID-19 period

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, allowance and PPS recipients would be transitioned to a "couple" or "household" income test, with the same policy settings as pensions:

- For singles: An income free area of $174 per fortnight, and a taper rate of 50%
- For couples where only one person is an ISP recipient: An income free are of $308 per fortnight, and a taper of 50%
- For couples where both people are ISP recipients: A shared income free area of $308 per fortnight and a taper rate of 25% each

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Household income test ideally in place by 1 Jul 2021, when most temporary changes are expected to end and Stage Two commences**

Modelling assumptions

- **Impact of household income test yet to be incorporated into the model**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Single recipients, who receive a higher IFA and lower taper rate**
- **Partnered ISP recipients**
- **Recipients with partner earning $0 p/f and not receiving ISP**

Cohorts less well off

- **ISP recipients who are partnered, and their partner earns income, and is not receiving an ISP**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding implications around household income testing may extend implementation timeframes to pass legislation	M	H

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Potential to move to a Combined Couple Income Test

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases

There are currently different income testing arrangements between Pension and Allowance recipients

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source

From: Sequential Income Testing for Allowances and PPS

1. Apply the personal income test to the earned income of the recipient
2. Apply the partner income test to the residual entitlement once the personal income test has been applied
3. The remaining entitlement from both tests is the recipient's entitlement

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests
- × For recipients receiving Rent Assistance or other supplements, individual and partnered income tests can "stack" at various points, creating a 100%+ taper

To: Combined couple income testing for Allowances and PPS

1. Combine the income of the couple
2. Apply the combined income test to the earned income of the couple
3. Where both people receive an ISP, the IFA is shared equally between them

Pros:

- ✓ Simpler: One income test, same as pensions
- ✓ Eliminates "stacking" of individual and partner income test (e.g. when supplements or CRA are payable)
- ✓ Fairer: Achieves same payment regardless of income distribution within household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Couples with just one ISP recipient, and a primary income earner working will typically be worse off
- × Increases financial dependence on the primary income earner

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Backup: Example specific policy settings

For reference

Current policy settings: Sequential

Single Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper
(exceptions for Principal Carer and Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper

$994 income free area for Partner Income
60c taper

More generous sequential test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$174 income free area (each member of a couple)
50c taper

$1,214 income free area for Partner Income (so that Partner Income Test cut-in occurs after JSP cuts out on the Individual Income Test)
50c taper

Combined couple income test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$308 income free area for a couple combined
50c taper maximum for the couple (I.e one recipient on ISP has a 50c taper, both recipients on ISP have a 25c taper each)

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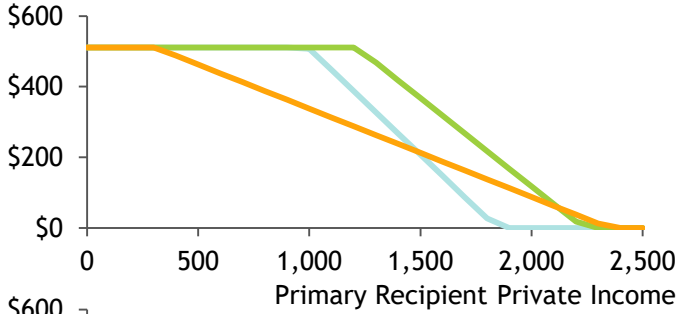
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Example households to consider impact of combined income test

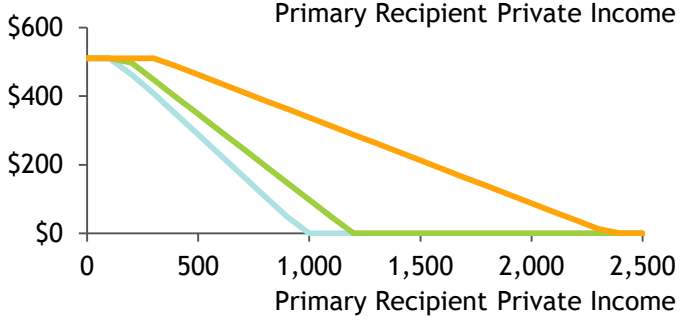
Two partnered Jobseeker recipients: The "Partner" consistently earning $0 p/f, the "Recipient's" earnings variable

Partner Private Income set at $0 p/f

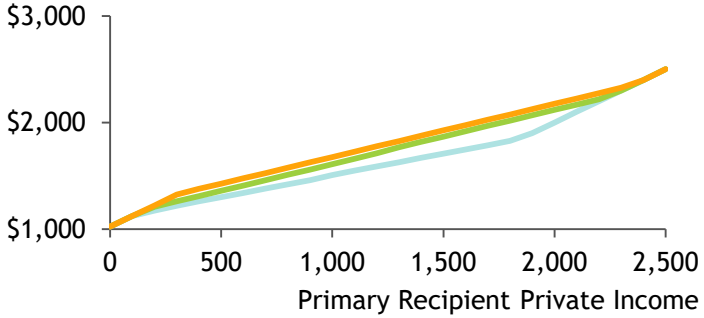
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1800 p/f

Situation under combined test

- Partner's ISP falls earlier, once Primary Recipient earns >$308 p/f
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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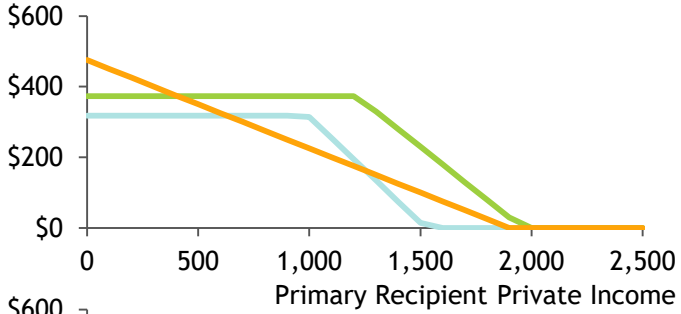
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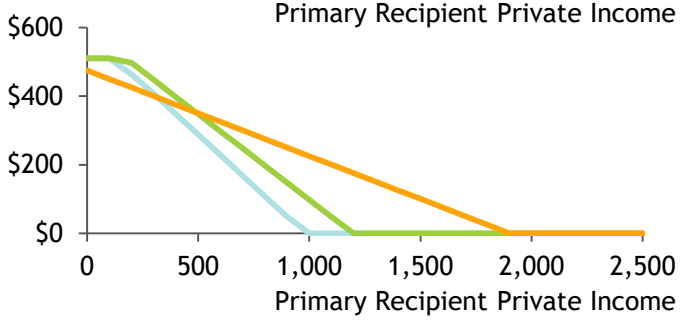
Two partnered Jobseeker recipients: The "Partner" consistently earning $450 p/f, the "Recipient's" earnings variable

Partner Private Income set at $450 p/f

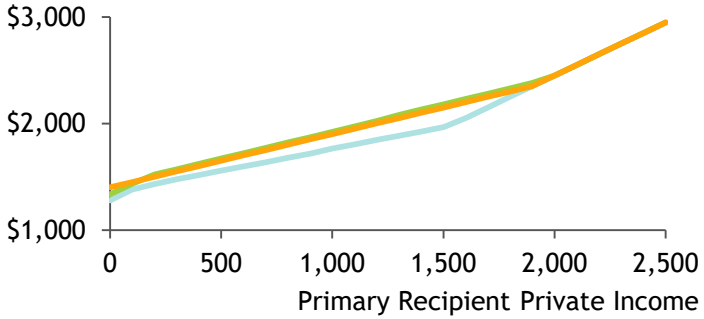
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1500 p/f

Situation under combined test

- Partner's ISP tapers with every dollar earned by Primary Recipient, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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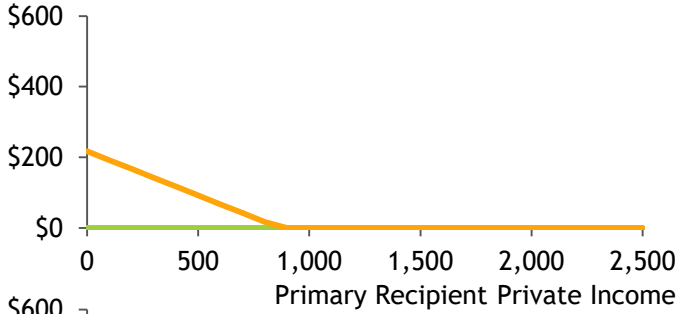
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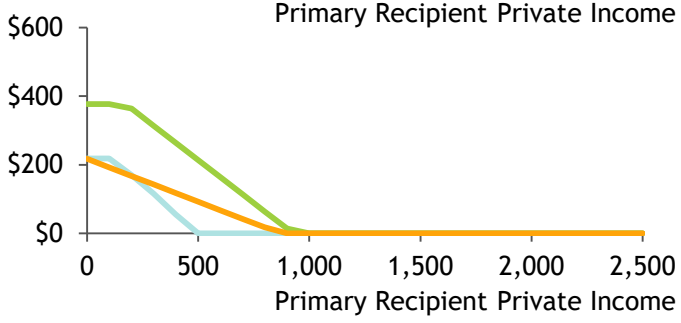
Two partnered Jobseeker recipients: The "Partner" consistently earning $1482 p/f, the "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

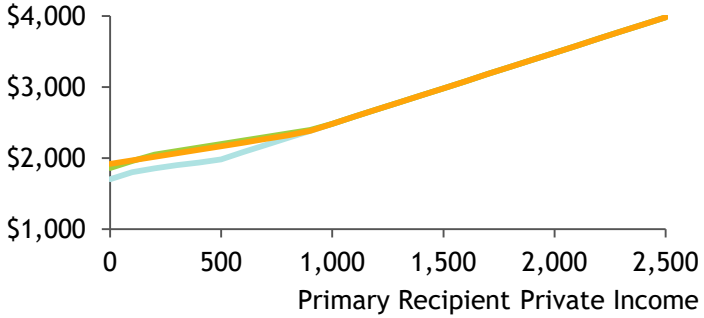
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner is not eligible for ISP as income is too high
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- Partner becomes eligible for an ISP as long as Primary Recipient's private income remains <$850 p/f
- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Primary Recipient better off at most income levels under combined test
- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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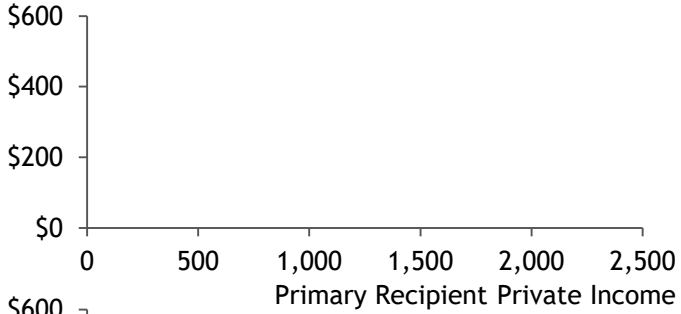
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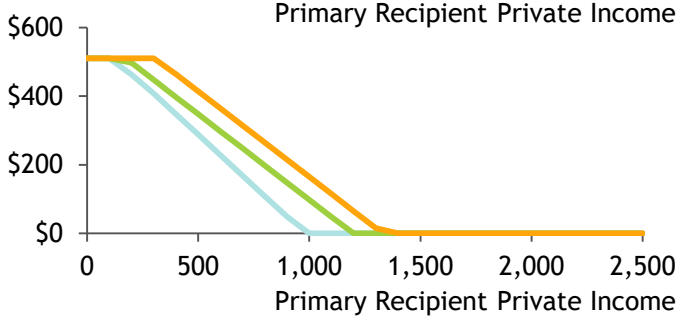
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $0 p/f, "Recipient's" earnings variable

Partner Private Income set at $0 p/f

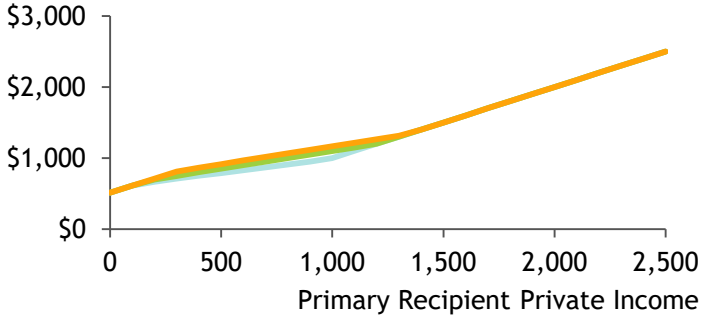
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 50% rather than up to 60%; cut-out increases slightly

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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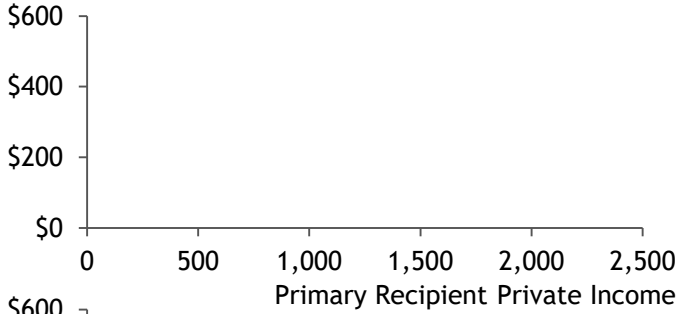
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Example households to consider impact of combined income test

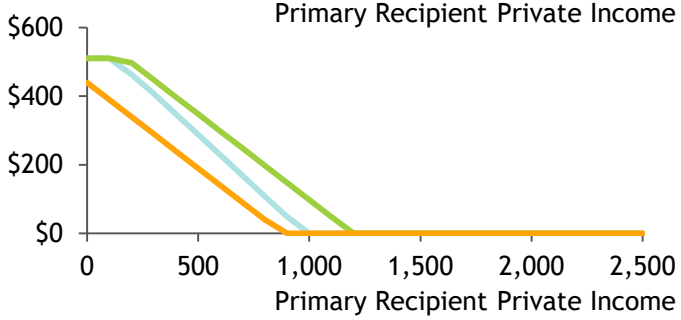
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $450 p/f, "Recipient's" earnings variable

Partner Private Income set at $450 p/f

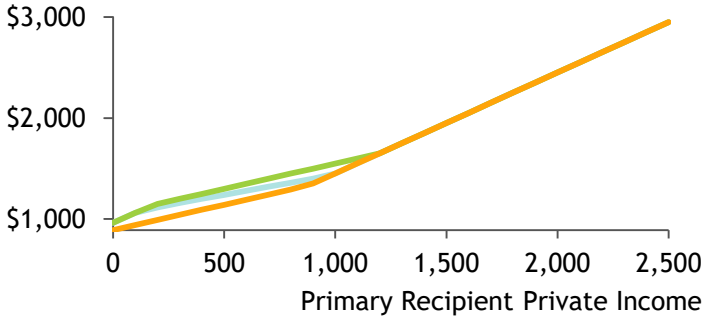
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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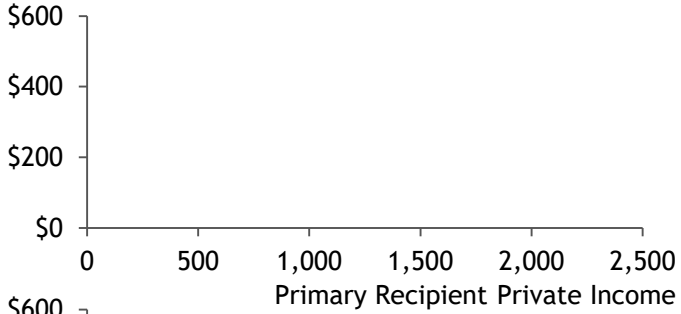
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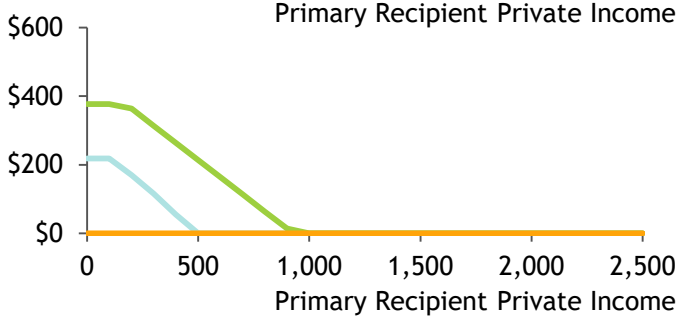
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $1,482 p/f, "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

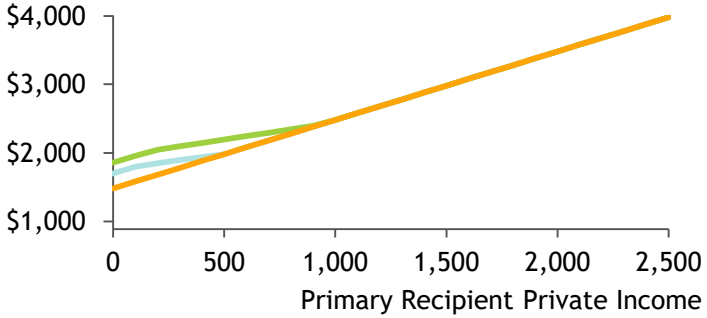
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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Shift MOCA effort towards compliance

S1 MOCA

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

To remove back-end compliance in anticipation of higher claim volumes during C-19, MOCA assessments were self-determined by recipients. The definition of MOCA was also simplified to align de-facto relationships to physical locations ("living together on a genuine domestic basis").

Under the current pathway, MOCA assessments will return in full, under the historical definition, from 25 September 2020 - while recipient volumes are still high, and 150k-350k new claims are anticipated to be received through October/November.

While the definition of MOCA should return to previous, more nuanced settings in order to maintain the integrity of welfare payments, a streamlined approach to assessing and monitoring relationship status offers the opportunity to reduce administrative overhead, improve the citizen experience at the point of claim, and reduce outlays

Potential reform / policy settings

Stage One | Stage Two

Introduce Accuracy Prompts requesting single recipients to update details at point of claim and other touch points with Services Australia. To alleviate strain after 24 September 2020, accuracy prompts can be applied to C-19 recipients and new claims before integrating into business as usual business processes.

Redirect resources allocated to upfront complex MOCA and SUOR assessments to targeted compliance reviews, enabled by predictive analytics. Move towards observable compliance measurements, assed through a predictive analytics model, including markers of financial independence and compliance risk, e.g., tenancy applications, joint ownership of major assets and liabilities. Cross-reference with other datasets where possible, e.g., the ATO and other government payments.

Introduce broad-based periodic self-assessments for all singles on student and working-age payments to allow people to volunteer for their relationship to be reviewed. This will help to decrease strain on MOCA compliance efforts by commencing reviews only in very high-risk and fraudulent scenarios.

Revert to pre-COVID MOCA definition. Retaining simplified definition would have outlay implications, amongst other complications.

Timing considerations

- **Changes to MOCA ideally in place by 25 Sep 2020 to prevent increase in outlays**

Modelling assumptions

- **Internal DSS costing**
- **No changes to partner income distributions and partnered recipient volumes as a result of changes to MOCA compliance**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Streamlined experience for new and existing recipients**

Cohorts less well off

- **Some recipients will continue to be required to respond to targeted compliance interventions**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to deliver accuracy prompts; timeframe may be extended	L	L

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Member of a Couple – Three potential changes from today

Next step: Dig deeper into data on compliance action outcomes on MOCA, cost the potential operational change outlined here

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:
Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:
Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:
Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose not to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Streamline waiting periods: Abolish SWPP

S2 SWPP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support.

Key areas of friction associated with the SWPP today include:

1. The SWPP may act as a disincentive for income support recipients and lower income earners to take up periodic/seasonal work, in high-priority industries such as agriculture, fishing, and construction
2. The SWPP is rarely applied in practice; in FY2018/19, a total of 521 SWPPs were applied. Removing the waiting period would contribute to simplifying the welfare system and save administrative effort during the claims process

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, the SWPP would be abolished for all income support recipients and future claimants. The Liquid Assets Waiting Period would remain in place to provide a waiting period for recipients that have significant liquid assets from recent seasonal work.

This would remove the disincentive for ISP recipients and lower income earners to take up periodic/seasonal work. This would be a modest assistance for the industries which rely on a seasonal workforce: agriculture, fishing, arts, entertainment, and construction.

Note that today a small number of the applied SWPPs are long in duration - e.g. some instances of SWPPs of 2 years for claimants of Carer Payment.

Timing considerations

- **Preferred path would be to abolish the SWPP when extended Coronavirus temporary measures cease - expected to be at 1 July 2021**

Modelling assumptions

- **Internal DSS costing of this measure using administrative data for 2018/19**

Financial and volume impacts

Preliminary impact assessment

Estimated FY21-14 net outlays: approx. +17m

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **~500 recipients per year that currently have the SWPP applied when they apply for an income support payment**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 - may lead to delays	L	M

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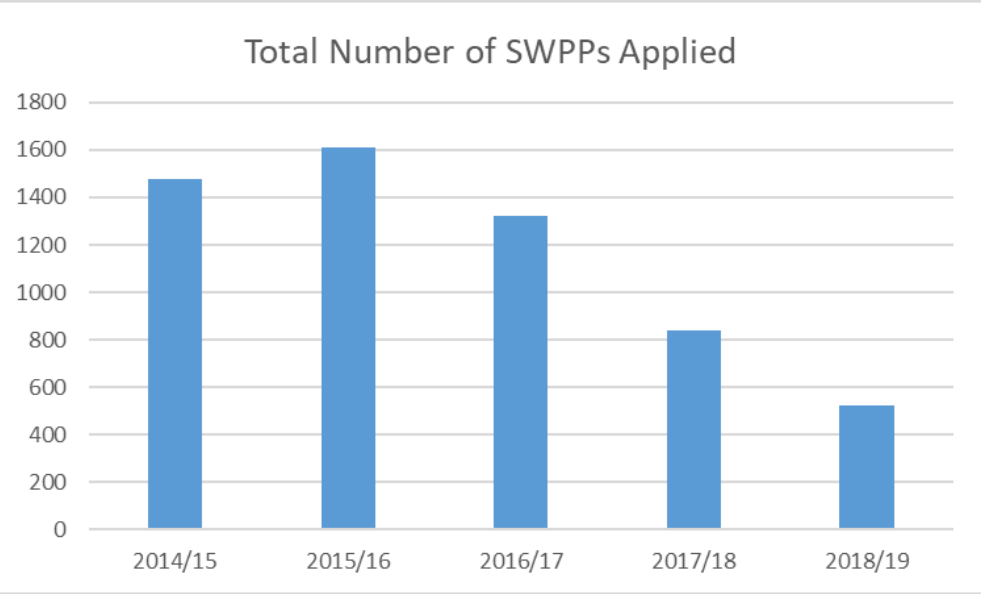
Streamline waiting periods: Abolishing the SWPP

Description:

- The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual & the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in 2018/19 a total of 521 SWPPs were applied



Potential changes

Proposal:

- Abolish the SWPP and instead rely on the LAWP to target support

Rationale for proposal:

- Abolishing the SWPP would remove a disincentive for individuals to take up contract work, and work in the arts and agricultural sector
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work
- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs and Outcomes

- Approximately $17 million over four years based on administrative data for 2018/19
- The removal of the SWPP would simplify administration and significantly benefit a small cohort of individuals

Additional Considerations

- Although rarely applied, SWPPs are often applied for long periods. For example, in 2018/19 the ten SWPPs applied to Carer Payment recipients had an average duration of 581 days (i.e. over $32,000 in income support)
- Consideration could be given to including a seasonal work component in the Income Maintenance Period calculation, however this would risk shifting, rather than reducing, complexity

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Double the nil rate period to 12 fortnights

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The nil rate period incentivises the uptake of work, particularly part-time and irregular casual work, and reduces administrative effort in ceasing and reinstating recipients on welfare as their income fluctuates. The nil rate period acknowledges that recipient incomes may increase and decrease over different fortnights for example through casual or shift work, and enables recipients come back onto payment easily after a period of higher earnings.

The increase in part-time/casual employment, and threat of job insecurity, is increasingly relevant given the current C-19 environment as restrictions ease. An increase in the number of recipients flowing to and from payment within a 6+ fortnightly period is likely, which brings added stress on service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 Sep 2020, the nil rate period would be doubled to 12 fortnights (from 6 fortnights) for all existing and new recipients. Existing conditions applied to the nil rate period remain.

The nil rate period would also be extended to Special Benefit recipients, who currently are not eligible for a nil rate period.

This will provide existing recipients with the assurance that they can easily get back onto payment if their income falls, and provides greater continuity of access to health care and concession cards - further encouraging recipients to accept work when it is available

Timing considerations

- Extended nil rate period to be in place from 25 Sep 2020 onwards to incentivise uptake of paid employment when temporary measures are scheduled to end

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 ((excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Changes to nil rate periods will not incentivise greater uptake of paid temporary work; currently observed income distributions apply

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- All recipients

Cohorts less well off

- None

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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Suggested next steps

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Suggested next steps, for those leading this work

In the next two weeks

1. **Rapidly iterate Stage One costings and policy detail based on feedback from Ministers/Cabinet**

2. **Rapidly detail out implementation activities required from DSS in relation to the 25 September changes, including:**
   - Legislative, regulatory, and policy instrument changes
   - Developing risk-based approaches to required verifications (e.g. Assets Test, rental, and MOCA assessments), to reduce transaction volumes required from Services Australia

3. **Progress policy design for Stage Two, including lift to base rates, changes to income tests, working credit, FTB, consolidating payment types and supplements, mature aged / PCW rate in JSP**

4. **Decide how the model should be taken forward - suggest that an expert modeller be tasked to upkeep the model, and provide it as a service for policy teams to draw on**

5. **That expert modeller to progress the model and interactive dashboard in line with the detailed 'model backlog':**
   - Further integrating unit level analyses (picking up items not possible due to timing of data clearance processes)
   - Building out additional features required for analysis of Stage Two and future policy options (incl. supplement consolidation beyond energy supplement & pharma, FTB changes, couple combined income test, eligibility parameters, sharer rate, indexation changes)
   - Build model feature for claim volumes and waiting periods

In the following two weeks

1. **Commence critical implementation activities for 25 September changes (other than those led by Services Australia), including:**
   - Build predictive model to target initial round of Asset Test compliance interventions
   - Build predictive model and new compliance approach for MOCA, and process for MOCA periodic self-assessments
   - Commission work on improved digital tools for working credit

2. **Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister**
   - Add new features to model if new policy design ideas requested
   - Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
   - Engage Services Australia on possible implementation timing & constraints
   - Ministerial Briefing and Cabinet Submission development

3. **Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:**
   - Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
   - Ability to adjust indexation rules and see cost & volume impacts

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Modelling backlog

No.	Category	Task	Blockers	Effort	Status
1	New feature	Household income test – ability to switch on new income test construct that treats household as single unit	• Policy options to be defined	0.5-1 days	Not started
2	New feature	Member of Couple Assessment – enable [xx]% shift of single claimants to couple rates from Oct ’20 onwards	• Policy options to be defined	0.5-1 days	Not started
3	New feature	Waiting period – ability to implement or waive waiting periods (e.g. extend OWP, LAWP, SWPP waivers and abolish SWPP)	• Bluebook extract: new claims	1-2 days	Work in progress (top-down estimate)
4	New Feature	Working credit – ability to model impact of working credit simplification (e.g. align with income banks)	• Bluebook extract: usage of working credit scheme	1-2 days	Work in progress (top-down estimate)
5	New Feature	Interactions between payments – estimate flow on volume impacts of policy setting changes to any given payment (e.g. JSP to PPP)	• Bluebook extract: historical flows	2-3 days	Not started
6	Update	Family Tax Benefit – refine existing FTB payment feature to handle more detailed policy setting adjustments (e.g. differentiate single parents)	• Policy options to be defined	1-2 days	Not started
7	Update	Income distributions - refresh distributions used to reflect pre-COVID and COVID periods for recipients, partners, parents, families, etc.	• Data clearance process	<0.5 days	Work in progress (request submitted)
8	Update	Supplements – add Program of Work, Telephone Allowance, etc. to existing supplement consolidation feature	• Bluebook extract: supplement volumes	0.5-1 days	Not started
9	Update	Indexation – ability to switch on/off different indices (e.g. align allowances to pension indexation)	• Policy options to be defined	<0.5 days	Not started
10	Update	Independence – add test for Youth Allowance payments (live away from home, partnered currently used as proxy)	• Data on split by YA cohort	0.5-1 days	Not started
11	Update	Pharma Allowance – refine assumptions for fraction of payment cohorts receiving Pharma Allowance with partial capacity to work	• Data on fraction by cohort	0.5-1 days	Not started

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Thank you

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Project Canoe

Phase II – Executive Summary

7 AUGUST 2020

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Agenda for today

Context: Four key stages to C-19 response in welfare system

Stage 1a Further Analysis
- Focus on changes in working-age cohort since Feb 2020
- Note: Further materials available in compendium

Stage 2 Illustrative Options
- Three illustrative packages
- Financial impact
- Deep dive: Lift in base rates
- Deep dive: Personal income test settings

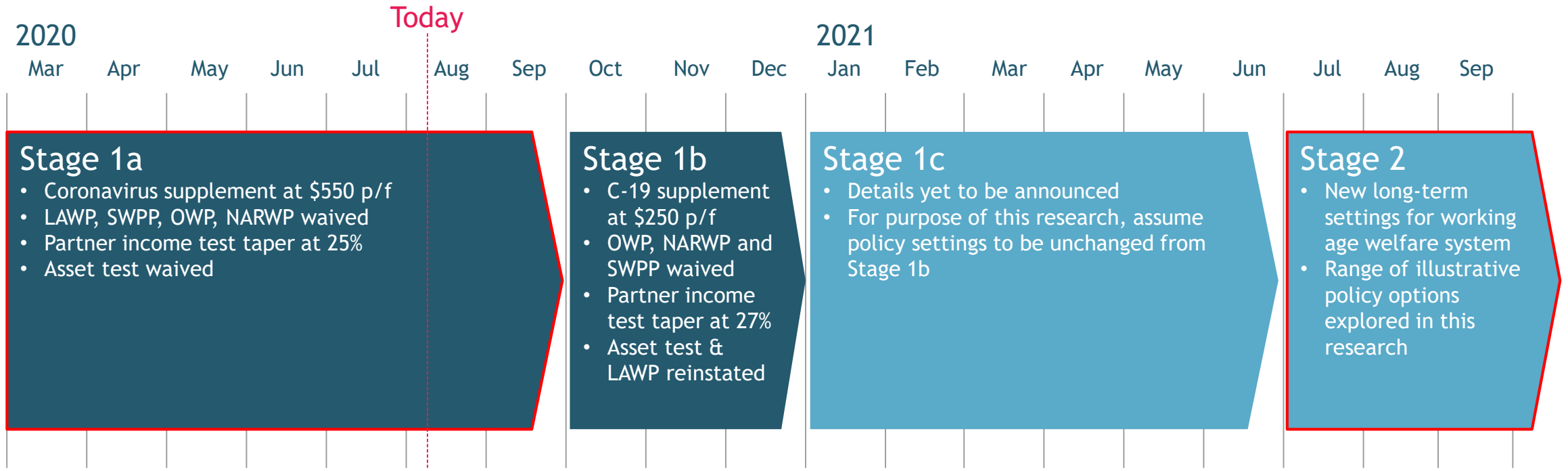
Suggested next steps

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Context: Four key stages to Coronavirus response in the welfare system – this research focused on Stage 1a, and Stage 2



Policy settings decided by government

Policy settings yet to be decided by government

Focus of this research

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Stage 1a: Three key questions posed

1. What are the characteristics of those who have commenced on a working-age payment since February 2020?

Key materials included in this pack

2. How have the working arrangements of working-age welfare recipients changed since February 2020?

3. As the economy improves what is the likely recovery pathway for employment and the welfare system?

Materials in Compendium

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Summary: Stage 1a (I/II)

1

Characteristics of those who have commenced since Feb '20

The number of working age income support recipients has increased by 1m to 2.4m (72% increase) since February 2020. Of these, 80% have commenced on JobSeeker Payment.

The new cohort is younger (50% of jobseekers <35 yo vs 35% in old cohort), **wealthier** (13% with assets >$100k vs 6%) **more likely to be partnered** (36% of jobseekers vs 19%), and **their partners typically earn more** (52% partners of earning $1600+ vs 21% in old cohort)

The new cohort is more heavily weighted toward the major cities (75% of new cohort live in a major city vs 65% previously). The **greatest inflows have come from traditionally disadvantaged areas**, while more affluent areas have seen the greatest relative change in the proportion of population in income support.

Among the new commencements on jobseeker and parenting payments, ~40% have had no prior engagement with the welfare system since 2000, and ~5% have only engaged on student payments. This is distinctly different to the GFC when just 23% of new commencements on jobseeker and parenting payments were entirely new to welfare, with a further 6% having been on a student payment

Segmentation analysis of new commencements suggests four key groups to consider in shaping policy responses. Each group faces different pressures:

- Young, single, no dependents, with limited assets, half with year-12 qualifications or less **(53% of commencements)**
  - Risk of disengagement from labour market if ongoing lack of opportunity in entry-level roles. May benefit from supports for study, training, & entrepreneurship, as well as clear incentives to remain engaged in the labour force
- Older workers 55+, typically with assets to fall back on, and owning a home, 40% with year-12 qualifications or less **(14% of commencements)**
  - Risk of challenges in reskilling/retaining to find new work, may benefit from intensive supports, particularly those without higher ed or tertiary qualifications
- Young & middle aged parents, typically modest assets, often own a home if partnered, typically higher ed/tertiary quals **(14% of commencements)**
  - Pressure from parenting responsibilities under social distancing, single parents particularly vulnerable (85% female), mortgage pressure among homeowners. May benefit from differentiated approach to mutual obligations and social supports
- Young and middle aged couples with no dependents, typically moderate assets, higher ed or tertiary qualifications, many owning a home **(19% of commencements)**
  - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals come to an end

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Summary: Stage 1a (II/II)

2 *Changes to working arrangements since Feb '20*

Compared to February 2020, Jobseeker recipients are receiving more income while on welfare (23% receiving income in June vs 19% in February), noting that this is not explained by JobKeeper alone, since **working hours also increased** (23% of jobseekers reported working hours in June vs 19% in Feb). This increase was greatest among young jobseekers aged under 30 (23% earning income in June vs 16% in Feb)

In contrast, recipients of parenting payment and student payments have seen decreases in earned income and hours worked

As at 30 June 2020, 187k recipients were on nil-rates. Estimates suggest that **~75k of those would likely return to welfare** payments as JobKeeper is phased out

3 *What should we be expecting to see during recovery?*

For the near term, this research has assumed that ~150k additional recipients will start receiving a working-age income support payment in Q4 2020 as JobKeeper scales down and triggers further job losses. This may be higher given the recently announced Stage 4 lockdown in Victoria

Observation of the recovery pathway in the 1991 recession and GFC suggests that **40% - 80% of new working age ISP recipients may remain in the welfare system** over the medium term, with older workers being over-represented in this "sticky" cohort, even as jobs growth in the economy resumes

Observation of the 1991 recession and GFC also indicates we should anticipate **substantial numbers of payment transfers from jobseeker payments to student payments from 2021 onwards** for several years

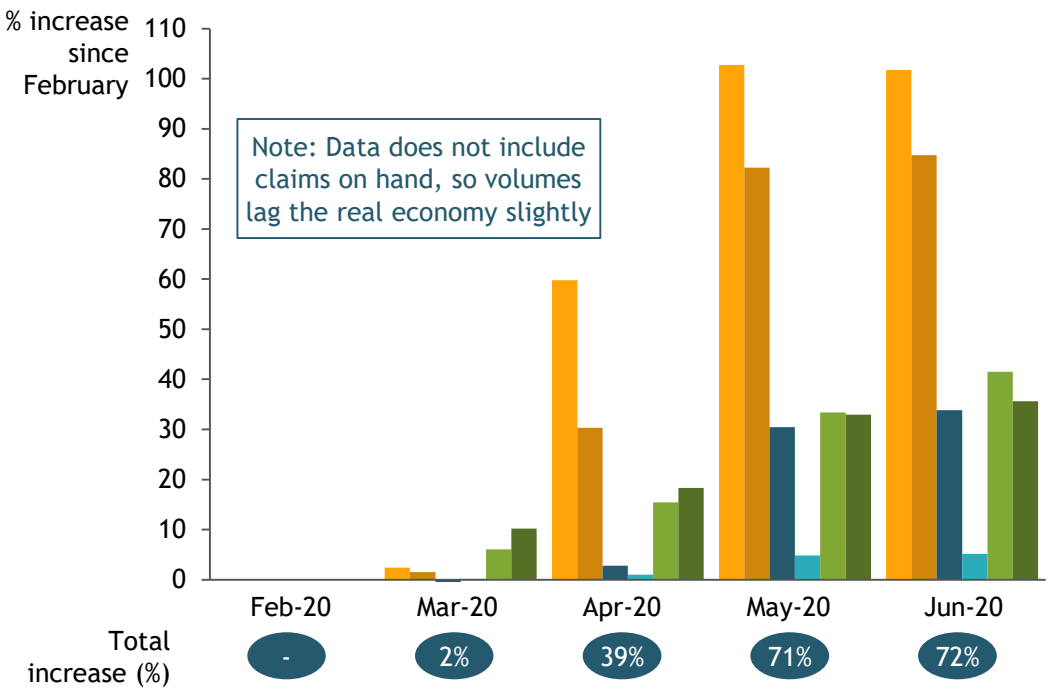
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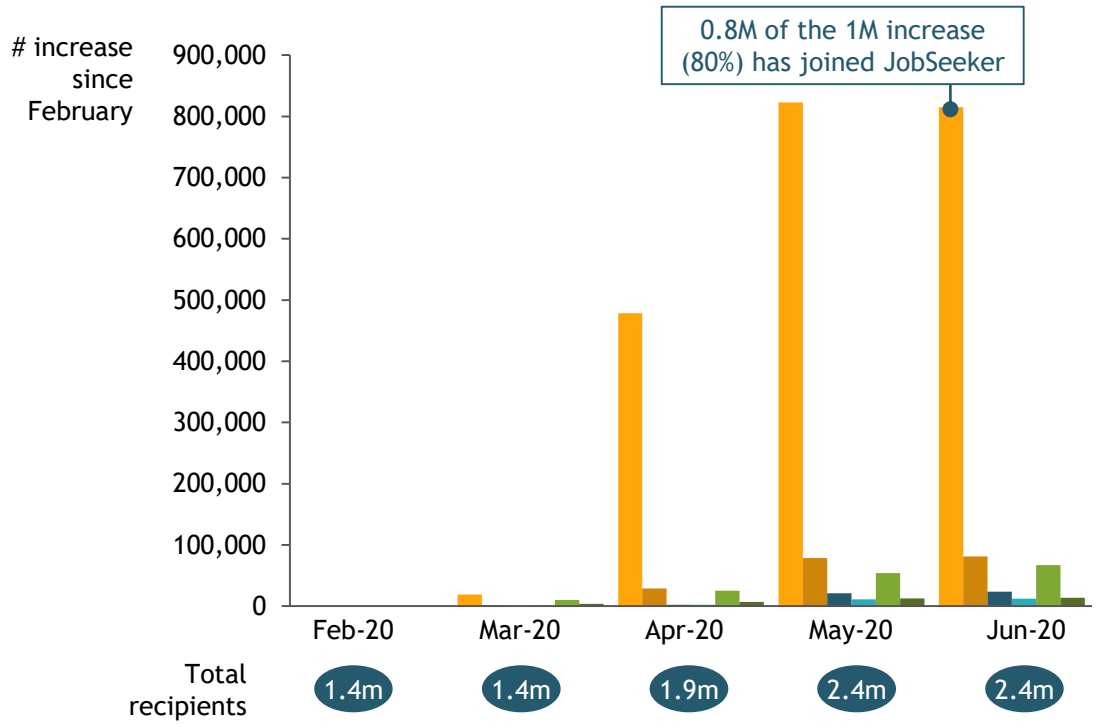
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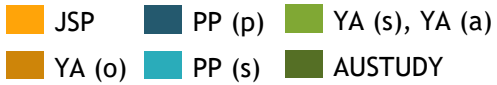
Overall, the number of working age welfare recipients has increased by 72% since February, with 80% of new entrants joining JobSeeker

Working-age ISP recipients increased 72% since Feb '20, with biggest % increases in JSP & YA(o)



Of those new entrants, 80% have been on JobSeeker





Note: Does not include pending claims, shows actual recipients on ISP at the point in time; includes nil-rate recipients
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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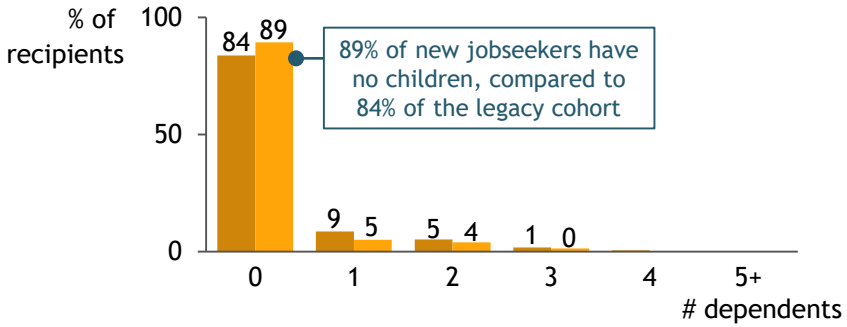
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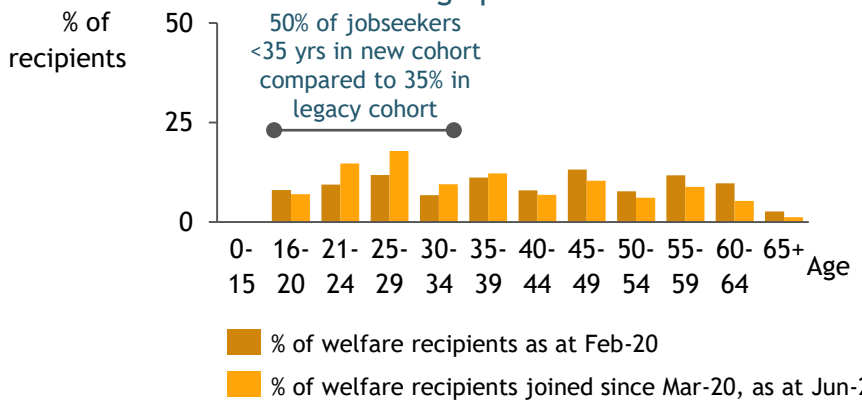
The new cohort is typically younger, with fewer children, particularly among jobseekers

Jobseekers

Number of dependent children[1]

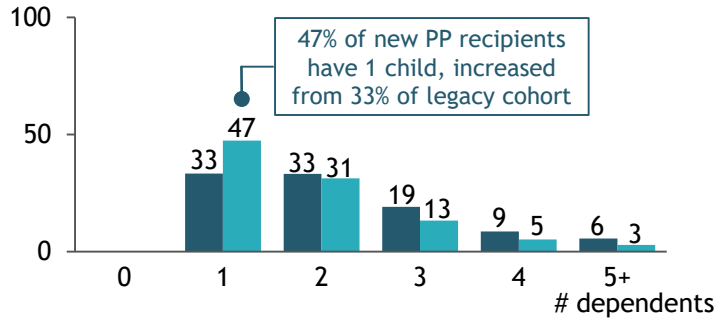


Age profile

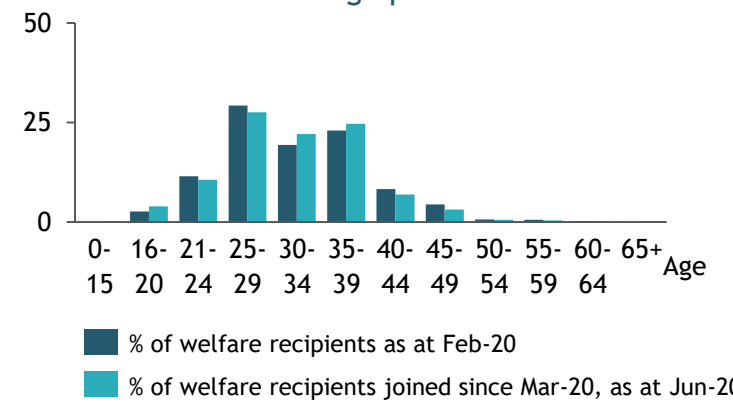


Parents

Number of dependent children[1]

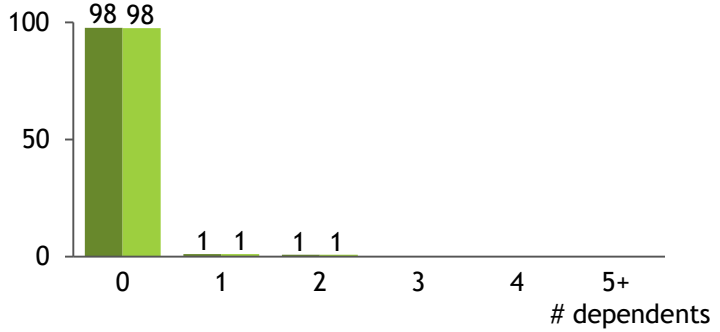


Age profile

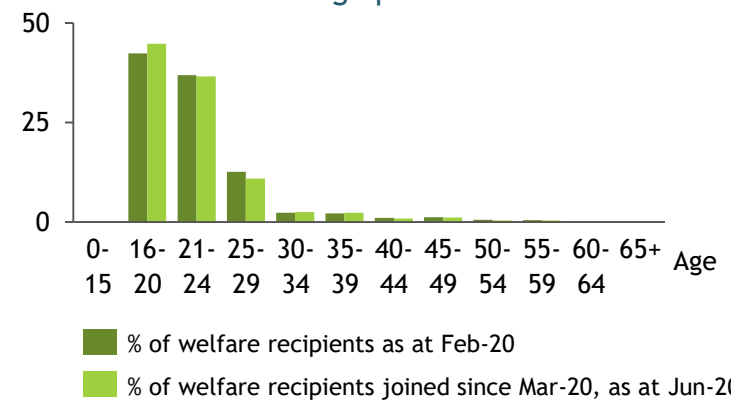


Students

Number of dependent children[1]



Age profile



1. Number of dependents taken as the maximum of dependent children, primary carer children and family tax benefit children
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

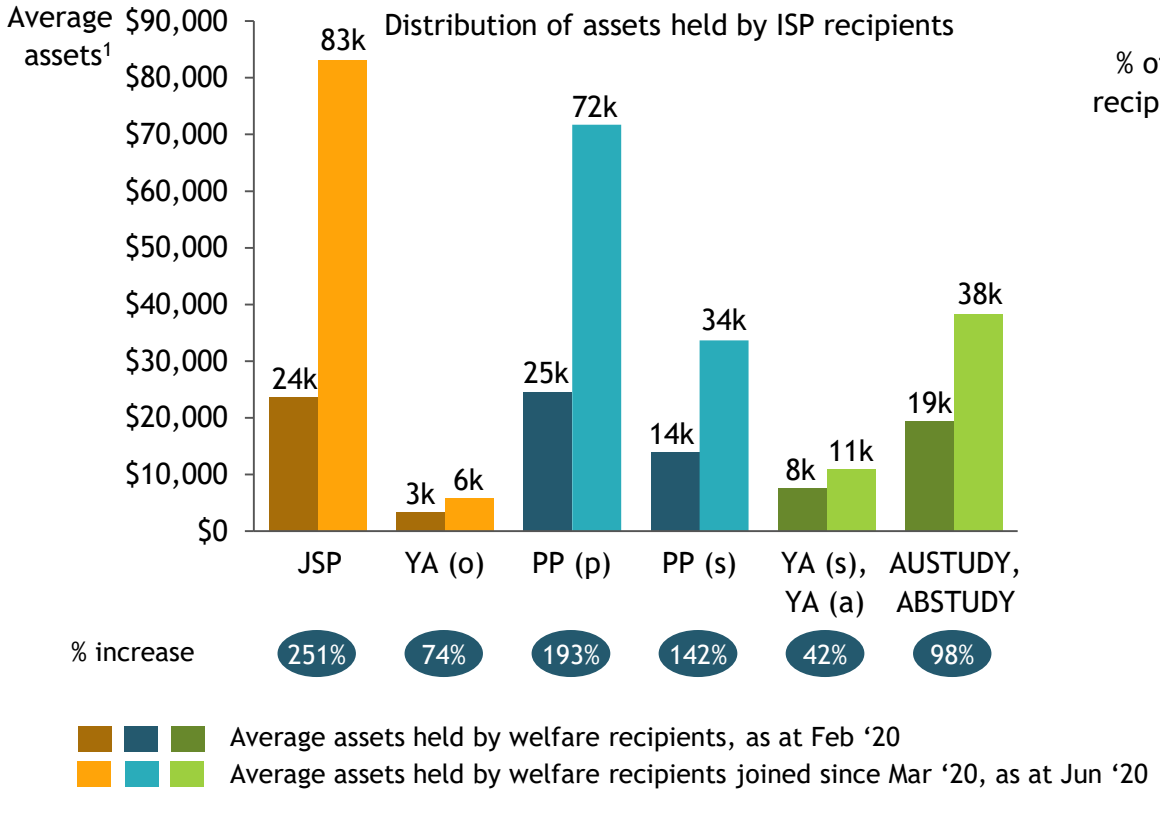
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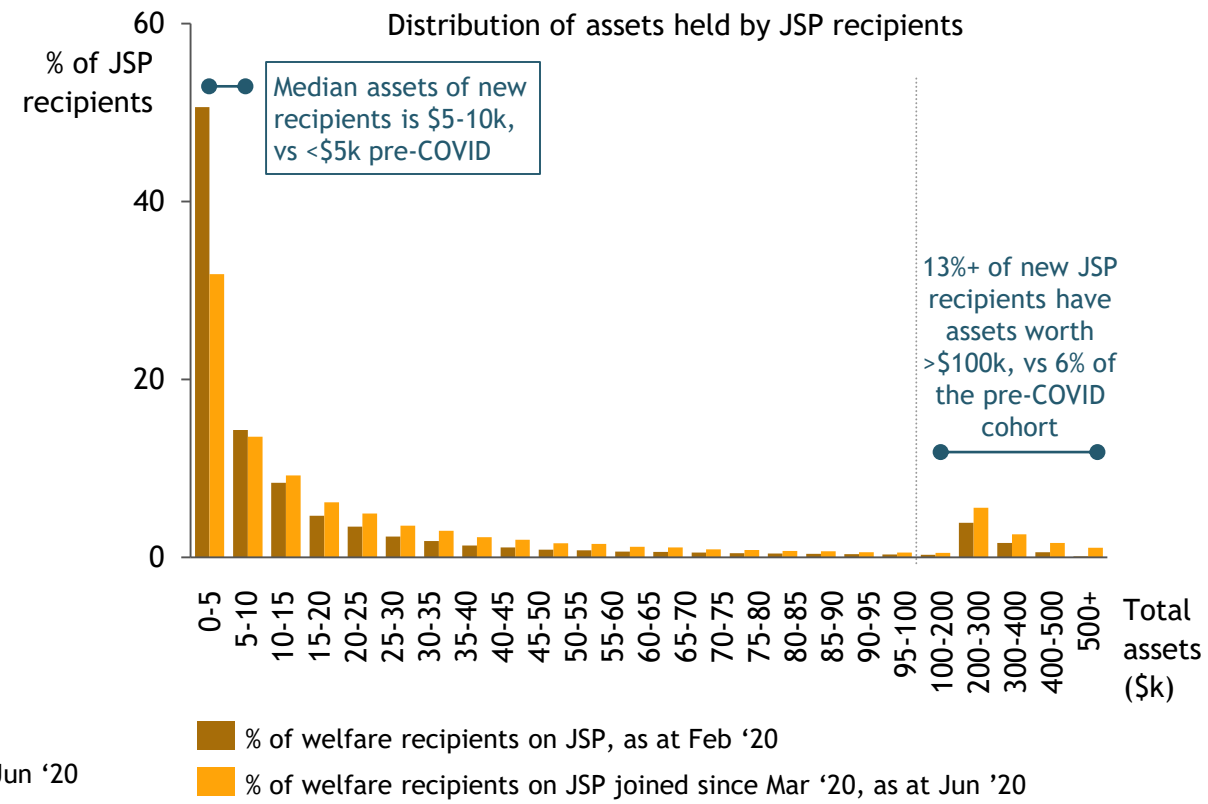
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New welfare recipients are on average wealthier, with the largest increase in assets among JSP and PPP recipients

There has been an increase in average (mean) assets held, particularly in JSP and PPP…



…Although this increase is partly driven by those with very high assets (>$100k)



1. Average assets is an approximation calculated using the midpoint of each asset bracket
Note: 20 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

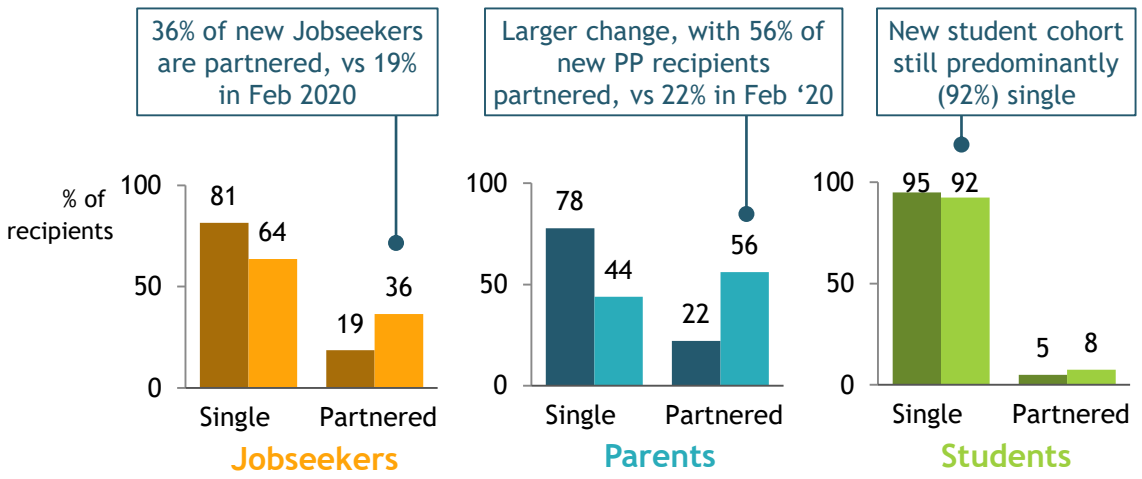
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New welfare recipients are more likely to be partnered, and with higher-earning partners, compared to the legacy cohort

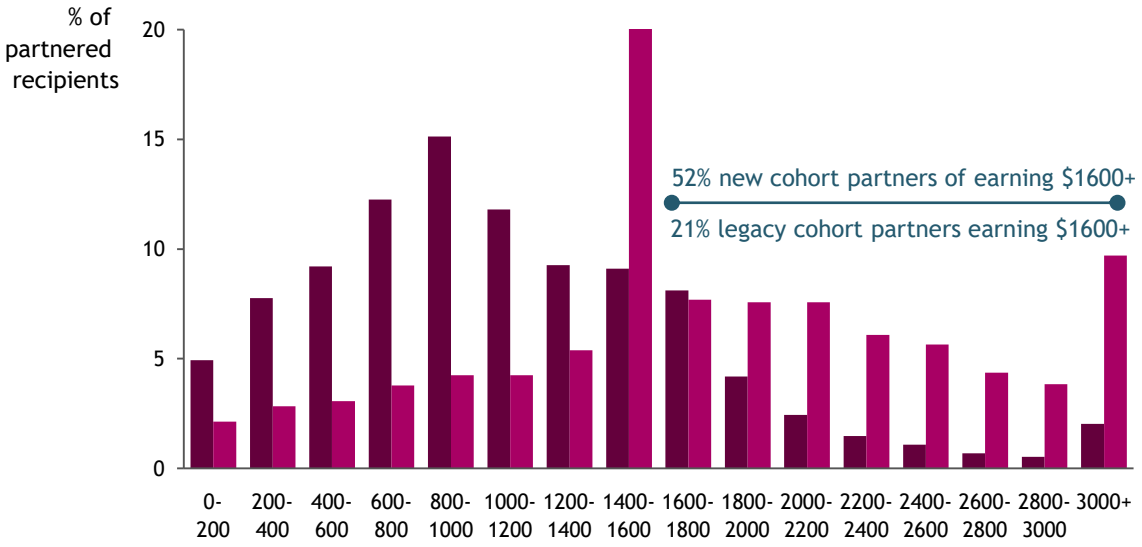
New cohort are more likely to be partnered, across jobseeker, parenting, and student payments…



Relationship status of welfare recipients, as at Feb 2020

Relationship status of welfare recipients joined since Mar 2020, as at Jun 2020

…and partners of the new cohort are typically higher earning



Earnings of partners of welfare recipients, as at Feb 2020

Earnings of partners of welfare recipients joined since Mar 2020, as at Jun 2020

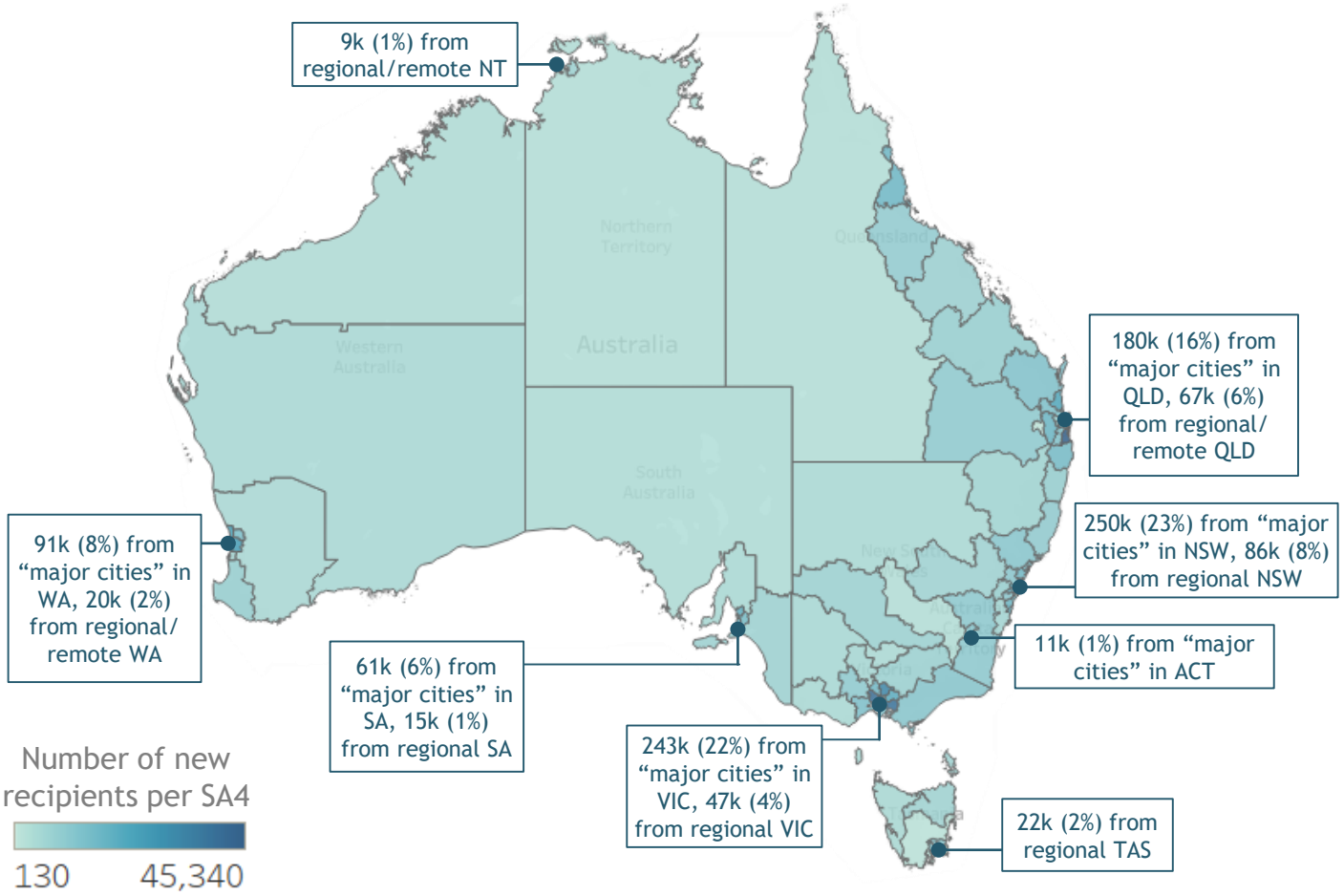
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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The majority of new entrants live in Australia's major cities (75%), not regional or remote areas (25%)



Overall key figures

Location	# recipients Feb '20	% of total Feb '20	# new entrants	% of total new entrants
Major Cities	867k	66%	836k	75%
Regional Australia	425k	32%	257k	24%
Remote Australia	24k	2%	8k	1%
Total	**1,316k**	**100%**	**1,101k**	**100%**

Within Major Cities:
- 640k (77%)of the new recipients live in a capital city
- 195k (23%) live in other major cities in Australia (e.g. Gold Coast, Geelong, Newcastle)

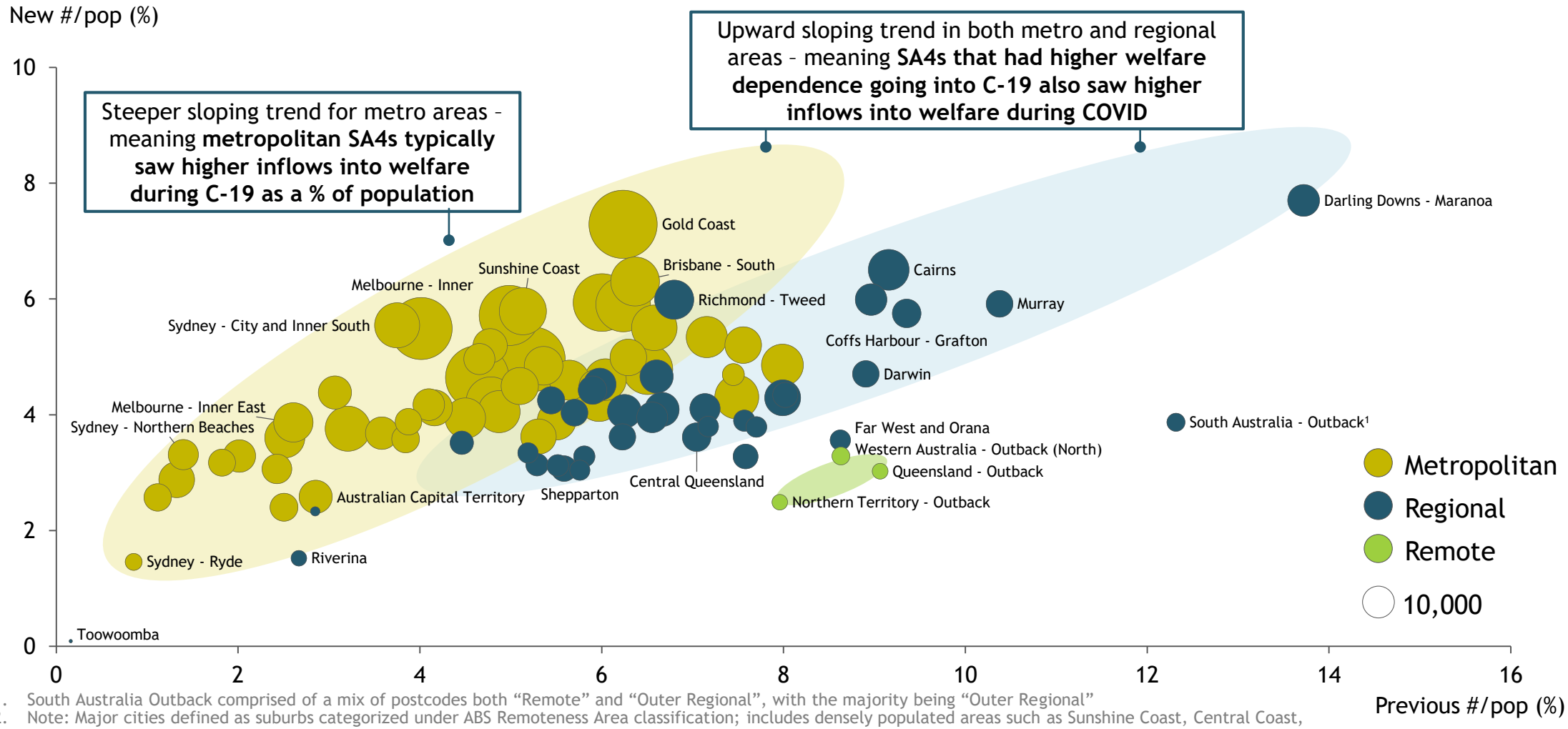
Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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High levels of disadvantage pre-COVID correlates with a high proportion of new ISP entrants, with metropolitan areas worse off than regional and remote areas



1. South Australia Outback comprised of a mix of postcodes both "Remote" and "Outer Regional", with the majority being "Outer Regional"
2. Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

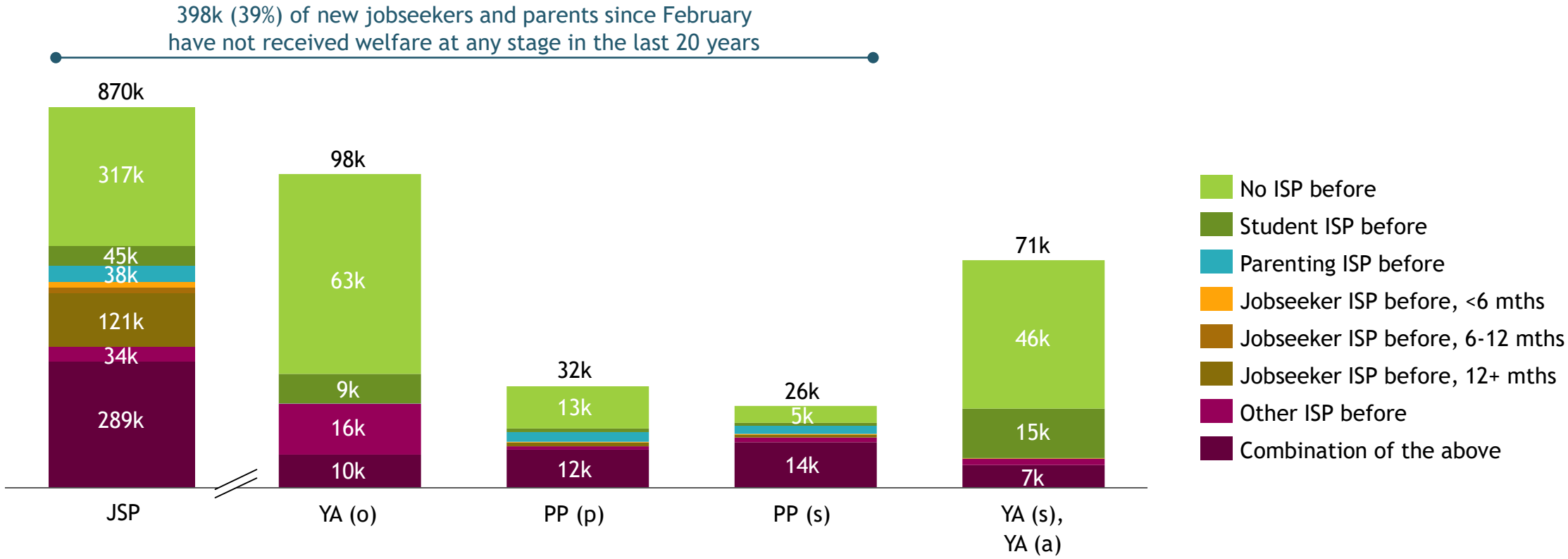
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Almost 40% of new jobseekers and parents have not received welfare in the last 20 years, a further ~5% have been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 28 February 2020, as at 3 July 2020



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 28 February 2020, 3 July 2020; Project analysis

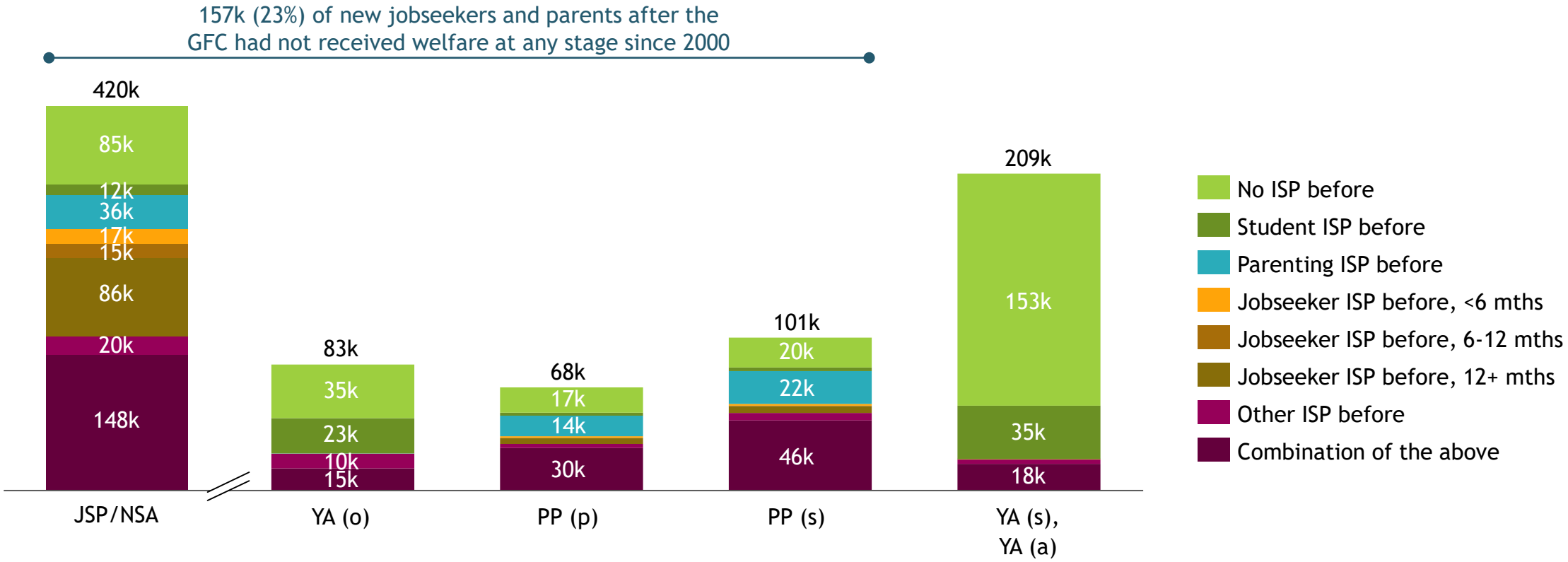
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In GFC, only 23% of new jobseekers and parents were new to income support, a with a further ~6% having been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 27 June 2008, as at 10 March 2010



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 27 June 2008, 10 March 2010; Project analysis

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Overall, four potential archetypes for the new cohort emerge, who likely have differentiated needs…

Further segmentation deep dives available in Compendium

Australia

		18-29	30-54	55+
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)

1. **Young, single, no dependents, with limited assets, half with year-12 quals or less (53% of new entrants)**
   - Potential risk of "scarring effect" from period of unemployment at a young age
   - Exposed to risk of "young person" industries being slower to recover from COVID[2]
   - May benefit from extra training, study and entrepreneurial opportunities, as well as clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

2. **Older workers 55+, with assets to fall back on, and typically own a home, 40% with year-12 qualifications or less (14% of new entrants)**
   - Risk of challenges in reskilling/retaining to find new work
   - May benefit from intensive supports, particularly those without higher ed quals[1]

3. **Young & middle aged parents, typically with modest assets, often own a home if partnered, typically with higher ed or tertiary quals (14% of new entrants)**
   - Likely to experience pressure from parenting responsibilities under social distancing, with mortgage pressure among homeowners after deferrals end
   - Single parents (85% female), likely more vulnerable than those with partners
   - May benefit from differentiated approach to mutual obligations, employment services, and social supports

4. **Young and middle aged couples with no dependents, typically with moderate assets, many owning a home (19% of new entrants, 73% of those aged 30-54)**
   - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals & rent waivers come to an end
   - May benefit from clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

1. Note successful examples of reskilling older workers from the automotive industry following closure of Holden, Ford and Toyota manufacturing facilities 2. E.g. hospitality, tourism, domestic and personal services
Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS data; ABS data; Project analysis

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Stage 2: Three illustrative reform packages

Payment types
Rates
Incentives
Service delivery

Minimal Reform

- Lift Allowance payment rates by $150 pf, and abolish 11 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES — $7.2b p.a[2]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.

Alternative approach to rate lift: *Increase of $150 p/f for singles and $130 for couples in most categories, smaller increases for those on highest tier rates (e.g. lift of $25 p/f for PPS) and youth at home rates ($80 p/f)*

This option is adopted in Mid-level Reform and Broad Reform packages

Deep dive in this pack

Mid-level Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers
  And abolish 11 supplements for allowance recipients (as shown under Minimal Reform) — $6.4b p.a[2]
- Broaden existing mid-tier JSP rate for >60 year olds, by removing 9 mth on payment requirement[3] — $20m p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Broad Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers, and:
  - Abolish the 11 supplements for allowance recipients
  - Merge under 18 rates into broader youth rates
  - Abolish higher student rates for long term ISP recipients — $6.4b p.a[2]
- Broaden existing mid-tier rate in JSP to all aged >60, and all PCW assessed at <15 hrs/week by a GCD[6] — $275m p.a.
- Move all single parents onto a single (mid tier) rate of payment, regardless of child's age[4] — ($395m) p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Note 1: All outlays figures are modelled based on FY22 delta to Current Path.
Note 2: Of the 11 supplements proposed for removal, we have not modelled costs for Essential Medical, Fares, Training, Education Entry
Note 3: Removing 9 month requirement results in ~2.5% transfer of JSP single, no child. Broadening to include PCW <15 hours results in ~30%
Note 4: Current recipients of PPS would be grandfathered. Delta calculated assuming base rate increase
Note 5: No outlays costed for shift to PBLCI under the budget rules. In actual cash terms, expect add'l $55m p.a. in FY22
Note 6: Government Contracted Doctor (GCD)
Source: DSS Data, Project analysis

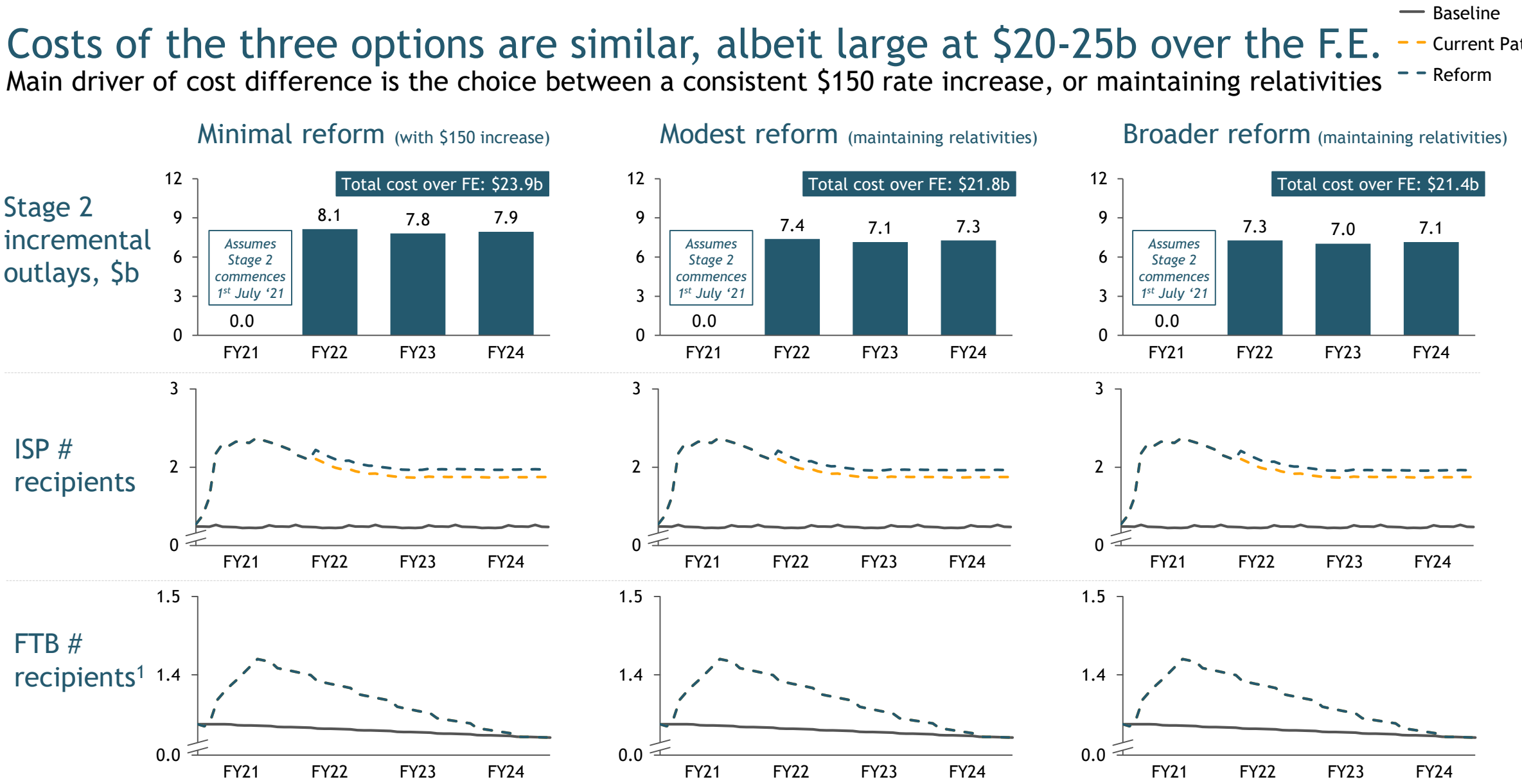
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Costs of the three options are similar, albeit large at $20-25b over the F.E.

Main driver of cost difference is the choice between a consistent $150 rate increase, or maintaining relativities



1. Adjusts for recipients receiving both FTB-A and FTB-B to avoid double counting.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single), PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B); Outlays calculated as incremental to Current Path

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Deep Dive: Seven decisions within the option to lift base rates

	1 Lift basic rates by $150 pf, and $25 pf for PPS and JSP PCs	2 Lift partnered and youth-at-home by lesser amounts?	3 Absorb supplements into the rate lift?	4 Include minor adjustments to align similar rates?	5 Absorb <18yo rates into <22yo youth rates?	6 Cease higher student rates for long-term recips?	7 Grandfather recipients that would be worse off
Description	Lift payment rates for all allowances by $150 pf, except PPS and JSP Principal Carers, who receive $25 pf	Provide lesser increases for partnered recipients ($130 pf), and youth living at home ($80 pf)	Absorb 11 specific supplement types into the rate lift, reducing the net increase for some recipients[1]	Lift specific youth and student rates by slightly more than $150 in order to align them with their JSP equivalent: • Single w. child (+$6 extra) • Partnered w. child (+$3)	Absorb <18 year old rates into <22 year old rates for JSP and Youth Allowance	Currently long-term ISP recipients receive a higher student rate, effectively set as what they would receive if they remained on JSP/YA(o). This would end that feature	Grandfather all recipients who are worse off. Depending on the broader policy options chosen, this could include some/all PPS and JSP PCP recipients[2]
Policy rationale	• Modest step-down from $250 C-19 supplement • Smaller rise for PPS & JSP PCs appropriate given current higher rate • Closes gap that has grown between allowances & pensions	• Maintains relativities between single vs partnered rates • Maintains relativities between youth-at-home and other rates	• Captures opportunity to simplify the welfare system afforded by the broad rate lift • Many of the supplements now outmoded (e.g. telephone allowance)	• Simplifies the overall rate structure by aligning these youth and student rates with their jobseeker counterparts • Helps ensure people in similar circumstances receive same support	• Simplifies the rate structure for allowances, by having fewer different rates	• Current approach is the wrong way to encourage long-term ISP recipients to invest in their education (and may encourage taking up low-value courses)	• Grandfathering recipients that are worse off is appropriate/ equitable and supports balance in the reform package • Ensures no one has an immediate reduction in income support
Drawbacks, sensitivities	• Delivers a further step-down in payment levels, following the $550 supplement, then the $250 supplement • Base rate lift will increase cut-out under personal income test	• Different levels of rate lift makes it harder to communicate the package, and makes the significant lift in welfare support less clear	• Reduces extent to which welfare is targeted according to need • Approx. 19k recipients would be worse off (Some PPS and JSP PCs, given they receive only a $25 p/f rate increase)	• A (relatively modest) increase in outlays to achieve this simplification objective	• Reduces the extent to which welfare support is targeted according to need • Would deliver a particularly large one-off rate increase for <18s	• Without a parallel measure that encourages further education among long term ISP recipients, recipients may remain on unemployment benefits for longer	• Increases complexity of the welfare system during the transition phase

1. Supplements explored for absorption into the rate increase include: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES 2. In Broad Reform, all PPS recipients would move to a slightly lower rate of payment unless grandfathered. In other reform packages only the PPS recipients who receive more than $25 p/f in supplements would be worse off and benefit from grandfathering

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Backup: Four example rate cards have been developed

Rate Cards	1 Lift basic rates by $150 pf, $25 pf for PPS & PCs	2 Lift partnered & youth-at-home by lesser amounts?	3 Absorb supplements into the rate lift?	4 Include minor adjustments to align similar rates?	5 Absorb <18yo rates into <22yo youth rates?	6 Cease higher student rates for long-term recips?	7 Grandfather recipients worse off
Minimal reform, consistent $150 p/f increase JSP YA(o) PPP PPS YA(o) ASY	✓		✓	✓			✓
Minimal reform, maintaining relativities JSP YA(o) PPP PPS YA(o) ASY	✓	✓	✓	✓			✓
Mid-level reform, maintaining relativities JSP ASY	✓	✓	✓	✓			✓
Broad reform, maintaining relativities JSP ASY	✓	✓	✓	✓	✓	✓	✓

See appendix

See next slides

1. Supplements explored for absorption into the rate increase include: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES 2. In Broad Reform, all PPS recipients would move to a slightly lower rate of payment unless grandfathered. In other reform packages only the PPS recipients who receive more than $25 p/f in supplements would be worse off and benefit from grandfathering

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Backup - Rate Card: Broad Reform, maintain relativities (Jobseekers & Parents)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25
	Single, with dependent child	160,000	$612.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150
	Single, no children	909,000	$565.70	+$150
	Partnered, with or without children	497,000	$510.80	+$130
Parenting Payment	Single, with child <8	242,000	$790.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150
	Partnered, with child <6	500	$510.80	+$130
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25
	Single, with dependent child	500	$606.00	+$156
	Partnered, with child	1,500	$507.90	+$133
	Partnered, no children	5,500	$462.50	+$130
	Single, over 18 years, away from home	52,000	$462.50	+$150
	Single, over 18 years, at home	101,000	$304.60	+$80
	Single, under 18 years, away from home	4,500	$462.50	+$150
	Single, under 18 years, at home	7,000	$253.20	+$131

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$815.10
Mid Tier Rates		
Single, dependent child	400,500	$762.00
Single, aged >60, or with a partial capacity to work (14 hrs or less)	137,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	845,000	$715.70
Partnered, with or without children	497,500	$640.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$640.80
Partnered, no children	5,500	$592.50
Single, no children, away from home	56,500	$612.50
Single, no children, at home	108,000	$384.60

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Backup - Rate Card: Broad Reform, maintain relativities (Students)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$606.00	+$156
	Single, no children	25,000	$462.50	+$150
	Partnered, no children	3,000	$462.50	+$130
	Partnered, with children	5,000	$507.90	+$133
	Single, no dependent children, long-term[1]	6,500	$561.90	+$51
	Partnered, no children, long-term[1]	500	$507.90	+$85
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156
	Single, under 18 years, at home	2,500	$253.20	+$131
	Single, over 18 years, at home	129,000	$304.60	+$80
	Single, under 18 years, away from home	5,000	$462.50	+$150
	Single, over 18 years, away from home	84,000	$462.50	+$150
	Partnered, no children	5,500	$462.50	+$130
	Partnered, with children	500	$507.90	+$133
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$10
	Single, living away from home, long-term[1]	2,000	$561.90	+$51
	Partnered, no children, long-term[1]	200	$507.90	+$85

Proposed

Rate	Vol	Amt
Top Tier Rates		
Mid Tier Rates		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates		
Partnered, with children	5,500	$640.80
Partnered, no children	9,200	$592.50
Single, aged 25+, no children	31,500	$612.50
Single, aged 16-24, no ch'n, away from home	91,000	$612.50
Single, aged 16-24, no children, at home	132,500	$384.60

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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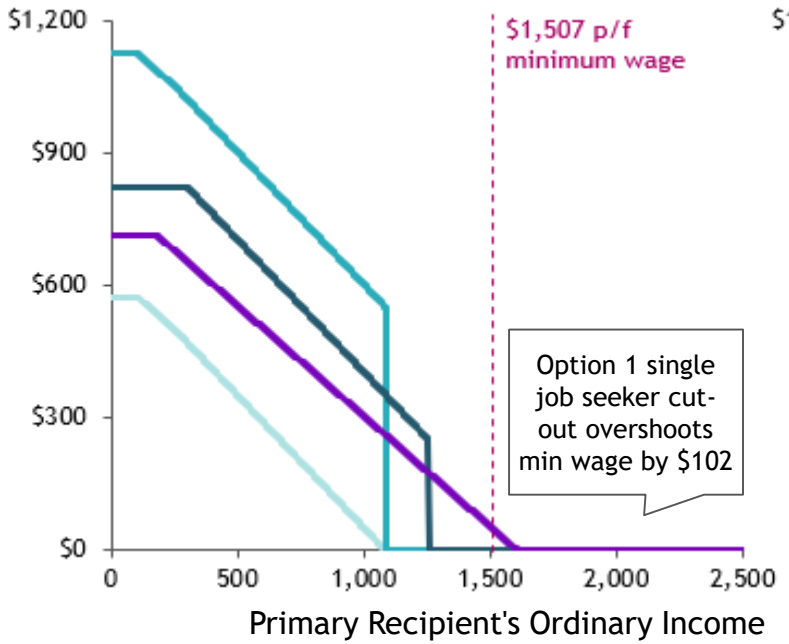
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Deep Dive: Three options considered for Personal Income Test in Stage 2

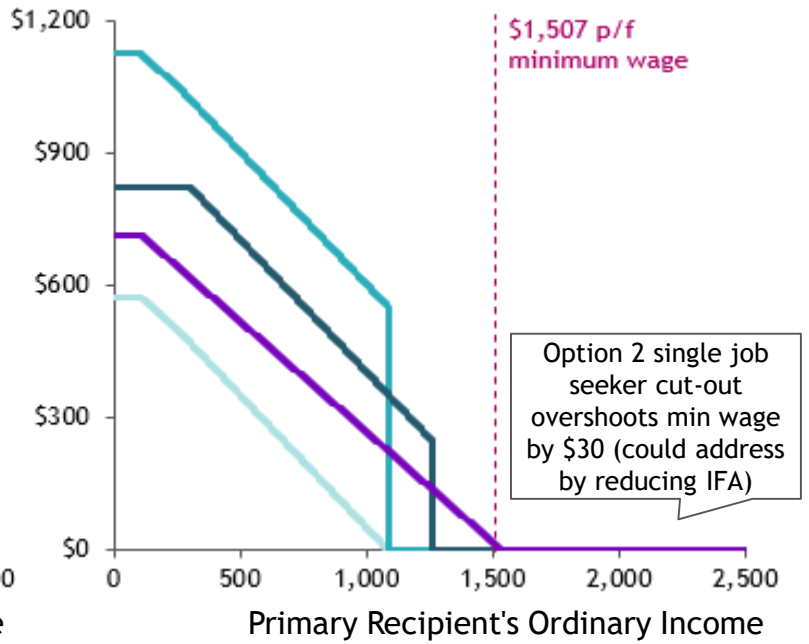
Preferred

1 Align with pensions: $178 IFA, 50% taper



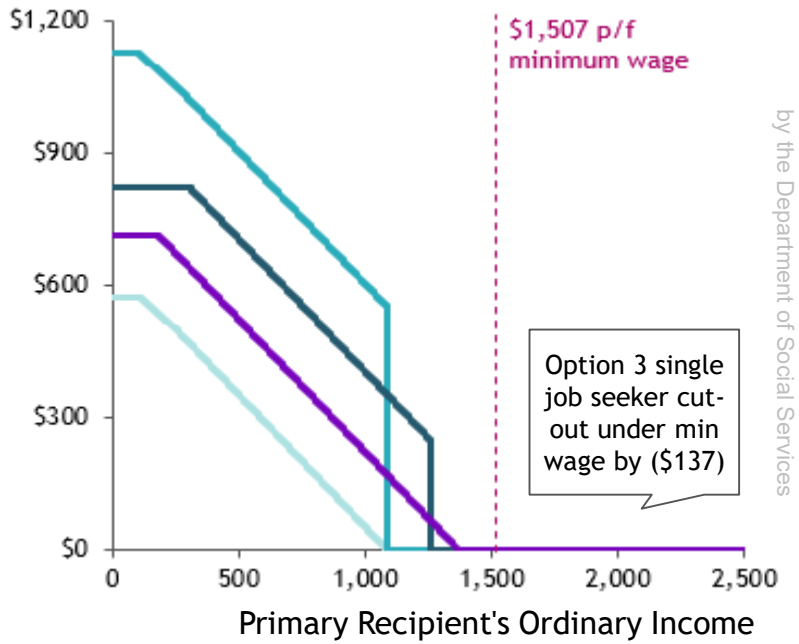
- ✓ Simplifies welfare system
- ✓ Strengthens reward for work
- ✗ Cut-out for single jobseeker doesn't overshoot minimum wage

2 Reduced taper only: $106 IFA, 50% taper



- ✓ Simplifies welfare system
- ✓ Strengthens reward for work
- ✓ Cut-out for single jobseeker doesn't overshoot minimum wage

3 Increased IFA only: $178 IFA, 60% taper



- ✓ Simplifies welfare system
- ✗ Strengthens reward for work
- ✓ Cut-out for single jobseeker doesn't overshoot minimum wage

Note: All scenarios shown assume no supplements being received

- Pre-COVID payment rate and income test
- From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1165 & 27% taper
- Post 30 June 2020, rate increase of $150, $178 IFA, 50% taper, 50% partner taper

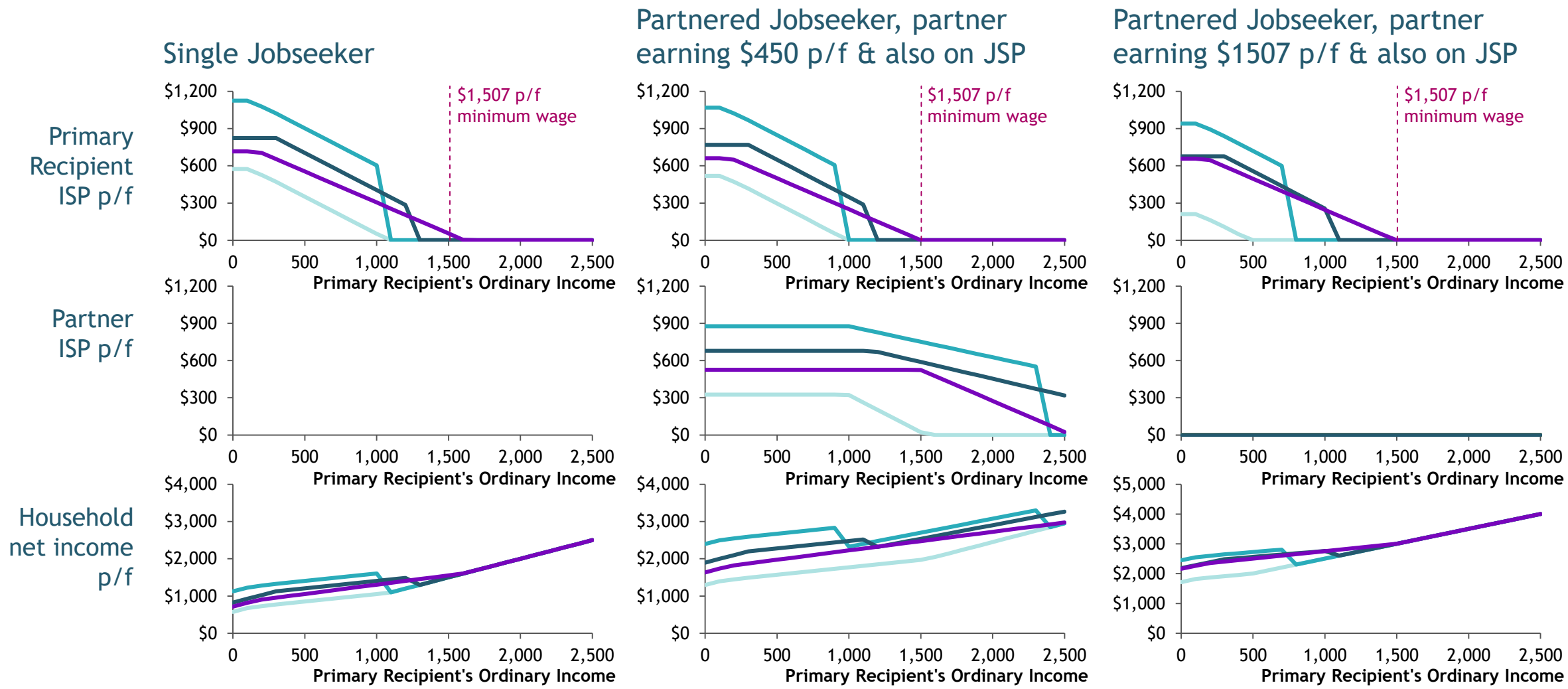
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Backup: Worked examples for three types of households

Assumes Option 1 from previous slide adopted



Note: All scenarios assume no supplements being received

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Suggested next steps, for those leading this work

1. **Finalise Stage 1a analysis with input from senior stakeholders, and circulate "Discussion Paper" as appropriate**
   - Progress segmentation analysis of the ~400k entrants who are new to the welfare system (commenced, with DSS data team to progress)
   - Conduct briefings for other agencies as required

2. **Continue iterating Stage Two policy options and costings in line with feedback from senior stakeholders**
   - For discussion: Helpful to brief the Minister in-person?

3. **Upkeep and further progress the model as a tool for policy teams in DSS**
   - Use to support decision process for Jan-Jun 2021 policy settings
   - Continue adding desired features in line with Backlog, e.g. pensions, family payments, further supplement consolidation, interactions between payments

4. **Monthly check-ins with Project Team, DSS policy team and DSS data/modelling team for Q&A on the model, and coaching as requested**

5. **Consider approach to progressing predictive-analytics enabled compliance capability (e.g. three phase approach to gather data, quantify feasibility, then build and deploy model)**
   - Potential for an initial focus on MOCA and asset test, delivering a proof of concept and investment case, then a deployable capability in ~14 weeks

6. **At the appropriate time, consider building out a separate model for FTB and family payments, to support policy design process on those topics**

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Thank you

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Discussion Paper

Key changes in the welfare system since February 2020

AUGUST 2020

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This research responds to three key questions

1. What are the characteristics of those who have commenced on a working-age payment since February 2020? (pg 4 - 21)
2. How have the working arrangements of working-age welfare recipients changed since February 2020? (pg 22 - 25)
3. As the economy improves what is the likely recovery pathway for employment and the welfare system? (pg 26 - 30)

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Executive Summary (I/II)

1

Characteristics of those who have commenced since Feb '20

The number of working age income support recipients has increased by 1m to 2.4m (72% increase) since February 2020. Of these, 80% have commenced on JobSeeker Payment.

The new cohort is younger (50% of jobseekers <35 yo vs 35% in old cohort), **wealthier** (13% with assets >$100k vs 6%) **more likely to be partnered** (36% of jobseekers vs 19%), and **their partners typically earn more** (52% partners of earning $1600+ vs 21% in old cohort)

The new cohort is more heavily weighted toward the major cities (75% of new cohort live in a major city vs 65% previously). The **greatest inflows have come from traditionally disadvantaged areas**, while more affluent areas have seen the greatest relative change in the proportion of population in income support.

Among the new commencements on jobseeker and parenting payments, ~40% have had no prior engagement with the welfare system since 2000, and ~5% have only engaged on student payments. This is distinctly different to the GFC when just 23% of new commencements on jobseeker and parenting payments were entirely new to welfare, with a further 6% having been on a student payment

Segmentation analysis of new commencements suggests four key groups to consider in shaping policy responses. Each group faces different pressures:

- Young, single, no dependents, with limited assets, half with year-12 qualifications or less **(53% of commencements)**
  - Risk of disengagement from labour market if ongoing lack of opportunity in entry-level roles. May benefit from supports for study, training, & entrepreneurship, as well as clear incentives to remain engaged in the labour force
- Older workers 55+, typically with assets to fall back on, and owning a home, 40% with year-12 qualifications or less **(14% of commencements)**
  - Risk of challenges in reskilling/retaining to find new work, may benefit from intensive supports, particularly those without higher ed or tertiary qualifications
- Young & middle aged parents, typically modest assets, often own a home if partnered, typically higher ed/tertiary quals **(14% of commencements)**
  - Pressure from parenting responsibilities under social distancing, single parents particularly vulnerable (85% female), mortgage pressure among homeowners. May benefit from differentiated approach to mutual obligations and social supports
- Young and middle aged couples with no dependents, typically moderate assets, higher ed or tertiary qualifications, many owning a home **(19% of commencements)**
  - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals come to an end

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Executive Summary (II/II)

2 *Changes to working arrangements since Feb '20*

Compared to February 2020, Jobseeker recipients are receiving more income while on welfare (23% receiving income in June vs 19% in February), noting that this is not explained by JobKeeper alone, since **working hours also increased** (23% of jobseekers reported working hours in June vs 19% in Feb). This increase was greatest among young jobseekers aged under 30 (23% earning income in June vs 16% in Feb)

In contrast, recipients of parenting payment and student payments have seen decreases in earned income and hours worked

As at 30 June 2020, 187k recipients were on nil-rates. Estimates suggest that **~75k of those would likely return to welfare** payments as JobKeeper is phased out

3 *What should we be expecting to see during recovery?*

For the near term, this research has assumed that ~150k additional recipients will start receiving a working-age income support payment in Q4 2020 as JobKeeper scales down and triggers further job losses. This may be higher given the recently announced Stage 4 lockdown in Victoria

Observation of the recovery pathway in the 1991 recession and GFC suggests that **40% - 80% of new working age ISP recipients may remain in the welfare system** over the medium term, with older workers being over-represented in this "sticky" cohort, even as jobs growth in the economy resumes

Observation of the 1991 recession and GFC also indicates we should anticipate **substantial numbers of payment transfers from jobseeker payments to student payments from 2021 onwards** for several years

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1. The characteristics of those who have commenced on a working-age payment since February 2020

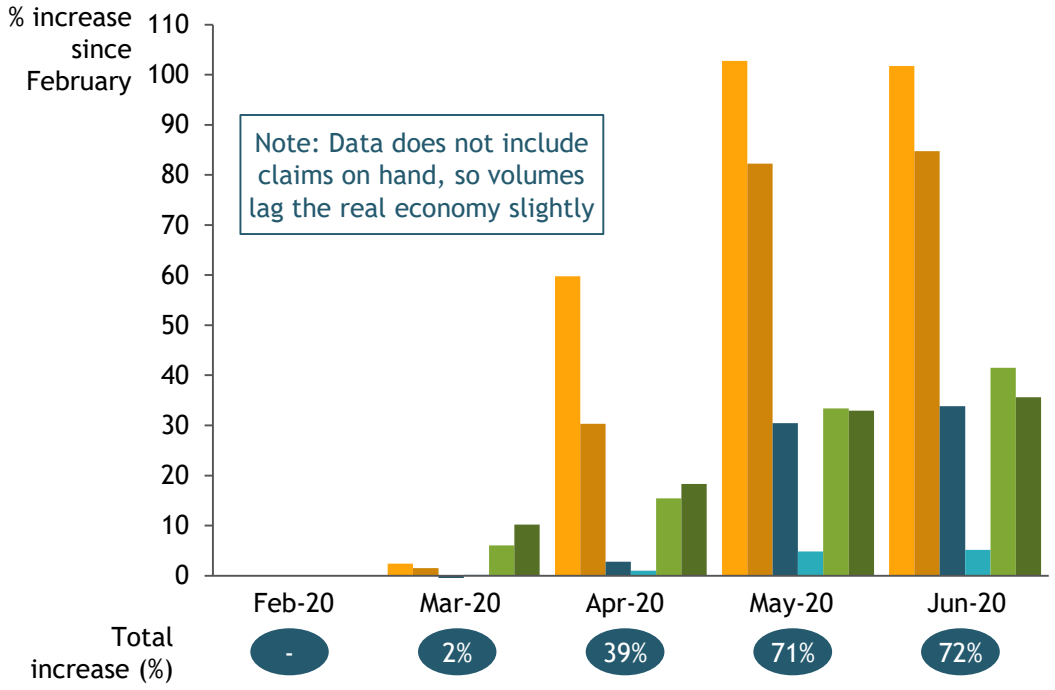
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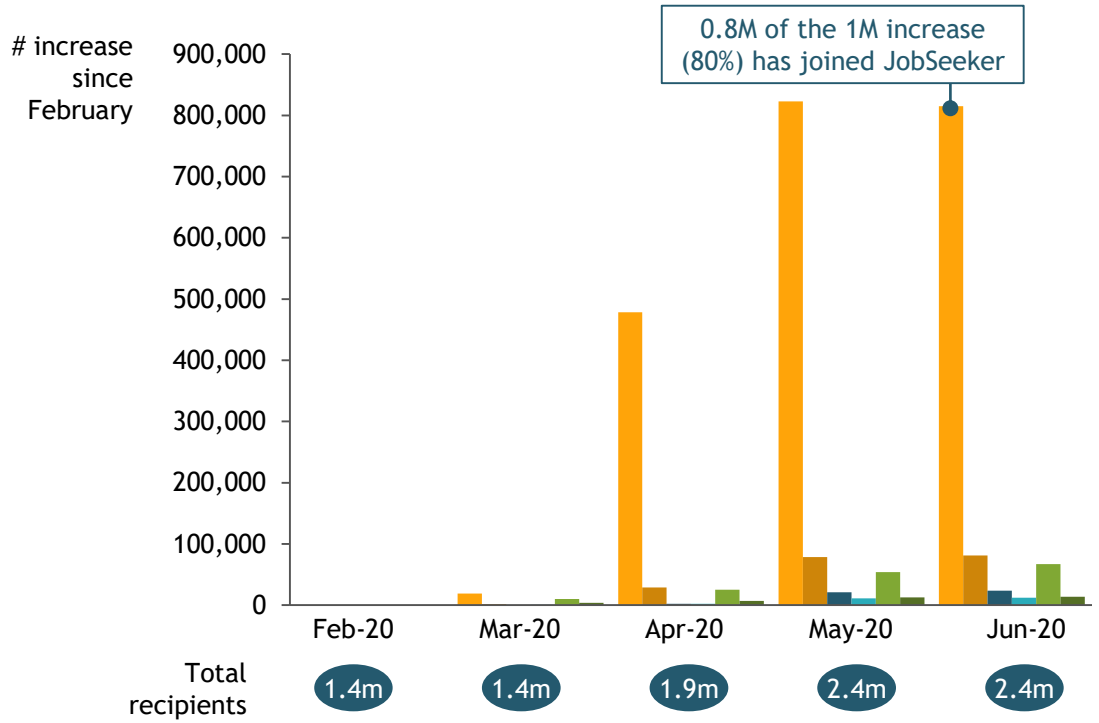
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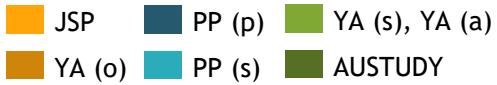
Overall, the number of working age welfare recipients has increased by 72% since February, with 80% of new entrants joining JobSeeker

Working-age ISP recipients increased 72% since Feb '20, with biggest % increases in JSP & YA(o)



Of those new entrants, 80% have been on JobSeeker





Note: Does not include pending claims, shows actual recipients on ISP at the point in time; includes nil-rate recipients
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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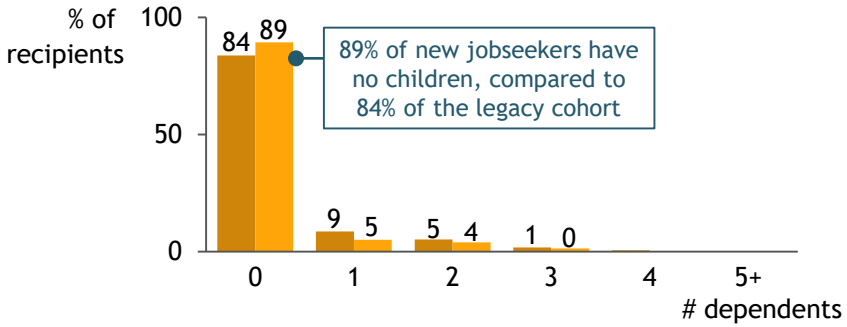
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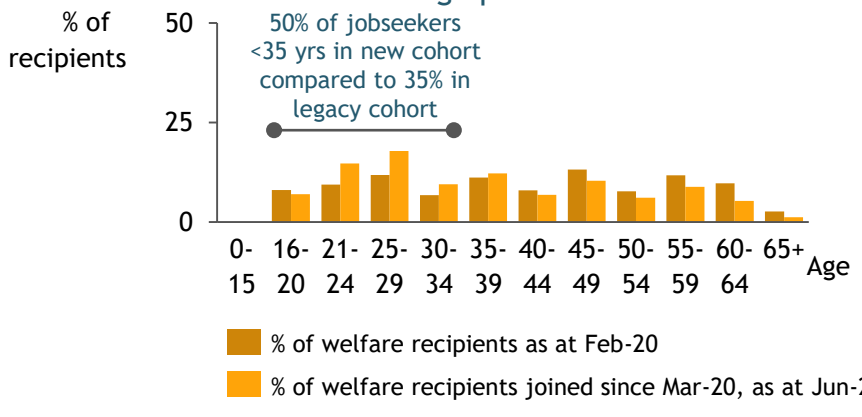
The new cohort is typically younger, with fewer children, particularly among jobseekers

Jobseekers

Number of dependent children[1]

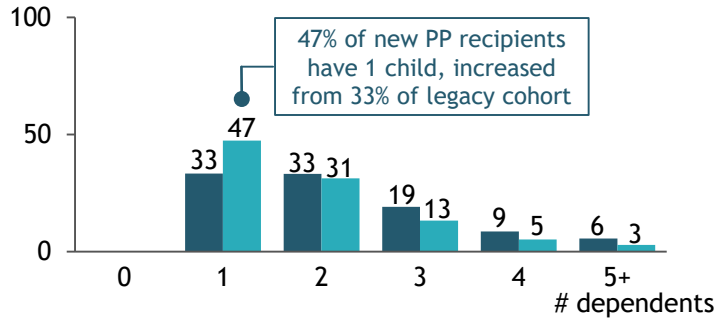


Age profile

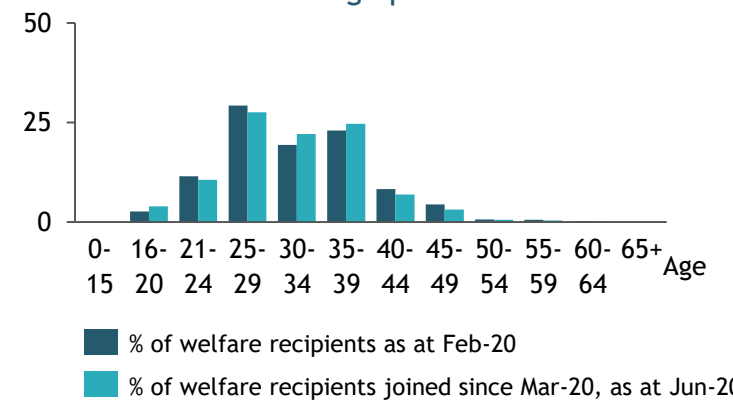


Parents

Number of dependent children[1]

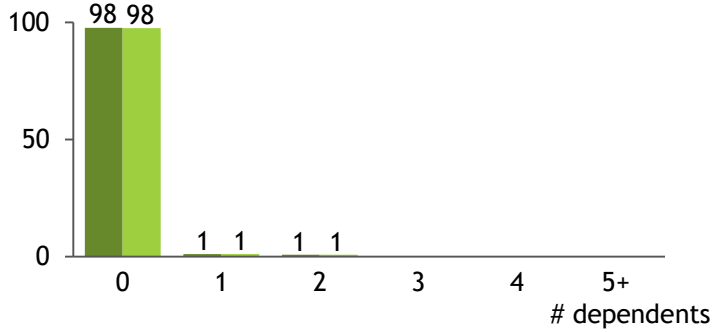


Age profile

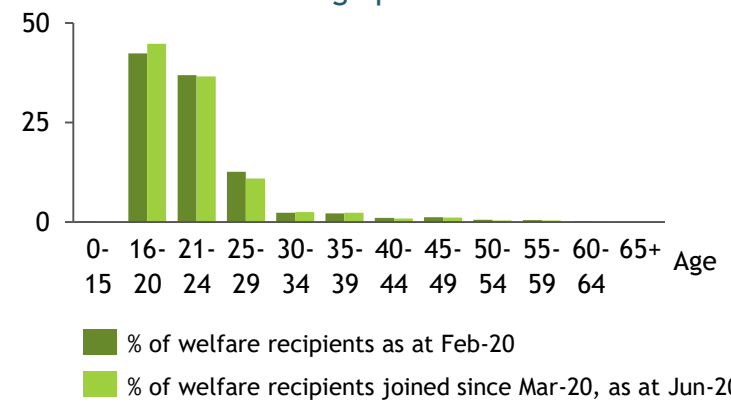


Students

Number of dependent children[1]



Age profile



1. Number of dependents taken as the maximum of dependent children, primary carer children and family tax benefit children
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

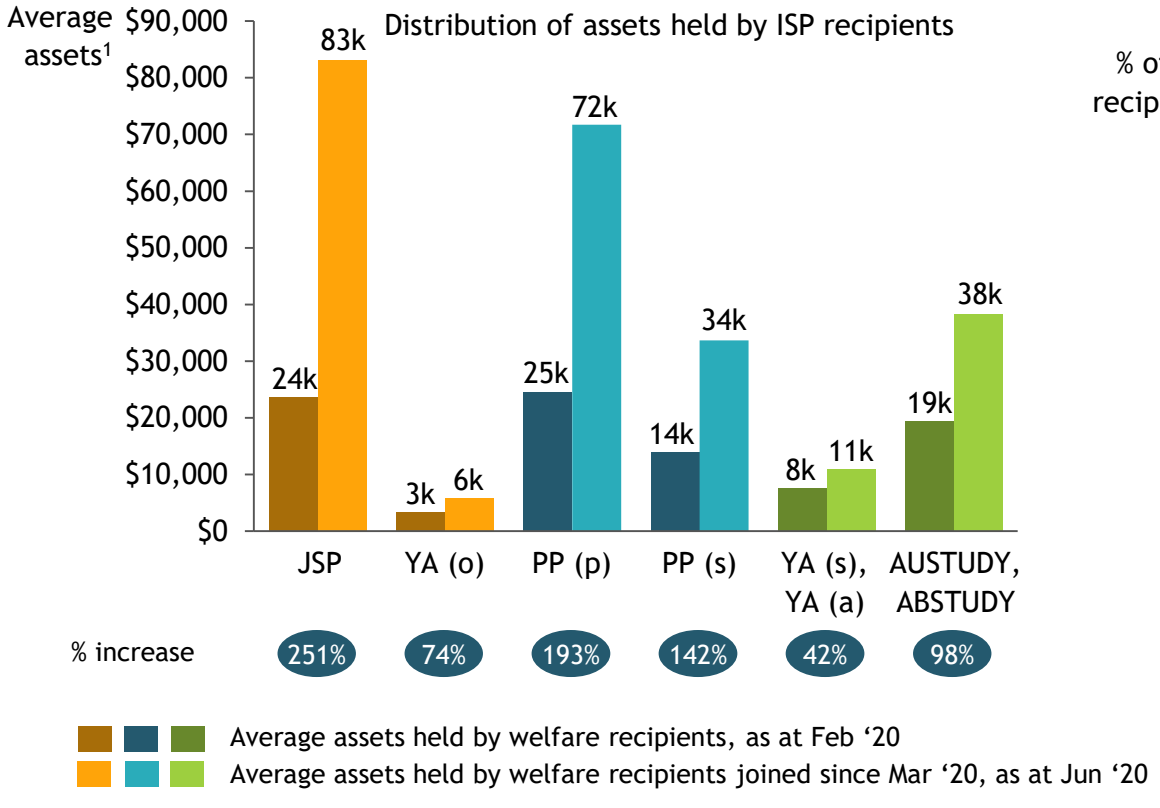
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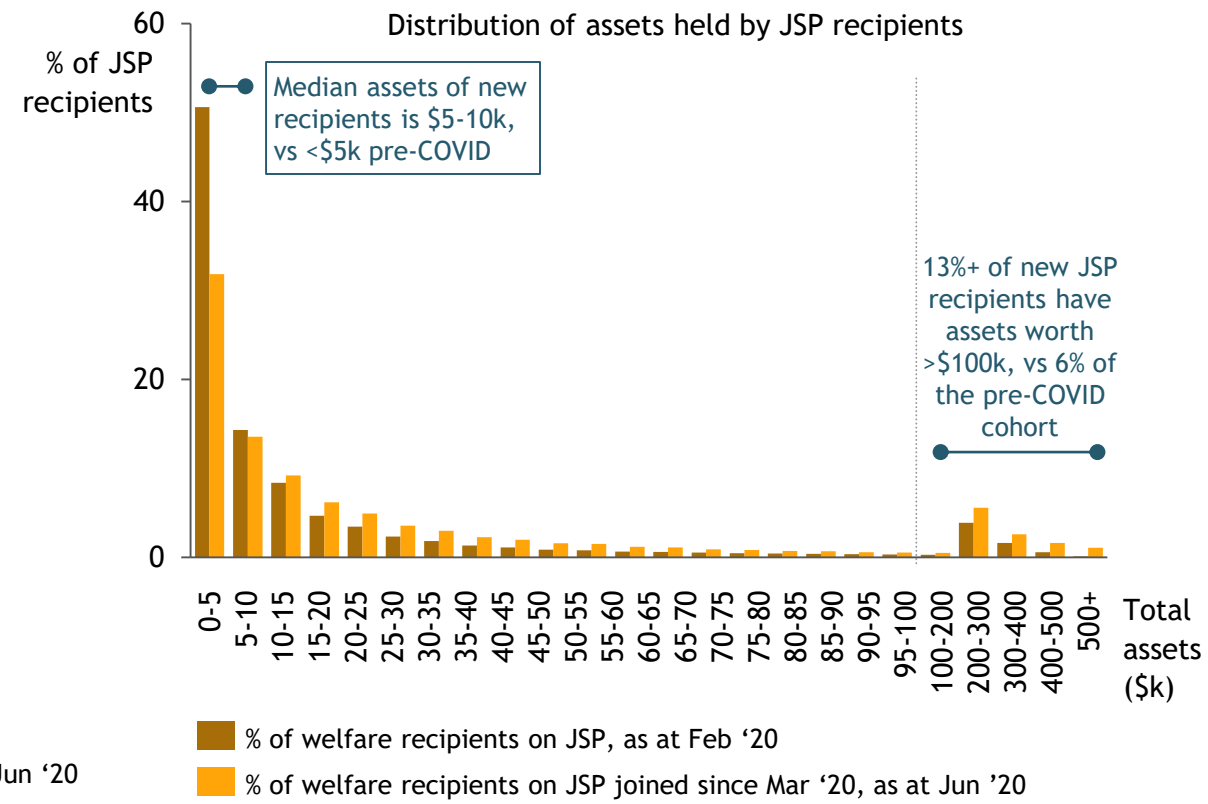
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New welfare recipients are on average wealthier, with the largest increase in assets among JSP and PPP recipients

There has been an increase in average (mean) assets held, particularly in JSP and PPP…



…Although this increase is partly driven by those with very high assets (>$100k)



1. Average assets is an approximation calculated using the midpoint of each asset bracket
Note: 20 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

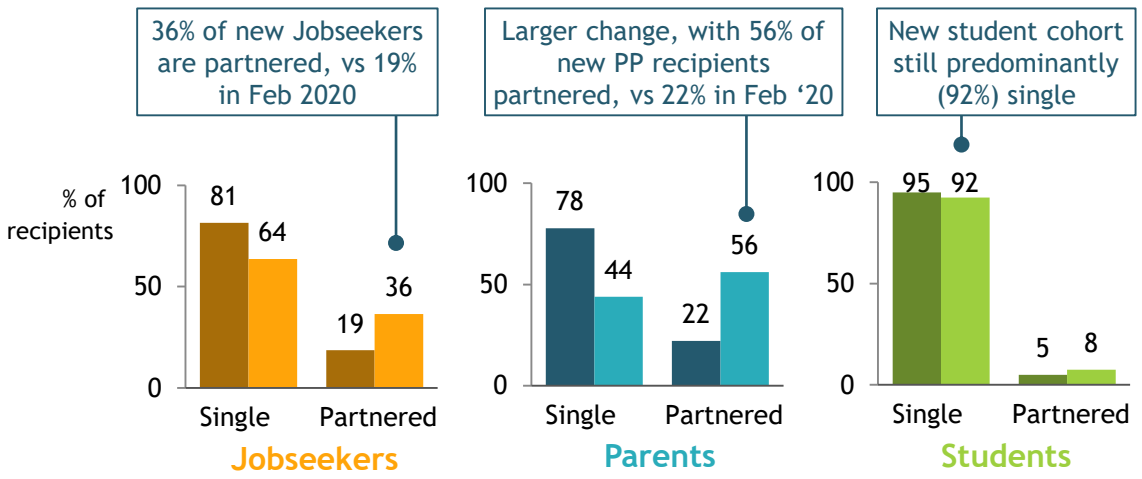
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New welfare recipients are more likely to be partnered, and with higher-earning partners, compared to the legacy cohort

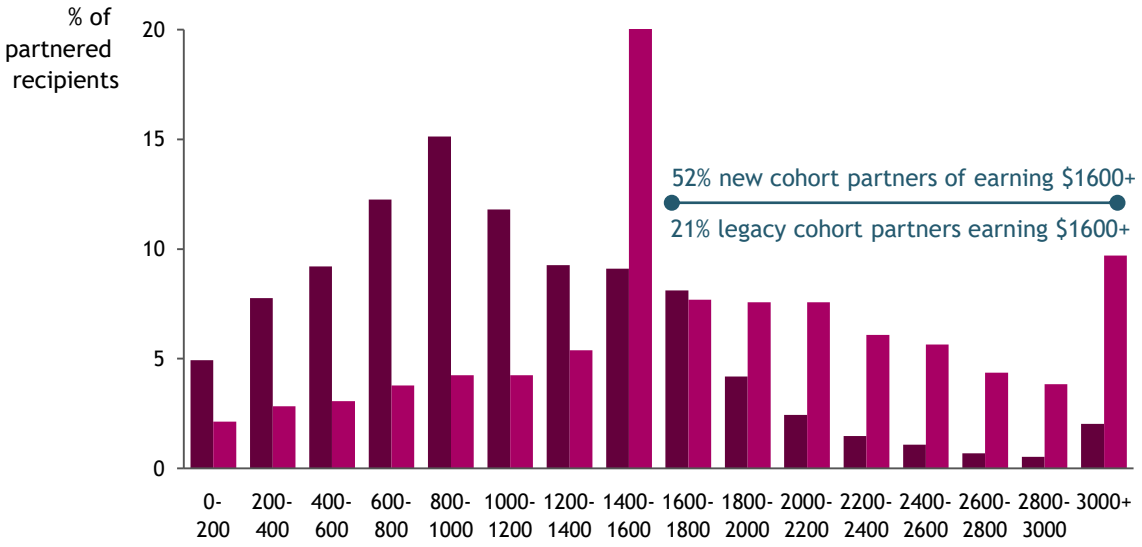
New cohort are more likely to be partnered, across jobseeker, parenting, and student payments…



Relationship status of welfare recipients, as at Feb 2020

Relationship status of welfare recipients joined since Mar 2020, as at Jun 2020

…and partners of the new cohort are typically higher earning



Earnings of partners of welfare recipients, as at Feb 2020

Earnings of partners of welfare recipients joined since Mar 2020, as at Jun 2020

Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

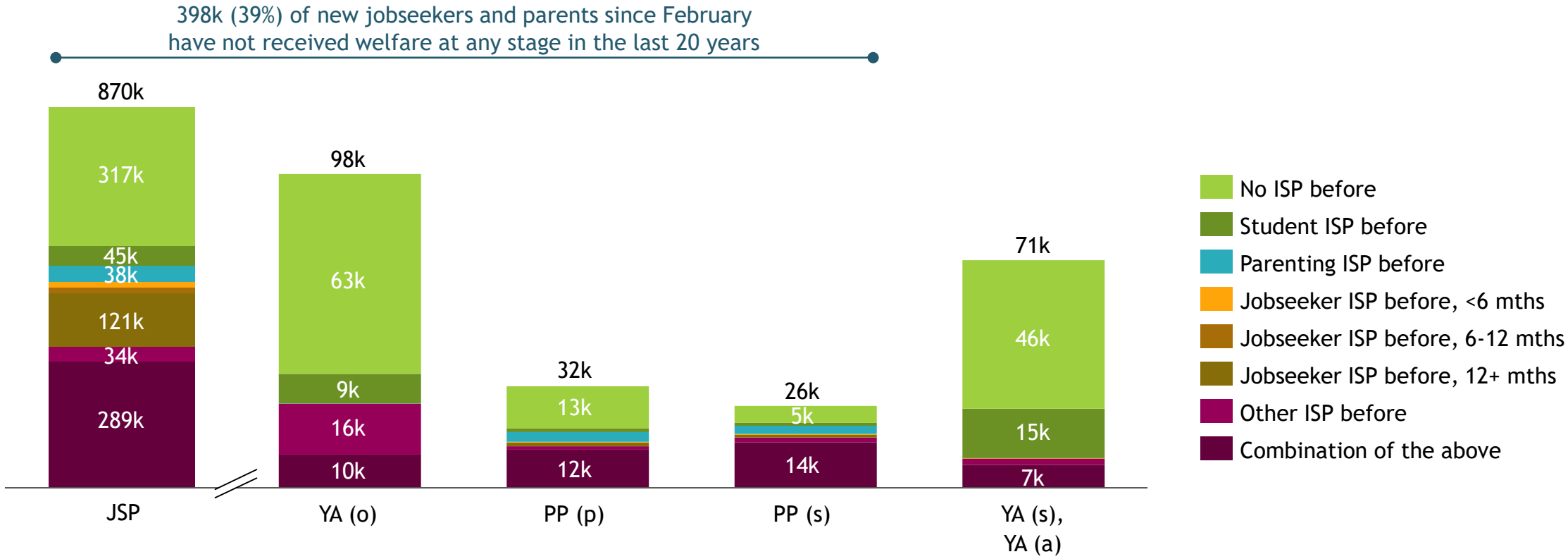
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Almost 40% of new jobseekers and parents have not received welfare in the last 20 years, a further ~5% have been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 28 February 2020, as at 3 July 2020



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 28 February 2020, 3 July 2020; Project analysis

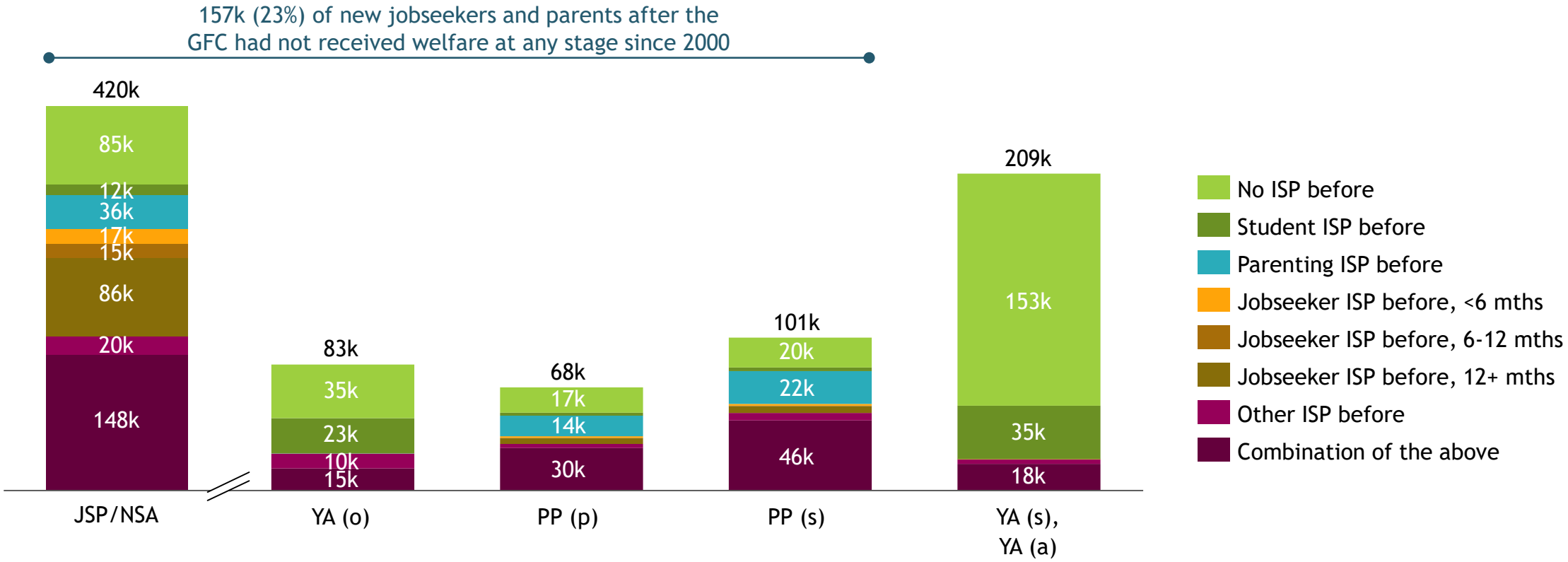
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In GFC, only 23% of new jobseekers and parents were new to income support, a with a further ~6% having been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 27 June 2008, as at 10 March 2010



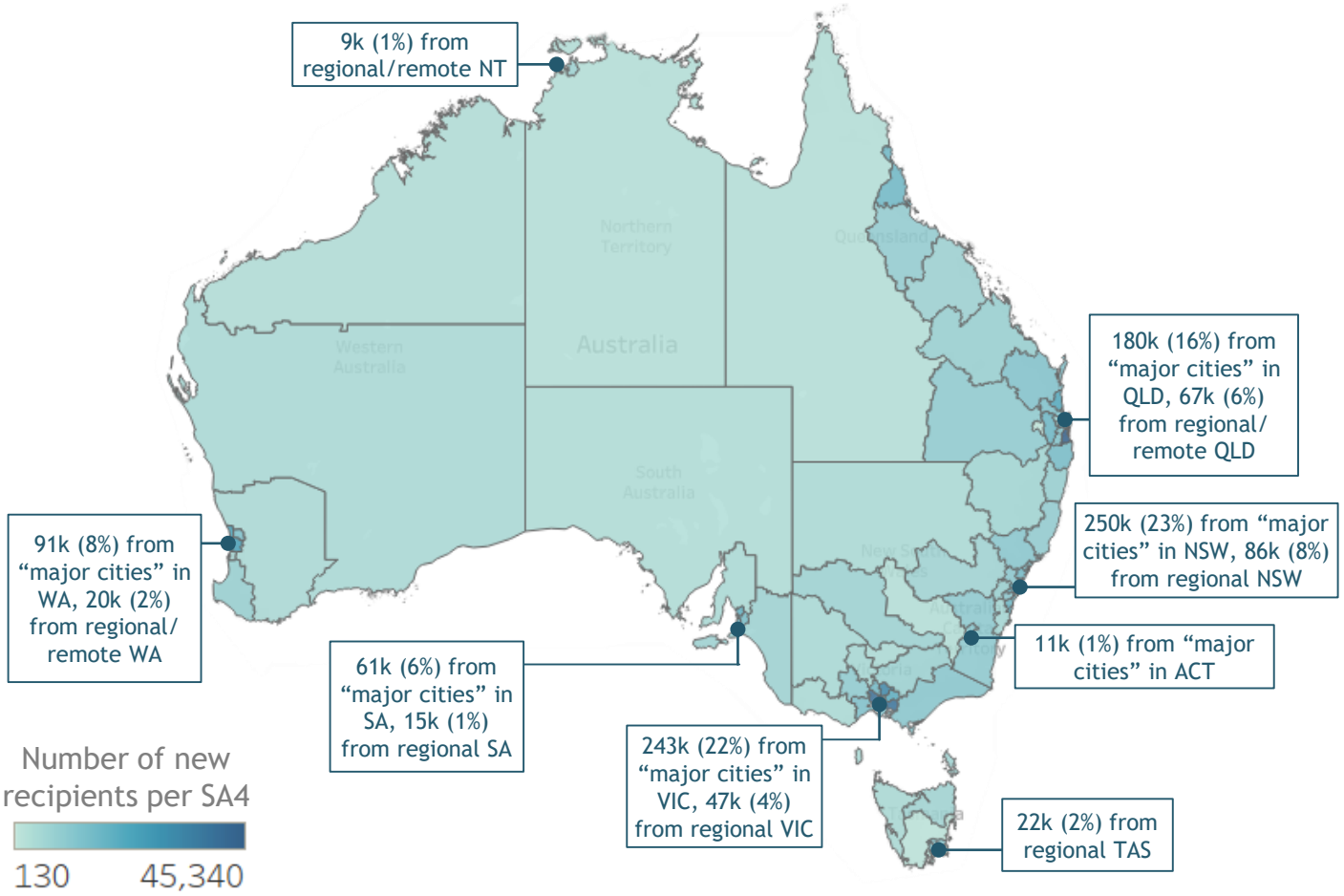
Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 27 June 2008, 10 March 2010; Project analysis

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The majority of new entrants live in Australia's major cities (75%), not regional or remote areas (25%)



Overall key figures

Location	# recipients Feb '20	% of total Feb '20	# new entrants	% of total new entrants
Major Cities	867k	66%	836k	75%
Regional Australia	425k	32%	257k	24%
Remote Australia	24k	2%	8k	1%
Total	**1,316k**	**100%**	**1,101k**	**100%**

Within Major Cities:
- 640k (77%)of the new recipients live in a capital city
- 195k (23%) live in other major cities in Australia (e.g. Gold Coast, Geelong, Newcastle)

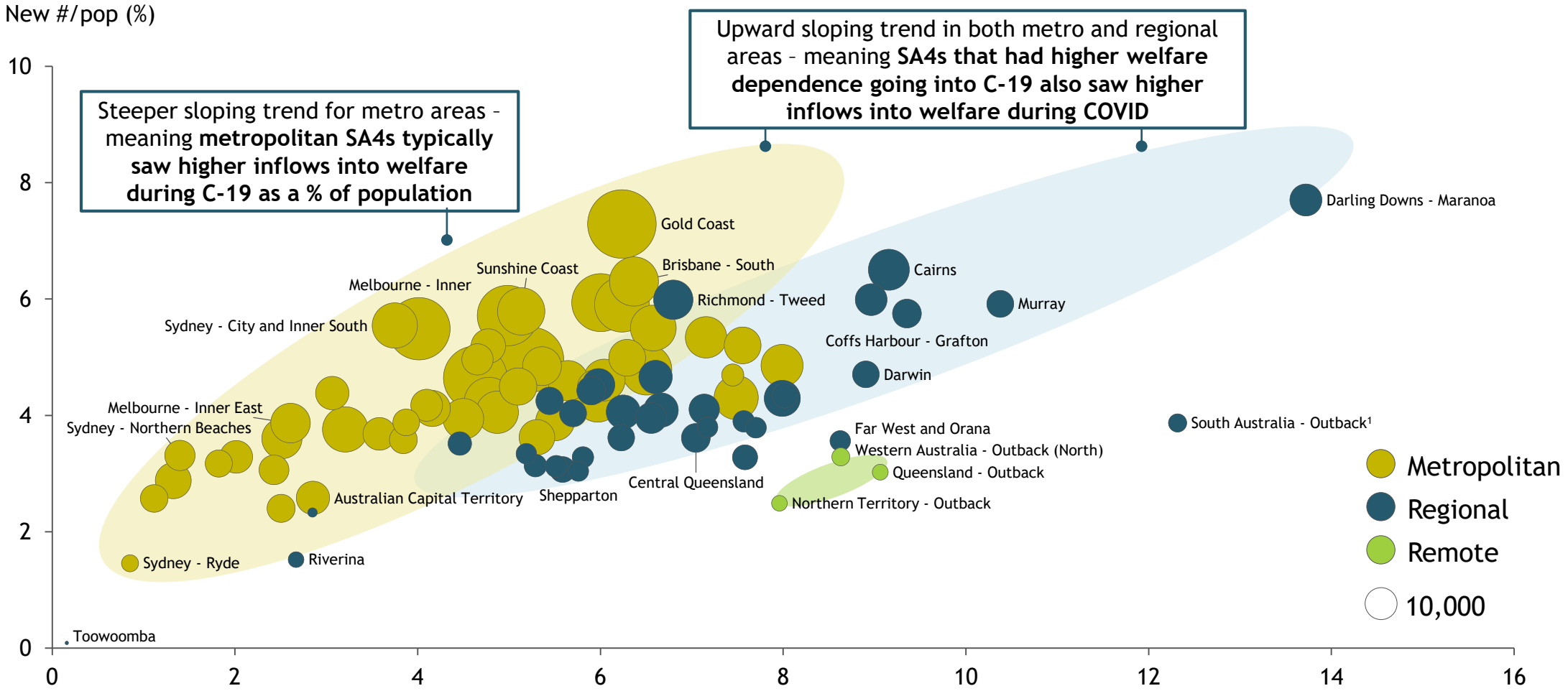
Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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High levels of disadvantage pre-COVID correlates with a high proportion of new ISP entrants, with metropolitan areas worse off than regional and remote areas



1. South Australia Outback comprised of a mix of postcodes both "Remote" and "Outer Regional", with the majority being "Outer Regional"
2. Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

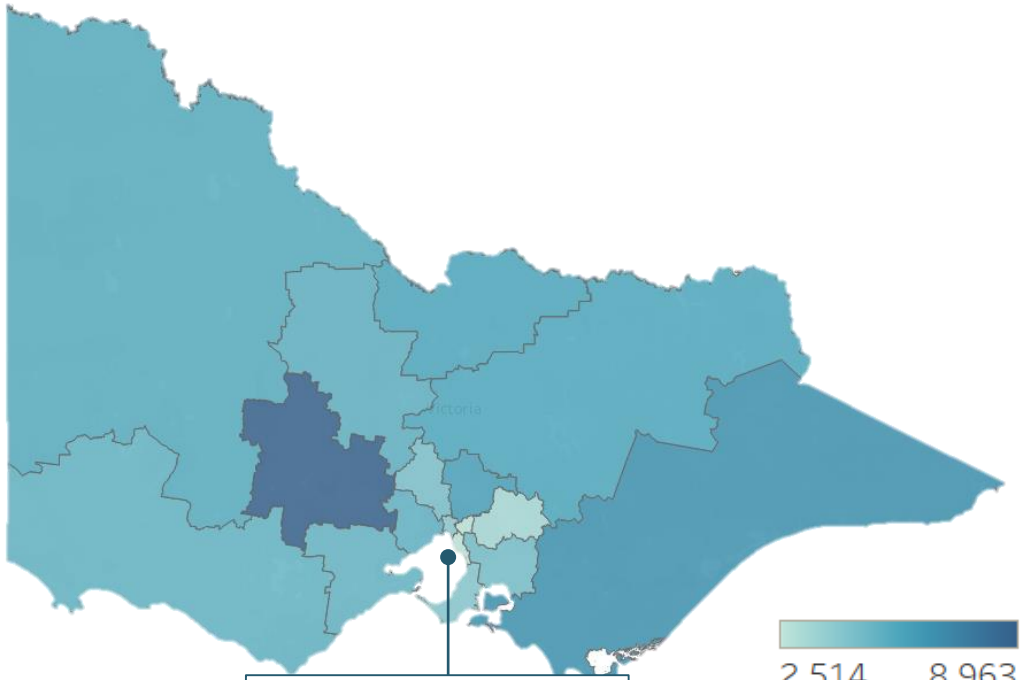
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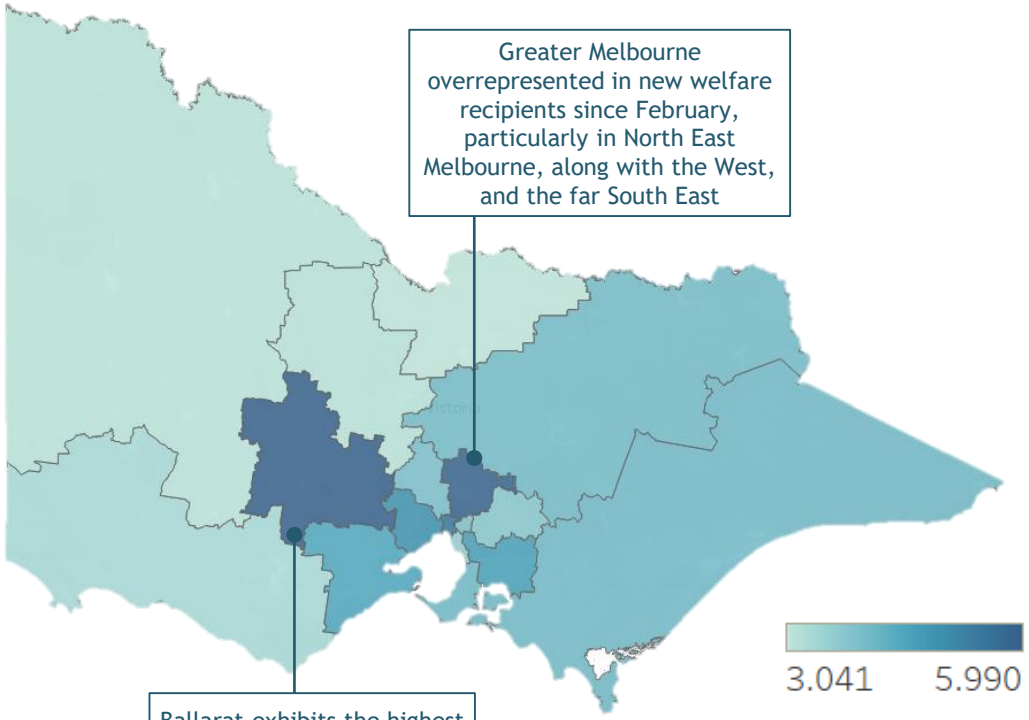
In Victoria, Melbourne has been hit much harder than the regions, with the metropolitan areas of long-term disadvantage seeing the most new entrants

Proportion of SA4 population receiving welfare in February in Victoria



Lower representation of welfare recipients in metropolitan Melbourne compared to the regions in February

Proportion of SA4 population commencing welfare since February in Victoria



Greater Melbourne overrepresented in new welfare recipients since February, particularly in North East Melbourne, along with the West, and the far South East

Ballarat exhibits the highest representation of welfare recipients both prior to and during COVID-19

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

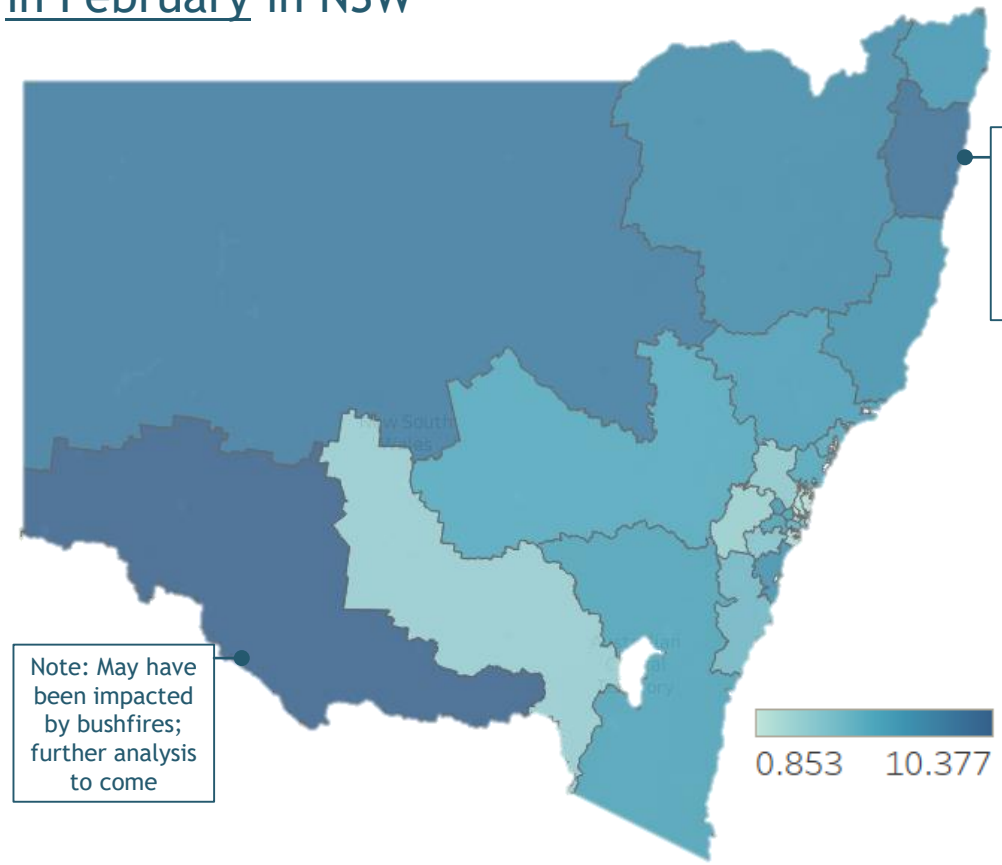
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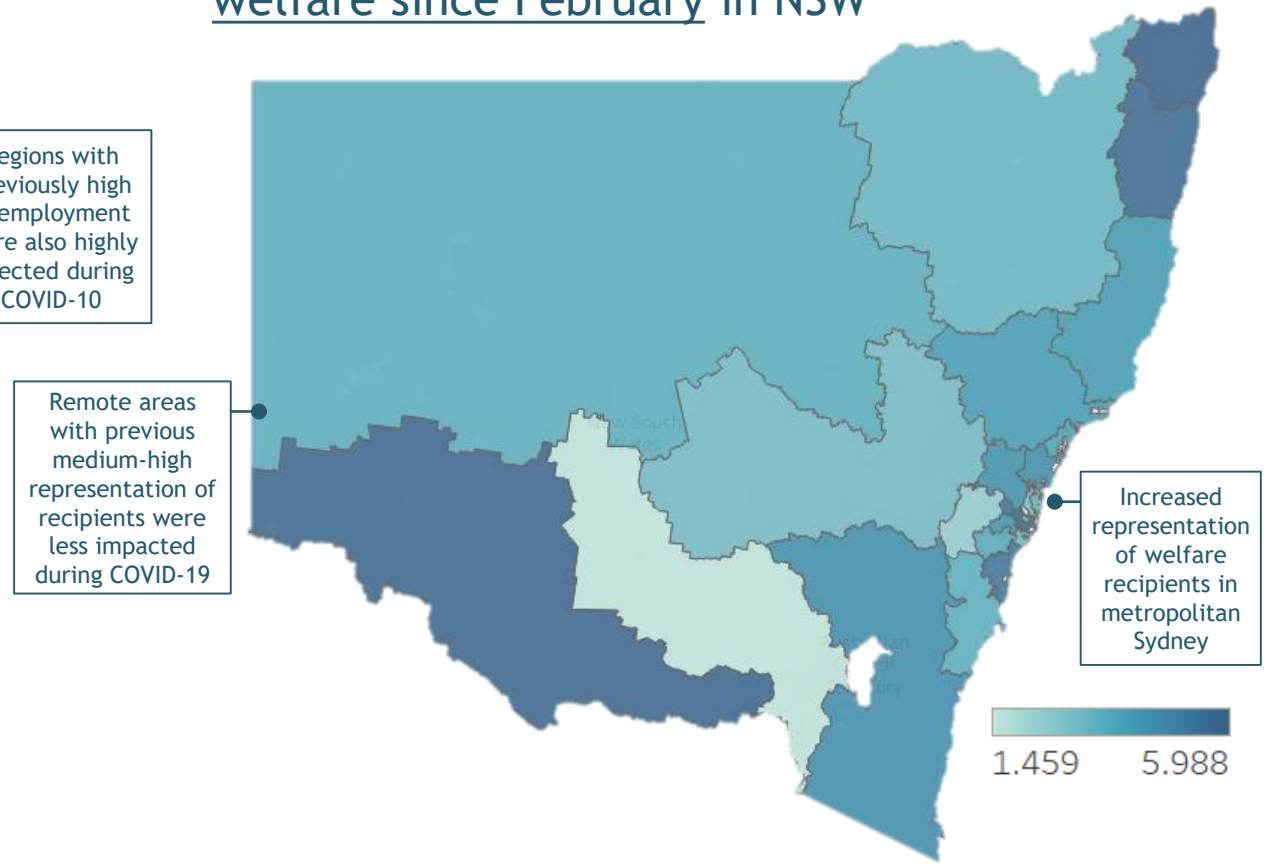
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In NSW, metro areas typically hit hardest, although some regions with previous high unemployment also were substantially impacted

Proportion of SA4 population receiving welfare in February in NSW



Proportion of SA4 population commencing welfare since February in NSW



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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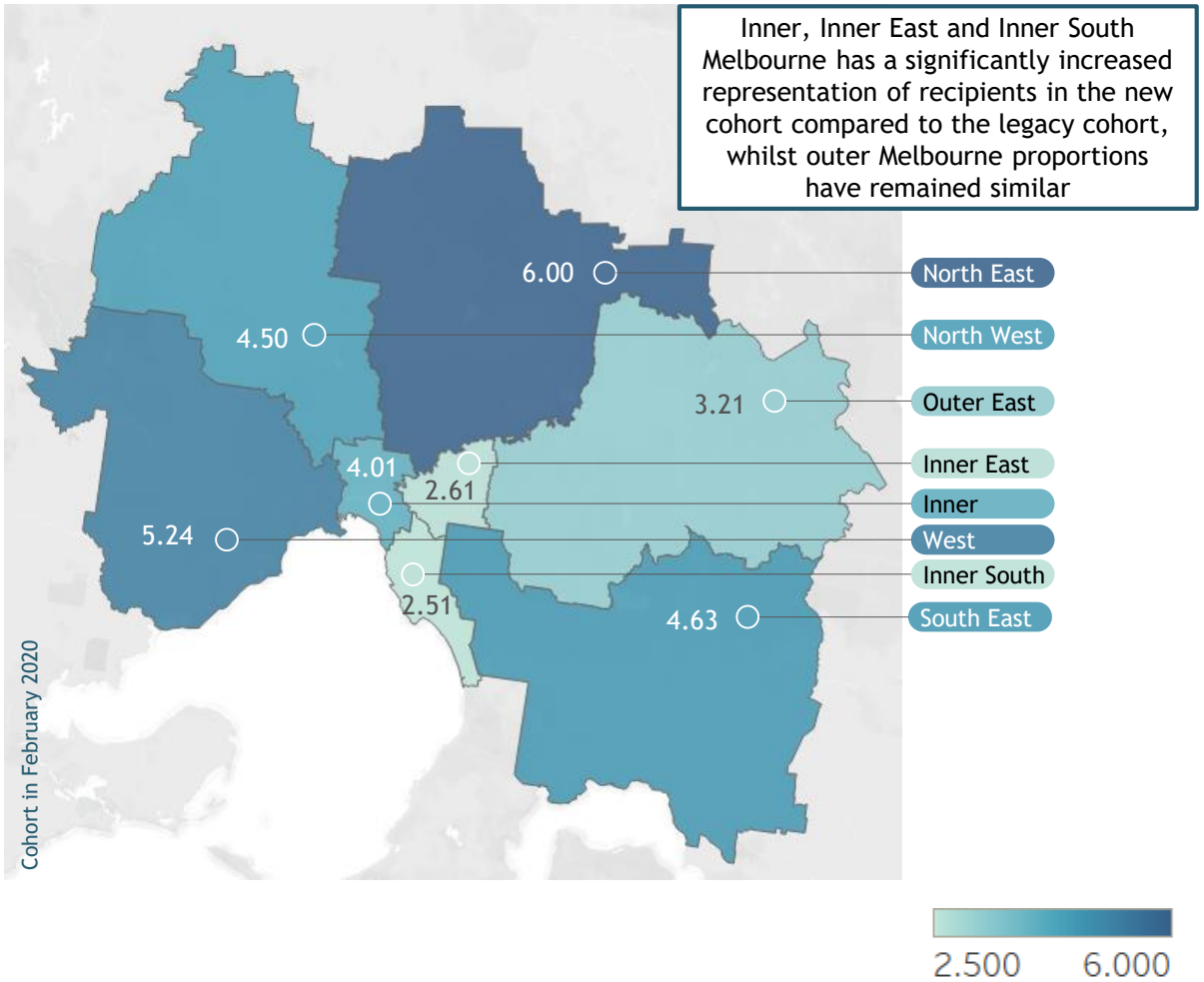
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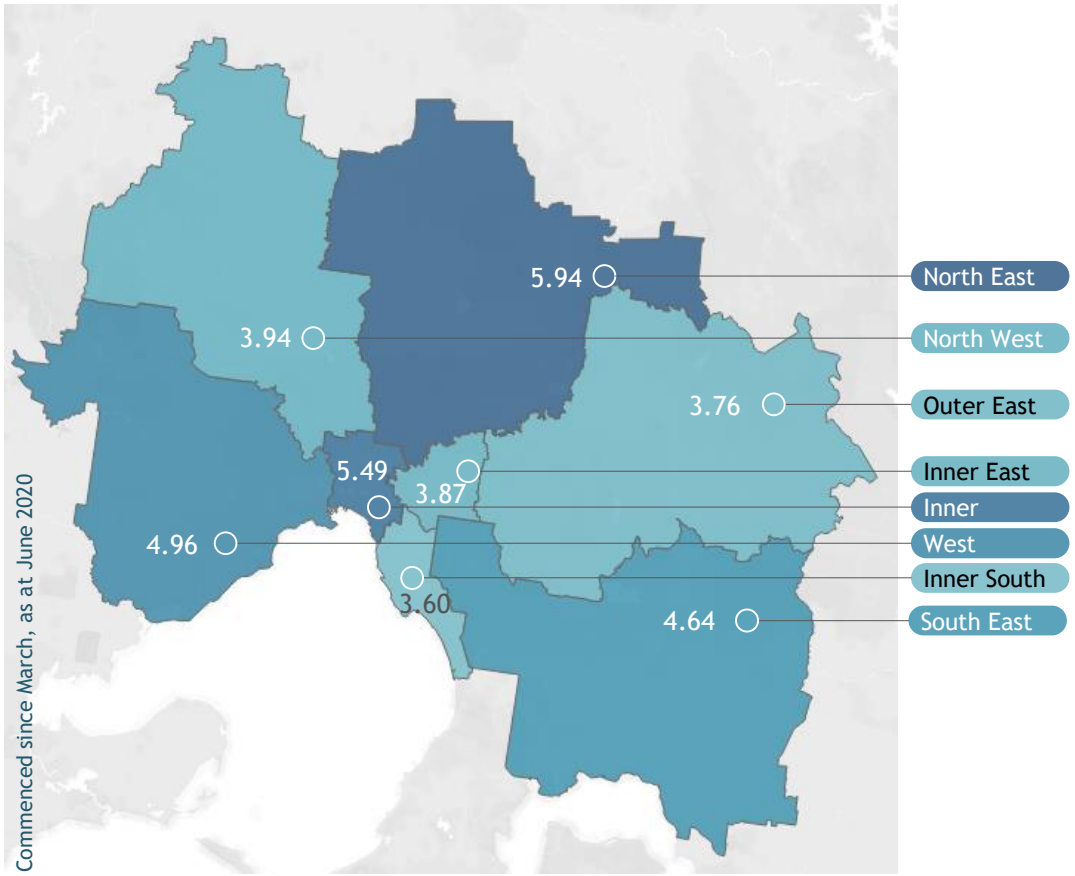
Backup: Representation of welfare recipients in inner Melbourne has significantly increased during COVID-19

Melbourne: February (% of population)

Inner, Inner East and Inner South Melbourne has a significantly increased representation of recipients in the new cohort compared to the legacy cohort, whilst outer Melbourne proportions have remained similar



Melbourne: New entrants (% of population)



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

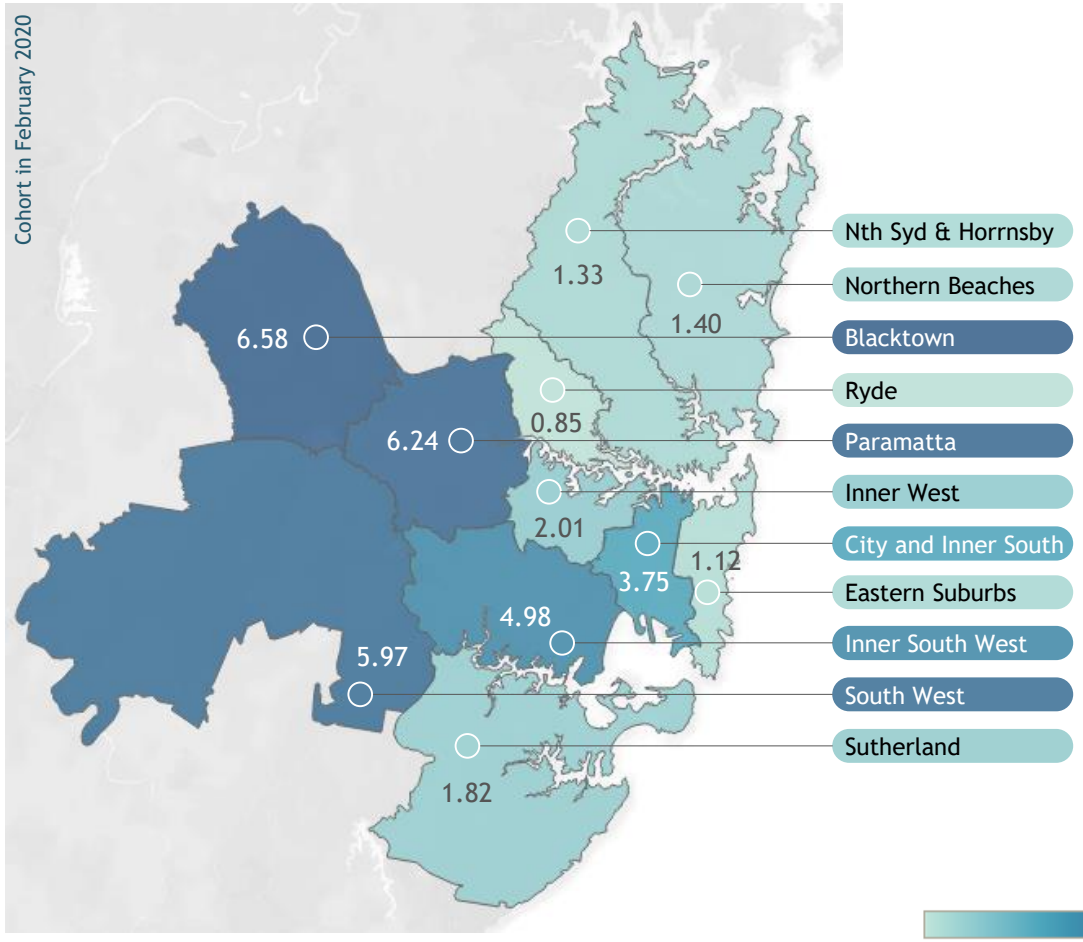
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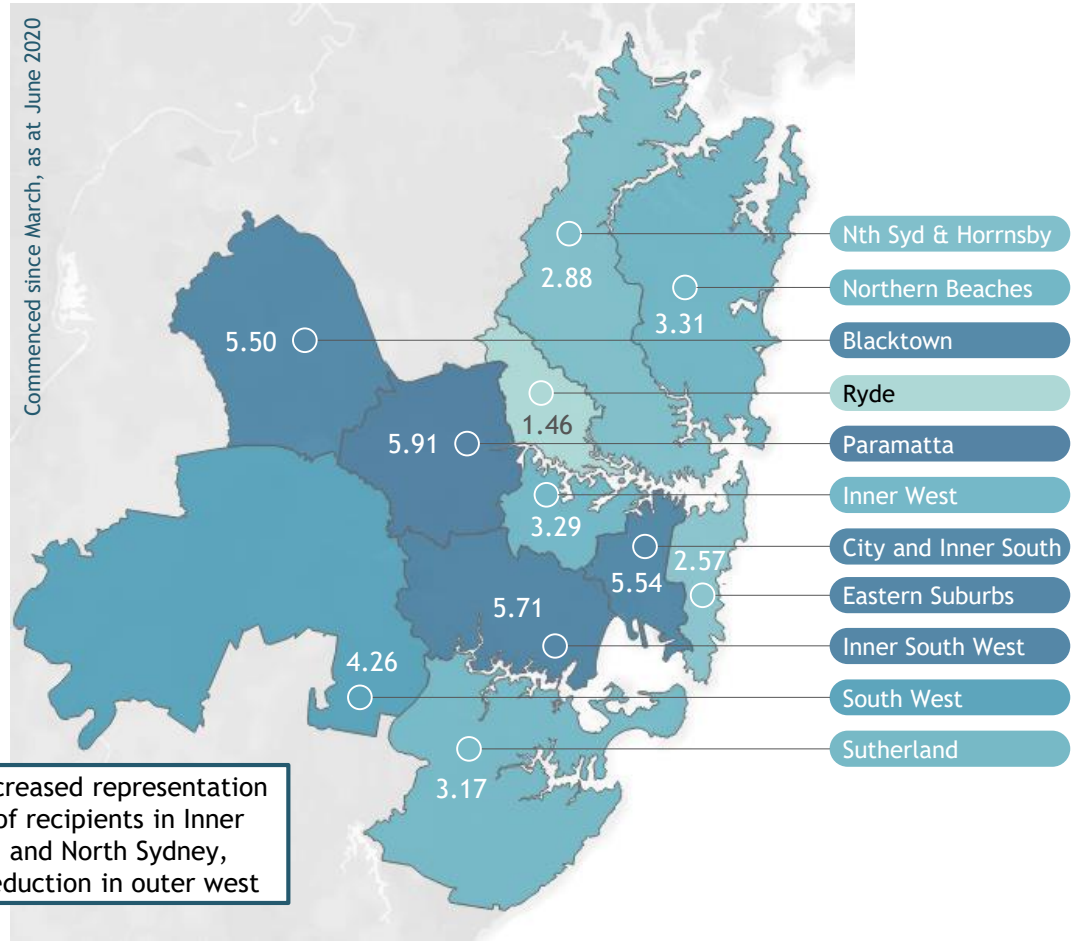
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Backup: Areas surrounding Sydney with previously low rates of welfare representation have been impacted

Sydney: February (% of population)



Sydney: New entrants (% of population)



Increased representation of recipients in Inner and North Sydney, reduction in outer west

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

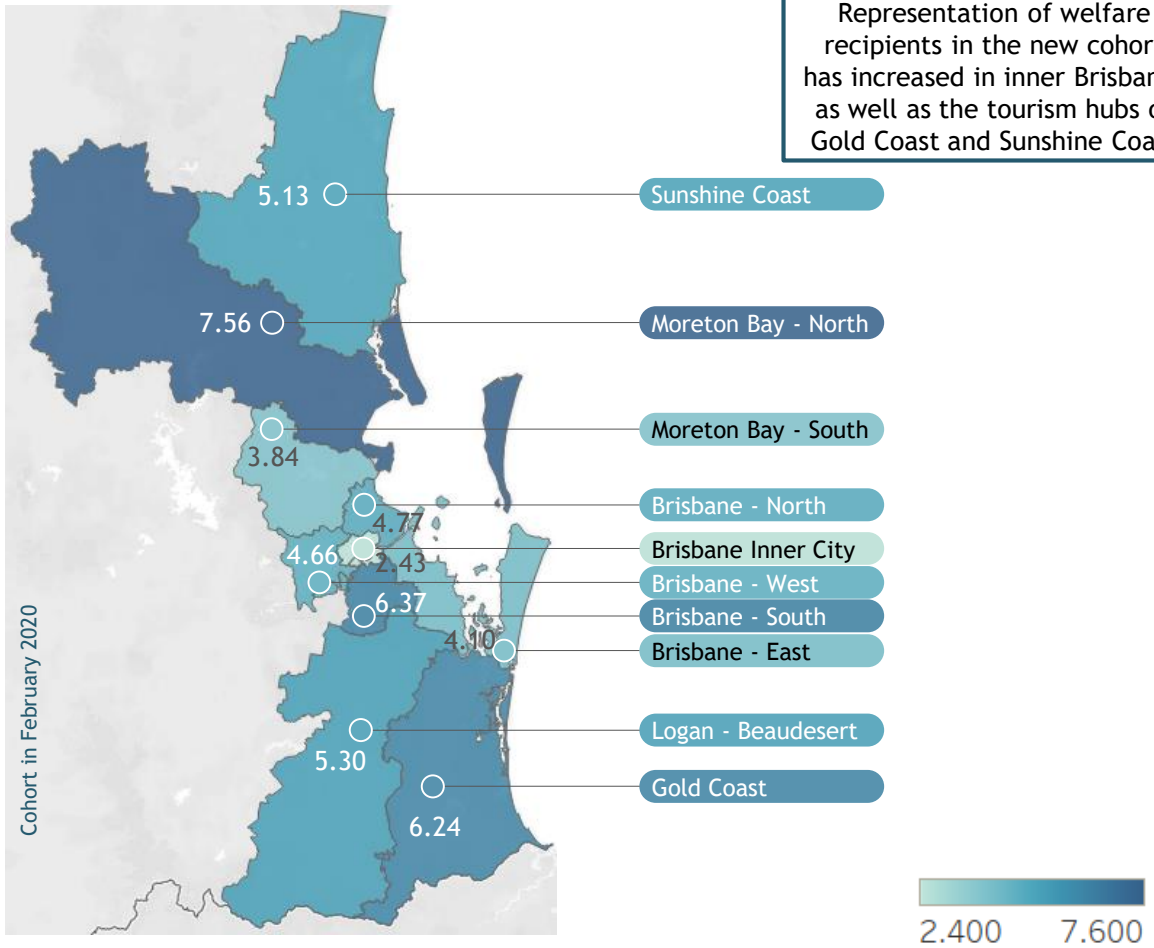
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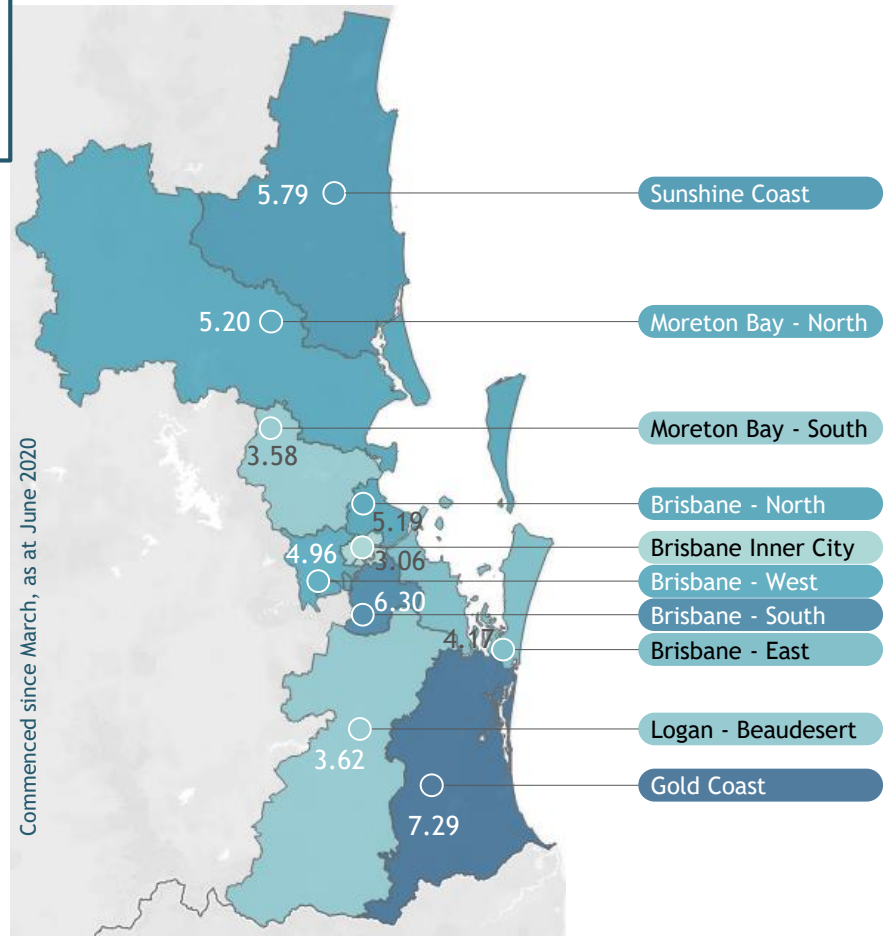
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Backup: Welfare representation has increased in the tourism hubs of Gold Coast and Sunshine Coast, as well as in inner Brisbane

Brisbane: February (% of population)



Brisbane: New entrants (% of population)



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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Segmentation analysis shows the largest inflows to income support among young singles, couples without children, and people living in major city areas…

		Australia			Major Cities			Regional Areas		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
		53% of total			75% of total					
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)	302k (+100%)	152k (+94%)	44k (+52%)	86k (+71%)	48k (+54%)	20k (+40%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)	$12k (+245%)	$51k (+425%)	$107k (+345%)	$8k (+252%)	$30k (+272%)	$84k (+233%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)	3% (+1ppt)	18% (+11ppt)	43% (+15ppt)	3% (+1ppt)	20% (+12ppt)	50% (+16ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)	8k (+13%)	33k (+23%)	1k (+25%)	5k (+11%)	15k (+18%)	1k (+19%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)	$11k (+194%)	$43k (+218%)	$81k (+305%)	$9k (+176%)	$32k (+184%)	$74k (+264%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)	8% (+5ppt)	28% (+11ppt)	43% (+15ppt)	8% (+5ppt)	27% (+11ppt)	46% (+18ppt)
		27% of total								
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)	43k (+335%)	121k (+389%)	55k (+123%)	14k (+140%)	34k (+164%)	26k (+102%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)	$38k (+335%)	$99k (+367%)	$186k (+251%)	$32k (+446%)	$94k (+369%)	$206k (+199%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)	18% (+15ppt)	51% (+25ppt)	75% (+17ppt)	19% (+16ppt)	55% (+33ppt)	81% (+10ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)	15k (+81%)	56k (+115%)	2k (+74%)	7k (+51%)	15k (+78%)	1k (+49%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)	$34k (+279%)	$74k (+261%)	$121k (+265%)	$29k (+277%)	$74k (+247%)	$132k (+225%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)	27% (+16ppt)	51% (+18ppt)	61% (+17ppt)	27% (+19ppt)	51% (+26ppt)	67% (+16ppt)

Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast; where an SA4 covers multiple Remoteness Areas, the area with majority crossover is selected; Children determined by dependent children, primary carer and family tax benefit flags; 1660 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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…while gender is balanced at 51% male/49% female, men more likely to be young & single, while higher proportion of women have dependent children

		Australia			Male (51% of total)			Female (49% of total)		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
					60% of males			46% of females		
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)	209k (+95%)	129k (+79%)	32k (+51%)	178k (+89%)	71k (+80%)	32k (+45%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)	$11k (+255%)	$45k (+452%)	$106k (+354%)	$12k (+248%)	$47k (+322%)	$94k (+265%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)	3% (+1ppt)	16% (+9ppt)	38% (+14ppt)	3% (+1ppt)	24% (+14ppt)	52% (+17ppt)
					2% of males, 15% of single parents			10% of females, 85% of single parents		
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)	1k (+26%)	8k (+36%)	1k (+33%)	13k (+12%)	40k (+20%)	1k (+19%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)	$8k (+190%)	$33k (+245%)	$80k (+302%)	$10k (+190%)	$41k (+211%)	$77k (+284%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)	6% (+4ppt)	22% (+11ppt)	41% (+16ppt)	8% (+5ppt)	29% (+12ppt)	45% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)	28k (+198%)	94k (+260%)	43k (+132%)	29k (+335%)	61k (+392%)	38k (+101%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)	$33k (+377%)	$90k (+399%)	$180k (+266%)	$41k (+365%)	$110k (+312%)	$205k (+207%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)	16% (+13ppt)	49% (+28ppt)	76% (+19ppt)	21% (+17ppt)	56% (+24ppt)	78% (+10ppt)
					3% of males			14% of females		
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)	2k (+100%)	16k (+166%)	1k (+85%)	20k (+67%)	55k (+94%)	1k (+51%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)	$32k (+286%)	$67k (+233%)	$108k (+219%)	$32k (+282%)	$76k (+264%)	$146k (+289%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)	23% (+15ppt)	44% (+17ppt)	57% (+13ppt)	28% (+18ppt)	53% (+22ppt)	70% (+22ppt)

Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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In education, largest segment are young year-12 graduates, although more than half of new entrants have a higher ed or tertiary qualification

		< Year 12 (17% of total)			Year 12 (31% of total)			Certificate (26% of total)			Tertiary (26% of total)		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
Single (no dep. children)	New entrants	55k (+68%)	24k (+45%)	10k (+27%)	155k (+81%)	28k (+82%)	6k (+36%)	66k (+73%)	54k (+51%)	14k (+31%)	66k (+130%)	47k (+113%)	11k (+53%)
	Average assets	$4k (+269%)	$86k (+1035%)	$70k (+242%)	$9k (+181%)	$31k (+267%)	$71k (+213%)	$9k (+266%)	$23k (+228%)	$64k (+202%)	$19k (+206%)	$47k (+269%)	$102k (+266%)
	Homeowners	2% (+1ppt)	15% (+9ppt)	41% (+14ppt)	2% (+0ppt)	16% (+8ppt)	41% (+10ppt)	3% (+2ppt)	14% (+7ppt)	39% (+11ppt)	4% (+2ppt)	20% (+9ppt)	48% (+15ppt)
Single (dep. children)	New entrants	4k (+11%)	7k (+15%)	0k (+11%)	3k (+14%)	8k (+20%)	0k (+17%)	4k (+10%)	13k (+17%)	0k (+18%)	1k (+13%)	10k (+25%)	1k (+34%)
	Average assets	$7k (+196%)	$26k (+204%)	$51k (+231%)	$10k (+174%)	$37k (+180%)	$73k (+258%)	$8k (+159%)	$26k (+165%)	$57k (+221%)	$14k (+177%)	$50k (+190%)	$99k (+271%)
	Homeowners	6% (+4ppt)	21% (+10ppt)	34% (+12ppt)	8% (+5ppt)	28% (+9ppt)	42% (+11ppt)	6% (+4ppt)	20% (+7ppt)	35% (+8ppt)	9% (+4ppt)	33% (+10ppt)	52% (+14ppt)
Partnered (no dep. children)	New entrants	6k (+103%)	15k (+106%)	12k (+57%)	14k (+214%)	19k (+248%)	7k (+67%)	12k (+165%)	25k (+158%)	12k (+70%)	12k (+430%)	34k (+443%)	11k (+115%)
	Average assets	$22k (+567%)	$73k (+394%)	$178k (+218%)	$30k (+281%)	$81k (+310%)	$177k (+218%)	$28k (+328%)	$72k (+277%)	$170k (+189%)	$50k (+249%)	$103k (+282%)	$211k (+242%)
	Homeowners	14% (+13ppt)	48% (+29ppt)	75% (+13ppt)	14% (+11ppt)	48% (+24ppt)	72% (+8ppt)	17% (+14ppt)	46% (+24ppt)	75% (+9ppt)	19% (+14ppt)	49% (+19ppt)	76% (+12ppt)
Partnered (dep. children)	New entrants	3k (+37%)	7k (+46%)	0k (+26%)	5k (+64%)	10k (+85%)	0k (+49%)	5k (+56%)	11k (+73%)	0k (+50%)	3k (+91%)	17k (+122%)	1k (+79%)
	Average assets	$21k (+273%)	$55k (+275%)	$84k (+202%)	$29k (+247%)	$68k (+235%)	$109k (+270%)	$25k (+211%)	$54k (+189%)	$101k (+199%)	$43k (+238%)	$85k (+220%)	$132k (+224%)
	Homeowners	19% (+12ppt)	46% (+21ppt)	58% (+13ppt)	25% (+14ppt)	50% (+19ppt)	56% (+7ppt)	22% (+14ppt)	45% (+17ppt)	56% (+7ppt)	34% (+16ppt)	52% (+15ppt)	64% (+16ppt)

22% of total new entrants

48% of singles without children

57% of singles with children

59% of partnered with children

60% of partnered without children

Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children; 98,193 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Overall, four potential archetypes for the new cohort emerge, who likely have differentiated needs…

Australia

		18-29	30-54	55+
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)

1. **Young, single, no dependents, with limited assets, half with year-12 quals or less (53% of new entrants)**
   - Potential risk of "scarring effect" from period of unemployment at a young age
   - Exposed to risk of "young person" industries being slower to recover from COVID[2]
   - May benefit from extra training, study and entrepreneurial opportunities, as well as clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

2. **Older workers 55+, with assets to fall back on, and typically own a home, 40% with year-12 qualifications or less (14% of new entrants)**
   - Risk of challenges in reskilling/retaining to find new work
   - May benefit from intensive supports, particularly those without higher ed quals[1]

3. **Young & middle aged parents, typically with modest assets, often own a home if partnered, typically with higher ed or tertiary quals (14% of new entrants)**
   - Likely to experience pressure from parenting responsibilities under social distancing, with mortgage pressure among homeowners after deferrals end
   - Single parents (85% female), likely more vulnerable than those with partners
   - May benefit from differentiated approach to mutual obligations, employment services, and social supports

4. **Young and middle aged couples with no dependents, typically with moderate assets, many owning a home (19% of new entrants, 73% of those aged 30-54)**
   - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals & rent waivers come to an end
   - May benefit from clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

1. Note successful examples of reskilling older workers from the automotive industry following closure of Holden, Ford and Toyota manufacturing facilities 2. E.g. hospitality, tourism, domestic and personal services
Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS data; ABS data; Project analysis

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2. Changes in the working arrangements of working-age welfare recipients since February 2020

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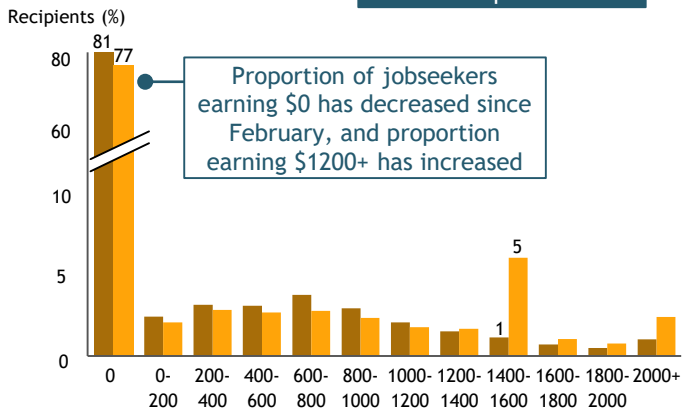
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Earned income and hours worked has increased for jobseekers, and decreased for parenting payment and student recipients

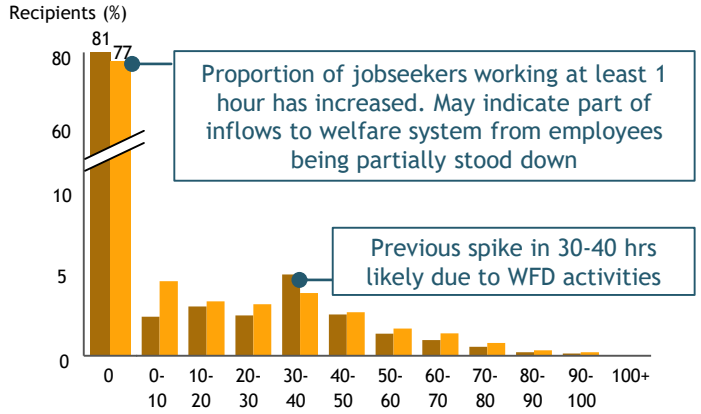
Jobseekers

Total recipients: 1.8M

Income p/f

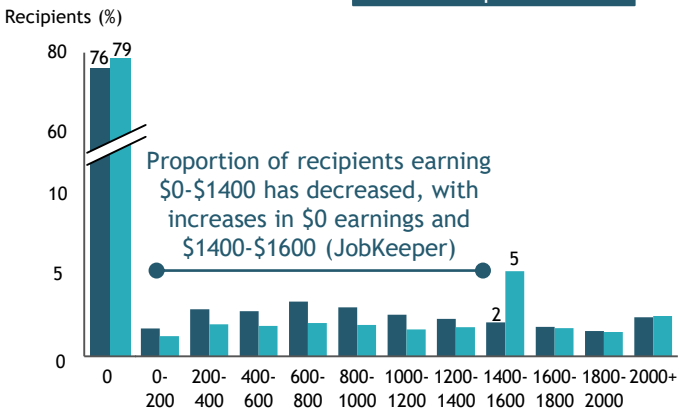


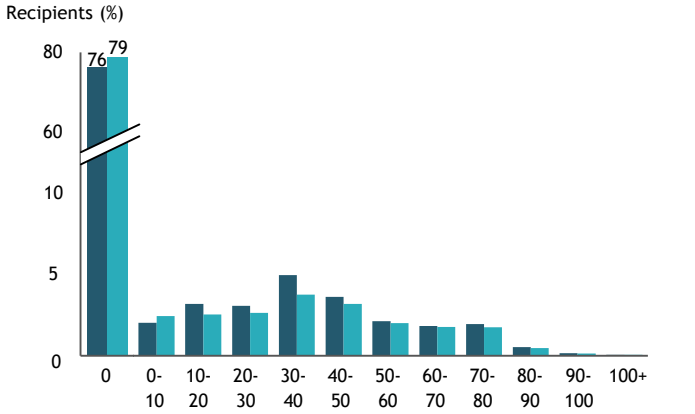
Hours worked p/f



Parents of young children

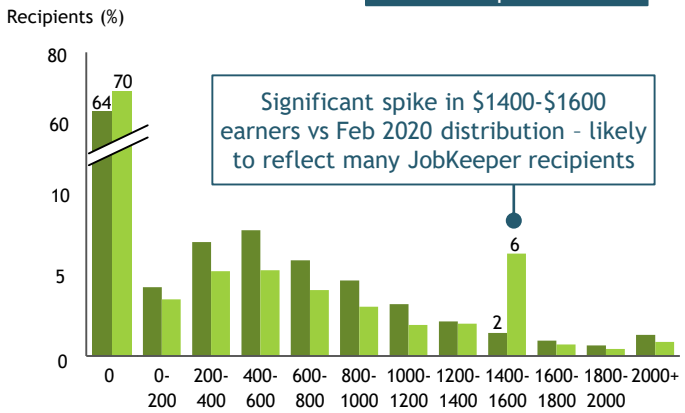
Total recipients: 337k

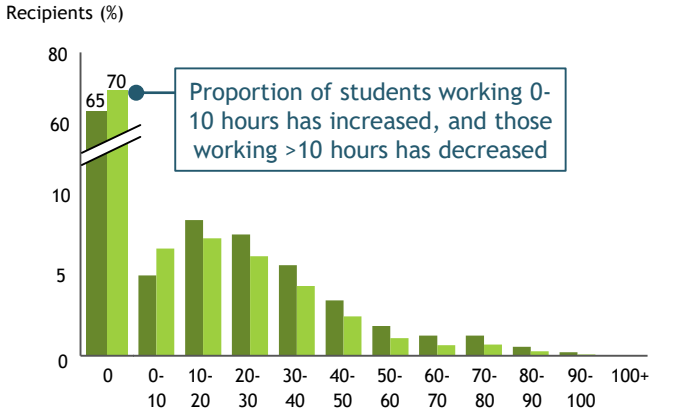




Students

Total recipients: 280k





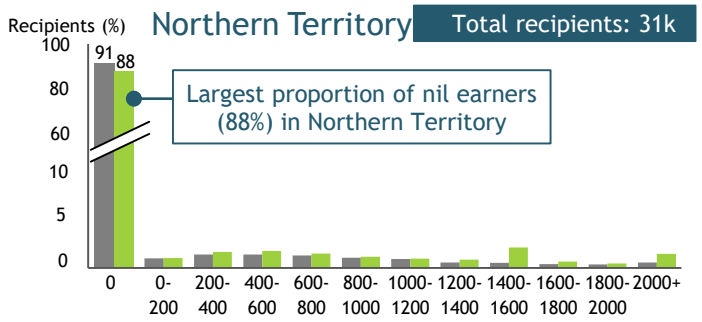
Note: 440 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

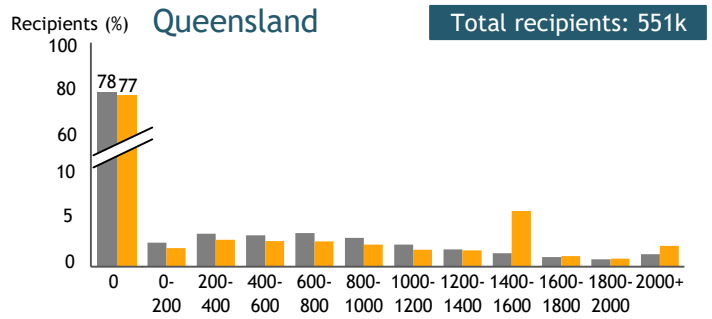
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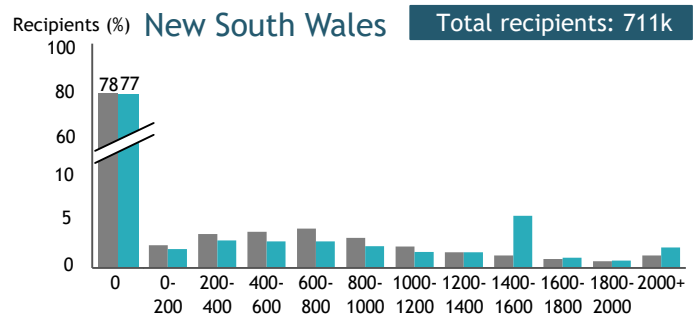
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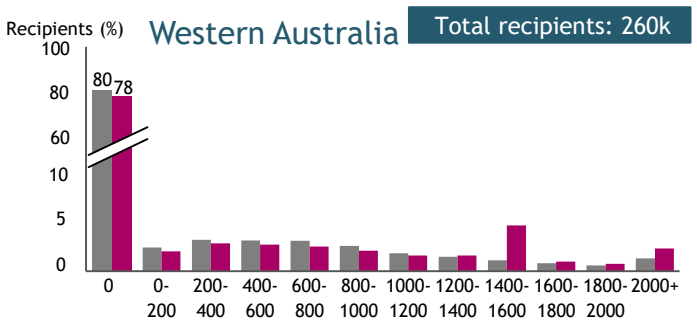
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Geography: Victoria has the largest proportion of welfare recipients on JobKeeper

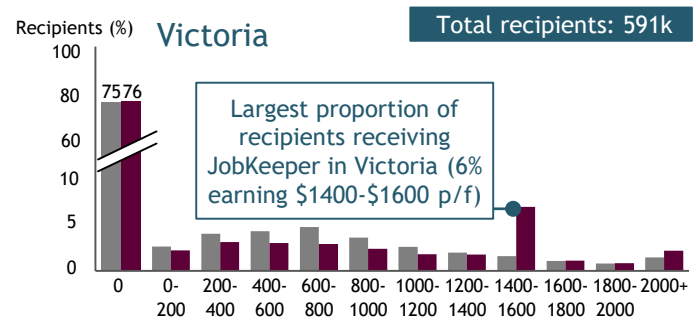


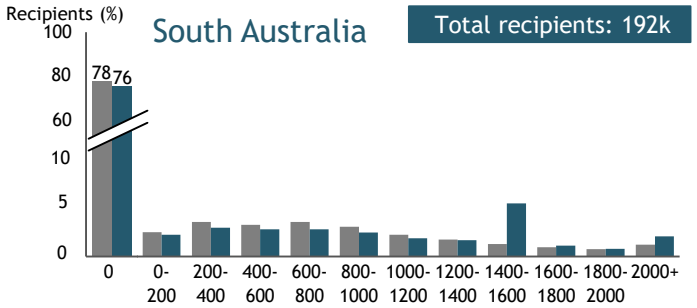


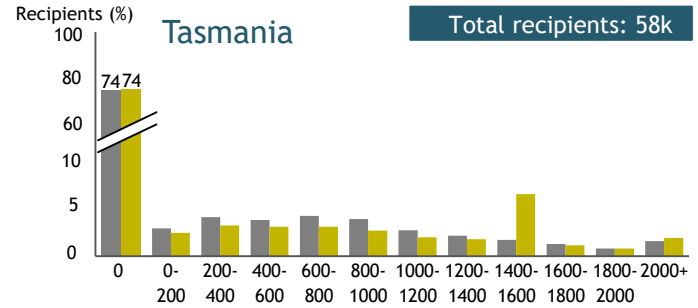












% of welfare recipients as at Feb '20

% of welfare recipients joined since Mar '20, as at Jun '20

Note: 1099 "NA" entries excluded from analysis

Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

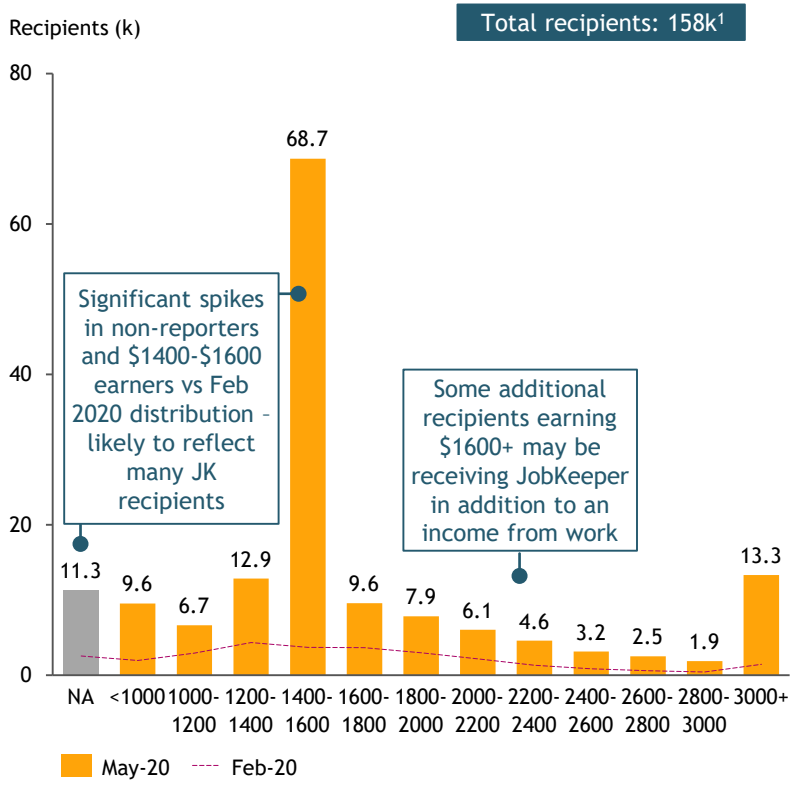
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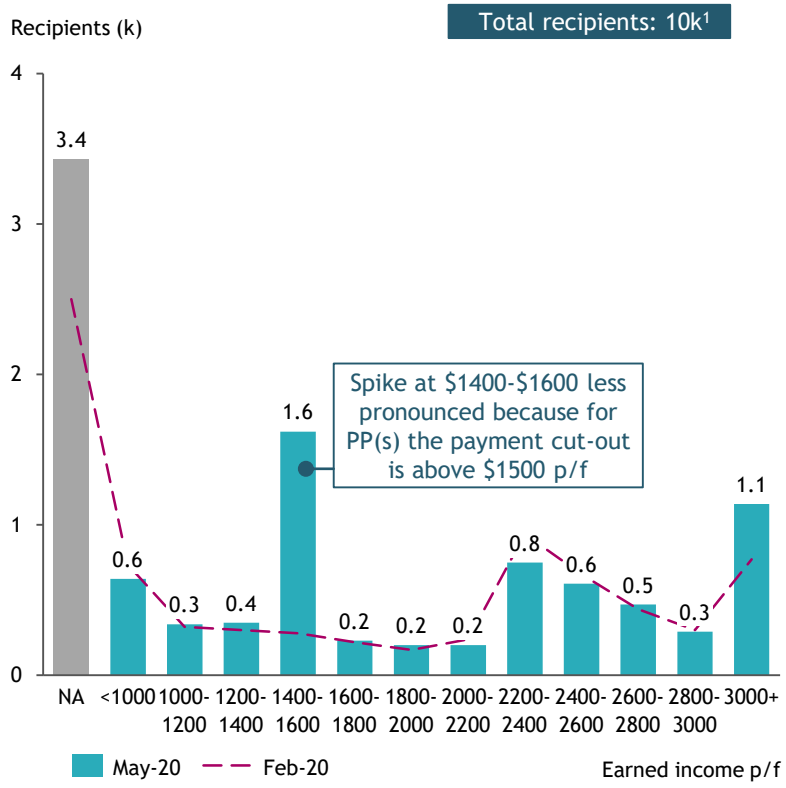
187k recipients are currently on nil-rates, with ~75k likely to return to income support following JobKeeper phase out

Jobseekers



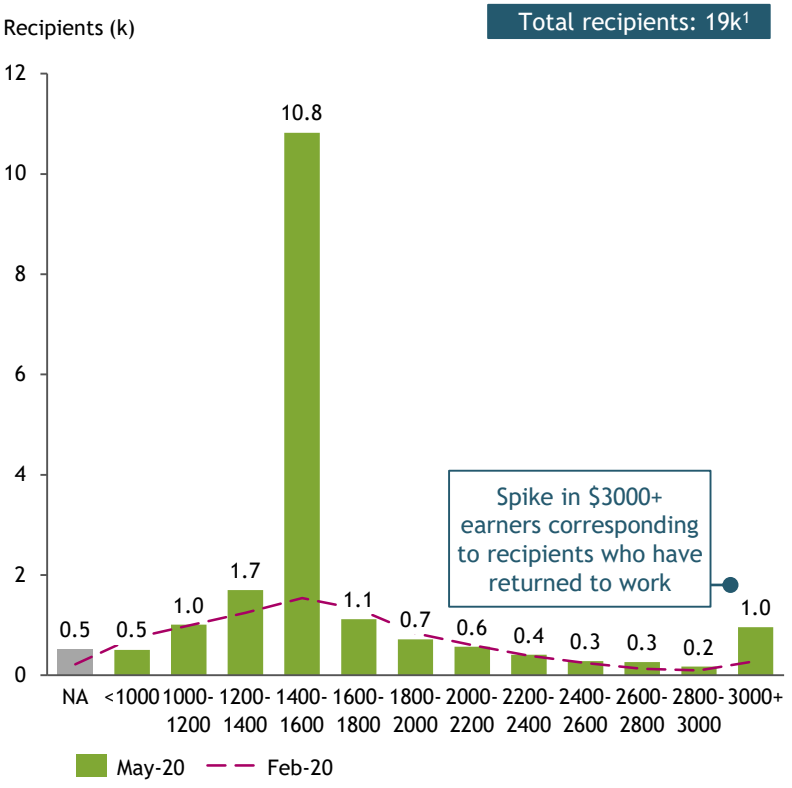
~59k 'extra' recipients earning $1500-1600[3]
~2.5k 'extra' recipients ceased reporting[4]

Parents of young children



~1.4k 'extra' recipients earning $1500-1600[3]
~0.4k 'extra' recipients ceased reporting[4]

Students[2]



~10k 'extra' recipients earning $1500-1600[3]
~0.3k 'extra' recipients ceased reporting[4]

1. Total recipients includes those who did not report income 2. Less than 5 ABSTUDY recipients on nil rates as at 29 May 2020 3. 'Extra' recipients in the $1500-$1600 income band means the additional number of recipients beyond what the shape of the distribution would suggest 4. 'Extra' recipients who ceased reporting means the additional recipients beyond what would be expected by extrapolating Feb 2020 figures upward in line with the growth in working age recipient numbers since Feb 2020
Source: DSS Data as at 28 February 2020, 29 May 2020; Project analysis

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3. As the economy improves what is the likely recovery pathway for employment and the welfare system?

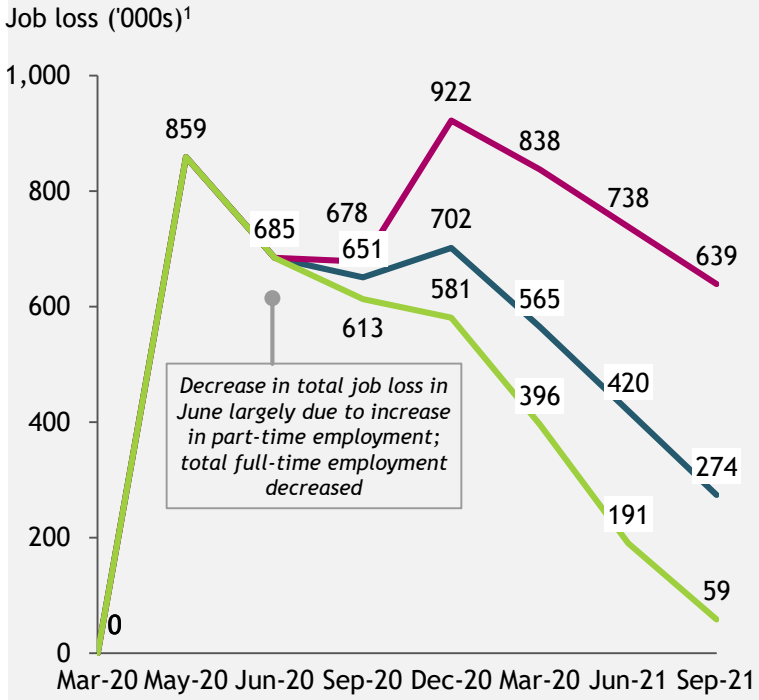
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Based on publicly-available Treasury and RBA job loss forecasts, three scenarios for welfare recipient volumes have been developed

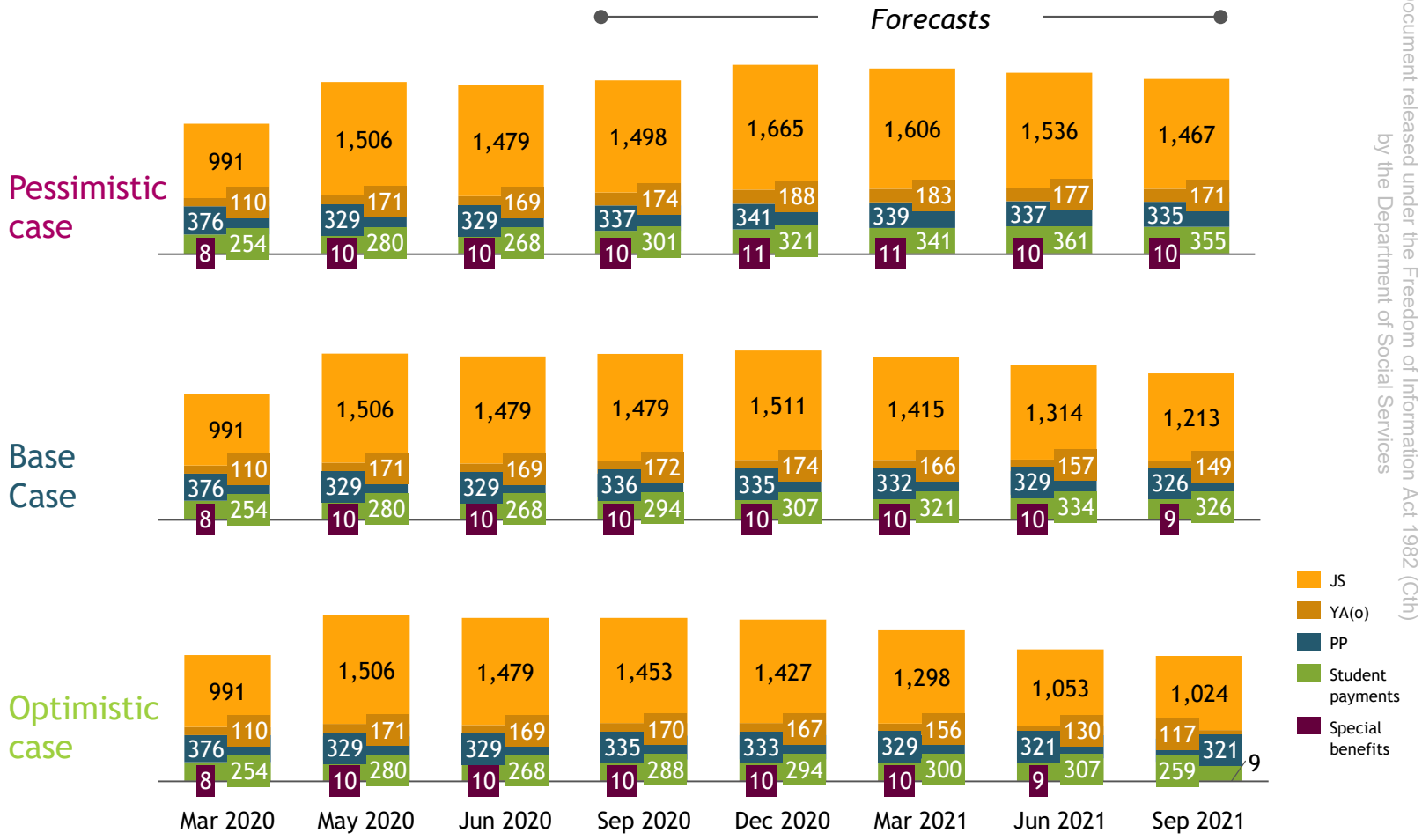
Three scenarios for job recovery…



Key assumptions:

- Pessimistic case: ~300k recipients flow into welfare system post-JK
- Base case: ~150k recipients
- Optimistic case: ~75k recipients

…leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID)
Note: Figures include suspended recipients, and pending claims multiplied with average acceptance rate. Figures exclude recipients receiving nil rates.
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

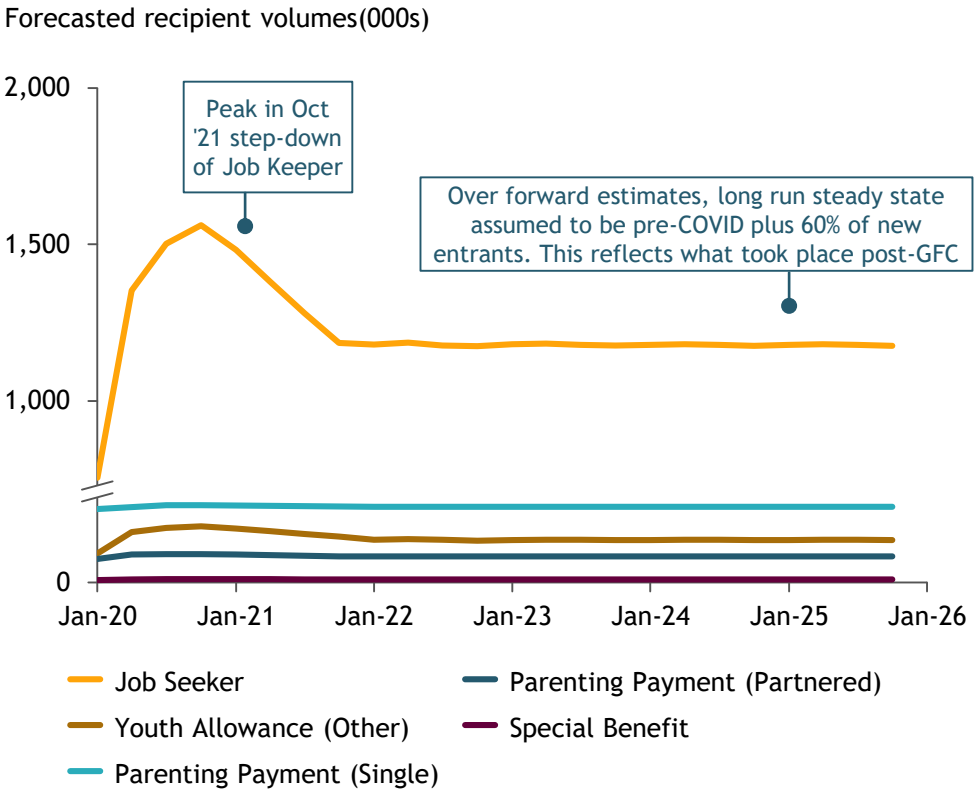
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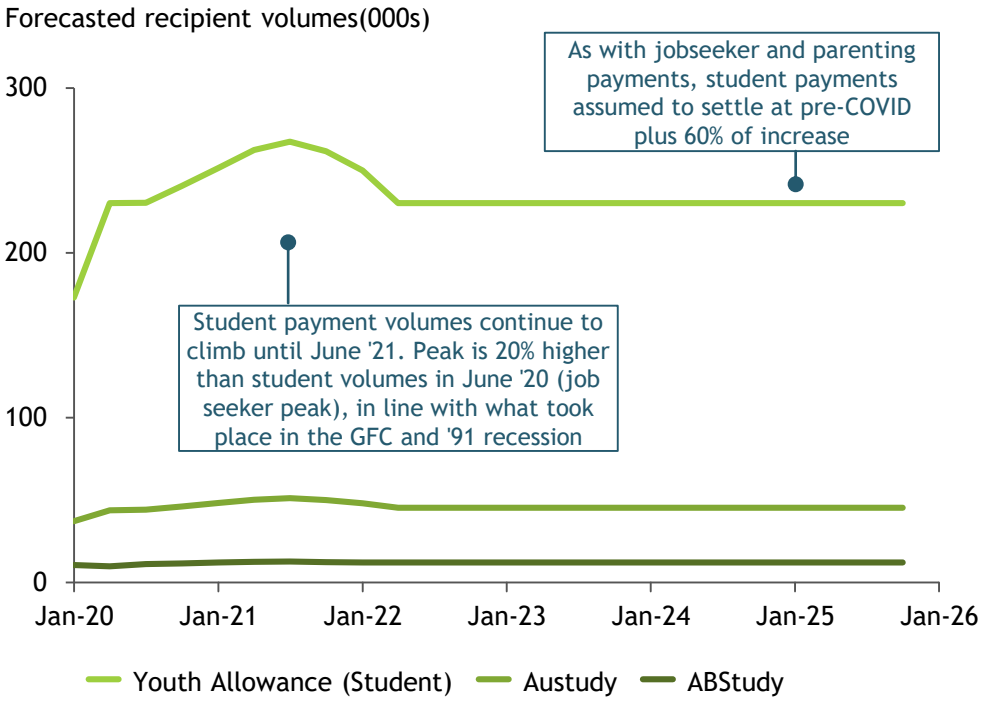
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Over forward estimates, these scenarios assume 60% of new entrants remaining in system, and student volumes still grow for 1 year after jobseekers peak

Jobseeker payments peak in June '20, jump in Oct '20 (due to JK), reach steady state assuming 60% of new entrants remain



Student payments peak in June '21, climbing 20% beyond June '20 levels (job seeker peak) in line with '91 and GFC



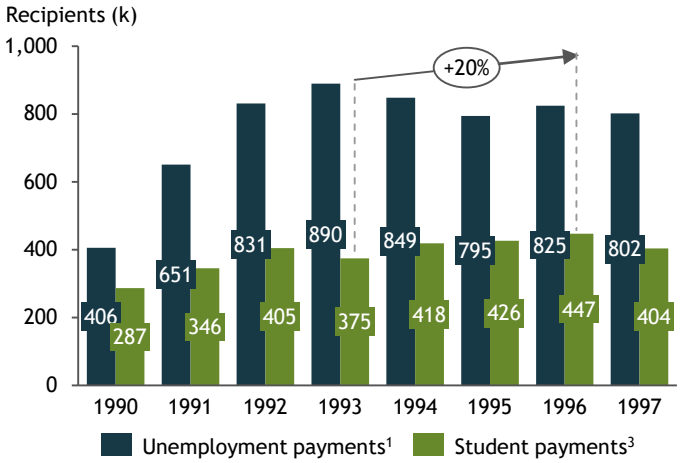
Note: Figures include suspended recipients, and pending claims multiplied with average acceptance rate. Figures exclude recipients receiving nil rates.
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

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Takeaways from previous downturns: 60-80% of new entrants remain on payment over medium term; student peak lags adult payments by 1-3 years

'91 recession: longer-term increase in student payment volumes post-recession



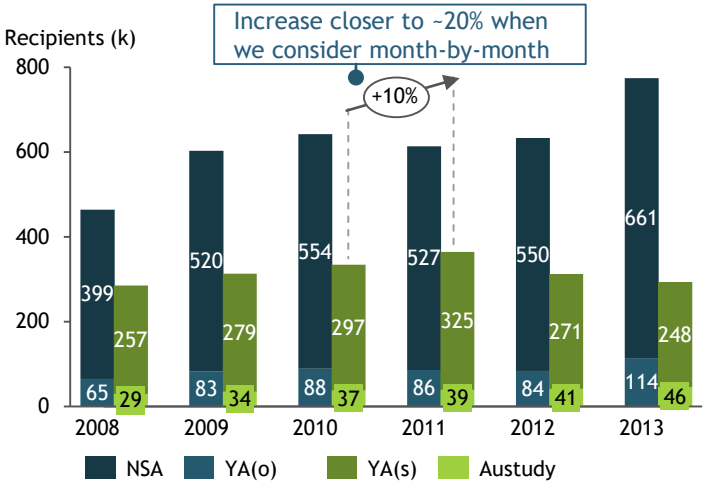
Student payment volumes continues to climb by ~20% over 3 years beyond level in '93 (job seeker peak):

- Despite youth unempl. rate peaking in 1992, # of student payment recipients remained high till 1996

~80% of new volume in the welfare system from '91 recession remained in system 5+ years

- For job seekers, we take '93 as the peak and use '95 as the long-term steady state (80%)
- For students, we take '96 as the peak and use '97 as the long-term steady state (74%)

GFC: longer term increase in unempl. and student payment volumes post-GFC



Increases in welfare volumes were smaller than in '91; less comparable to COVID

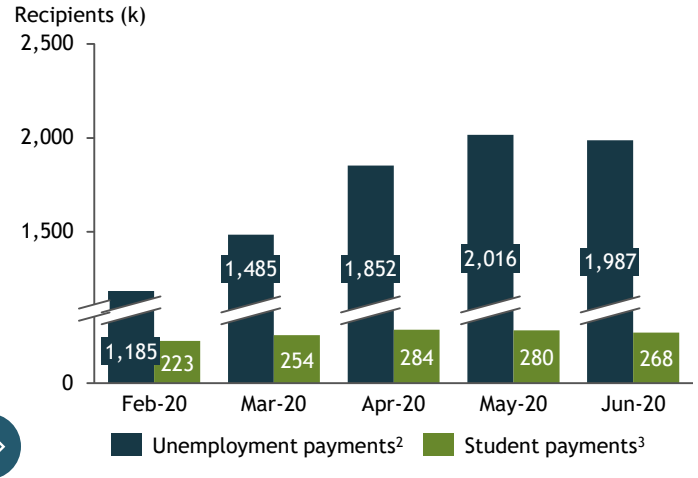
- Only ~15% increase from Sept '08 to March '10 (peak), vs ~85% for '91

However, sequential relationship between student and job seeker volumes similar to '91

- Student peak lagged job seeker by over a year
- Peak was ~20% greater than volumes in March '10

~60% of new entrants into welfare system from GFC remained in system 5+ years

C-19: steep increase in student and unempl. payments resembling '91 recession



~65% increase in total working age recipient volumes from Feb '20 to May '20, with further bump expected

- Increase driven by job seeker cohorts. Students expected to lag by 1-2 years

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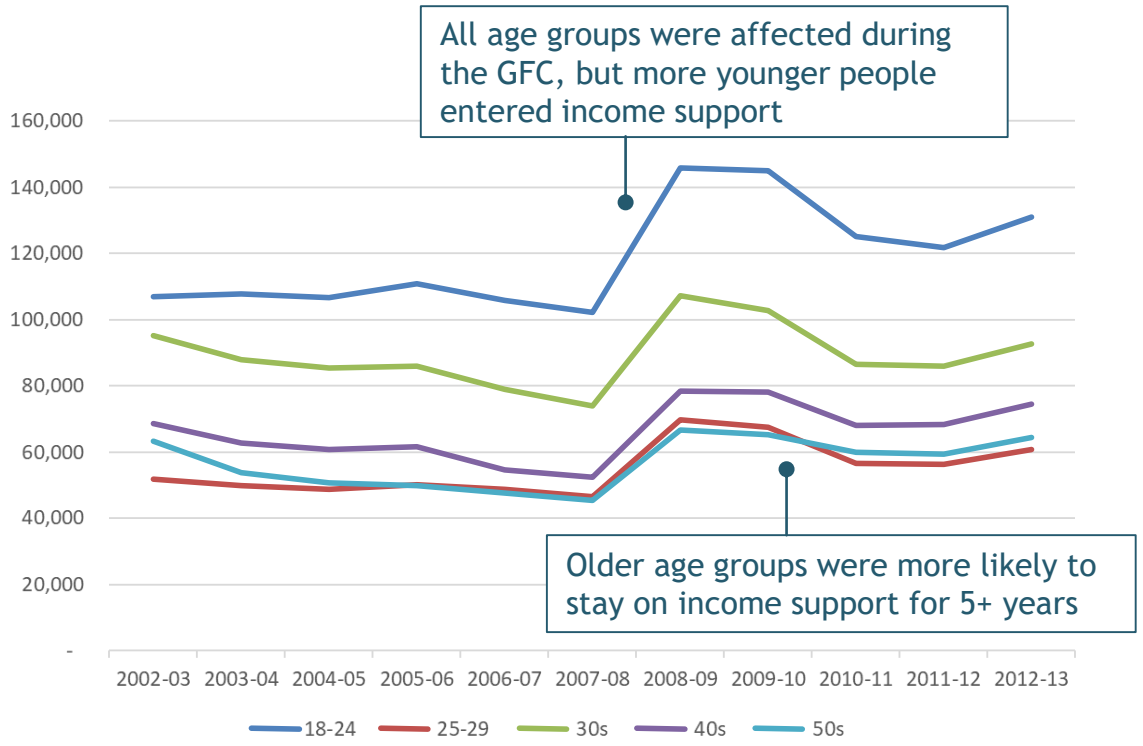
1. Consists of Unemployment Benefit, Job Search Allowance, Newstart Allowance 2. Consists of Newstart Allowance, Jobseeker, YA(o) 4. Consists of YA(s), Austudy, ABSTUDY
Note: Figures for '91 recession and GFC as at June of year referenced
Source: Department of Social Services data; Department of Family and Community Services paper (2001); ABS research

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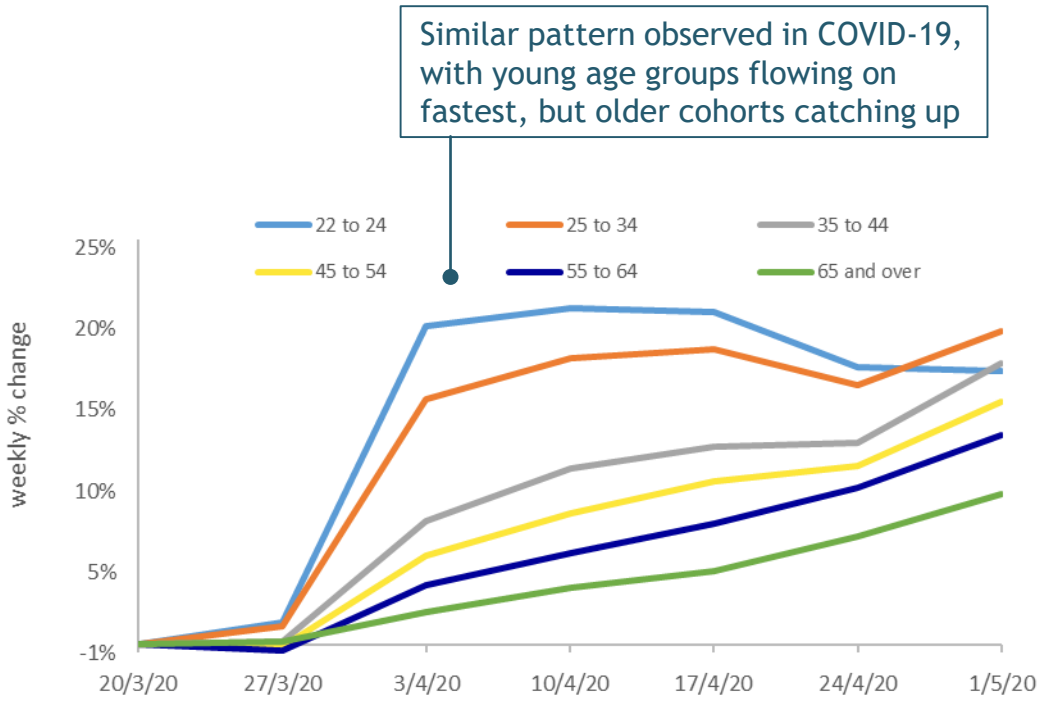
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 followed a similar pattern in early months

GFC: New entrants to income support, by age group



C-19: Entrants to Jobseeker Payment, by age group



Source: DSS data

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Backup: Major metro areas typically responsible for the largest volumes of new entrants, with increased representation from historically wealthy areas

Victoria

	New entrants	Previous #/pop (%)	New #/pop (%)
Ballarat	9865	8.96	5.99
Latrobe - Gippsland	11583	6.66	4.09
Melbourne - North East	32375	6.01	5.94
Shepparton	4061	5.76	3.04
Hume	7132	5.70	4.04
North West	4746	5.51	3.12
Bendigo	5034	5.29	3.14
Melbourne - West	40610	5.24	4.96
Warrnambool and South West	4177	5.19	3.34
Geelong	13570	5.10	4.50
Melbourne - South East	39119	4.63	4.64
Melbourne - North West	16007	4.50	3.94
Mornington Peninsula	12665	4.16	4.12
Melbourne - Inner	37431	4.01	5.49
Melbourne - Outer East	19939	3.21	3.76
Melbourne - Inner East	15131	2.61	3.87
Melbourne - Inner South	15844	2.51	3.61

South Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
South Australia - Outback	3282	12.31	3.87
Barossa - Yorke - Mid North	4316	7.70	3.79
Adelaide - North	18890	7.49	4.31
South Australia - South East	6942	6.23	3.62
Adelaide - South	16947	6.04	4.61
Adelaide - West	10654	5.93	4.49
Adelaide - Central and Hills	14651	5.36	4.85

ACT

	New entrants	Previous #/pop (%)	New #/pop (%)
Australian Capital Territory	10871	2.85	2.58

New South Wales

	New entrants	Previous #/pop (%)	New #/pop (%)
Murray	7109	10.38	5.92
Coffs Harbour - Grafton	8120	9.35	5.75
Far West and Orana	4178	8.63	3.56
New England and North West	6127	7.58	3.28
Illawarra	16623	7.16	5.34
Mid North Coast	9057	7.14	4.10
Richmond - Tweed	15032	6.80	5.99
Sydney - Blacktown	20323	6.58	5.50
Hunter Valley exc Newcastle	11247	6.25	4.06
Sydney - Parramatta	29144	6.24	5.91
Capital Region	10319	5.98	4.53
Sydney - South West	18947	5.97	4.26
Central Coast	15734	5.65	4.60
Central West	6533	5.59	3.07
Newcastle and Lake Macquarie	14652	5.50	3.90
Sydney - Inner South West	35438	4.98	5.71
Southern Highlands and Shoalhaven	5435	4.46	3.51
Sydney - City and Inner South	19918	3.75	5.54
Sydney - Outer South West	10438	3.58	3.68
Sydney - Baulkham Hills and Hawkesbury	10773	3.06	4.39
Riverina	2445	2.67	1.52
Sydney - Outer West and Blue Mountains	7777	2.51	2.40
Sydney - Inner West	10494	2.01	3.29
Sydney - Sutherland	7260	1.82	3.17
Sydney - Northern Beaches	8979	1.40	3.31
Sydney - North Sydney and Hornsby	12581	1.32	2.88
Sydney - Eastern Suburbs	7541	1.12	2.57
Sydney - Ryde	2913	0.85	1.46

Tasmania

	New entrants	Previous #/pop (%)	New #/pop (%)
Launceston and North East	6304	8.02	4.35
West and North West	4249	7.18	3.80
Hobart	10841	6.60	4.66
South East	902	2.84	2.34

Queensland

	New entrants	Previous #/pop (%)	New #/pop (%)
Darling Downs - Maranoa	9917	13.72	7.70
Cairns	16394	9.16	6.50
Queensland - Outback	2489	9.06	3.02
Wide Bay	12738	7.99	4.29
Ipswich	17087	7.99	4.86
Moreton Bay - North	13092	7.55	5.20
Central Queensland	8154	7.05	3.61
Townsville	9354	6.55	3.96
Brisbane - South	23320	6.37	6.30
Gold Coast	45339	6.24	7.29
Mackay - Isaac - Whitsunday	7326	5.44	4.25
Logan - Beaudesert	12370	5.30	3.62
Sunshine Coast	21715	5.13	5.79
Brisbane - North	11544	4.77	5.19
Brisbane - West	9497	4.66	4.96
Brisbane - East	9923	4.10	4.17
Moreton Bay - South	7655	3.84	3.58
Brisbane Inner City	8660	2.43	3.06
Toowoomba	138	0.16	0.09

Western Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
Western Australia - Outback (North)	3207	8.64	3.28
Western Australia - Outback (South)	4606	7.56	3.89
Mandurah	4794	7.45	4.70
Perth - South East	24647	6.51	4.78
Perth - North East	13257	6.29	4.99
Bunbury	8076	5.90	4.42
Western Australia - Wheat Belt	4502	5.81	3.28
Perth - South West	17440	4.87	4.05
Perth - North West	23914	4.78	4.23
Perth - Inner	7011	3.87	3.88

Northern Territory

	New entrants	Previous #/pop (%)	New #/pop (%)
Darwin	6988	8.91	4.70
Northern Territory - Outback	2462	7.96	2.49

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

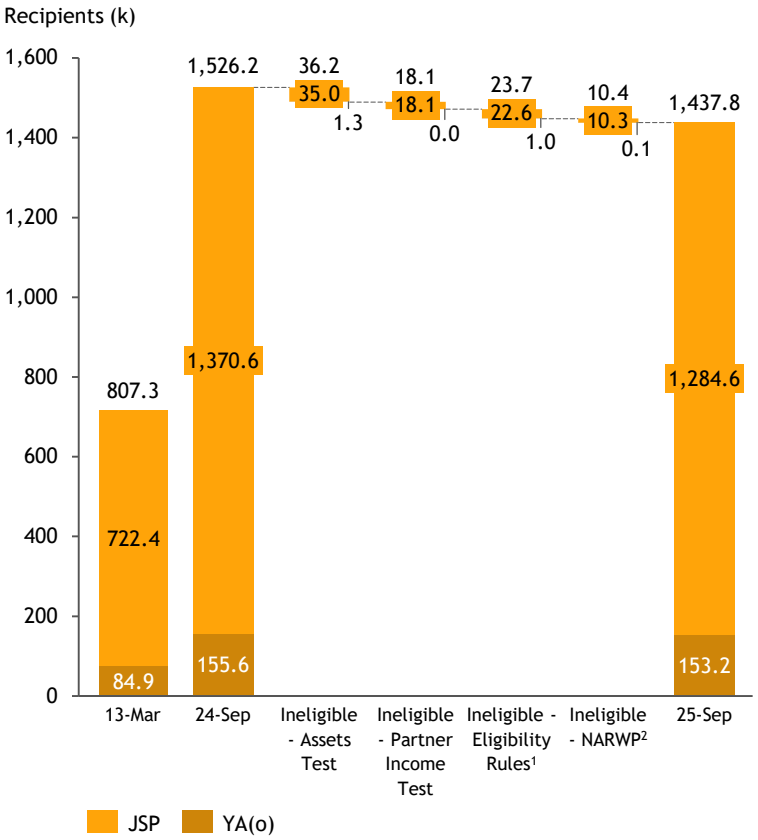
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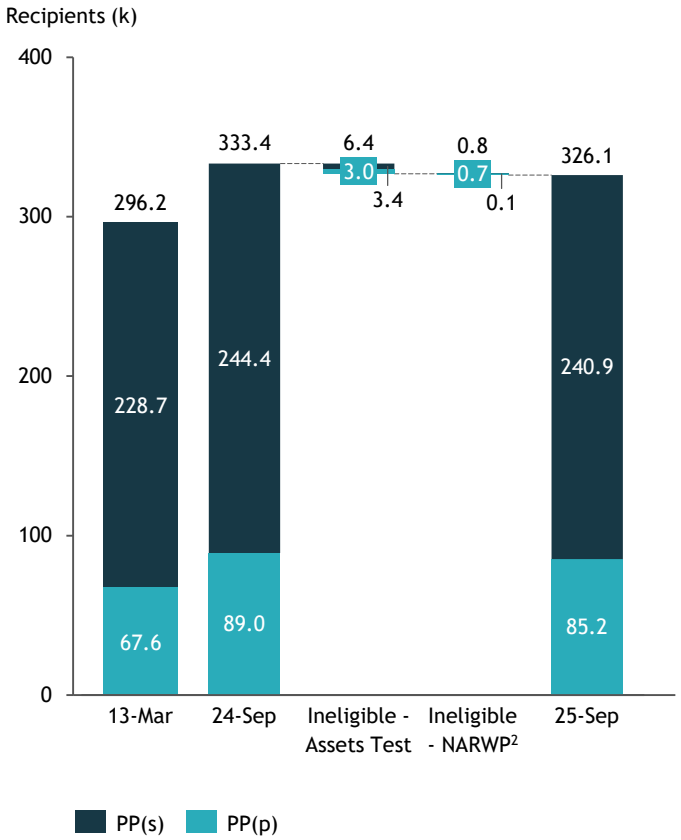
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But for the temporary "access to payment" measures, ~100k current recipients would be ineligible

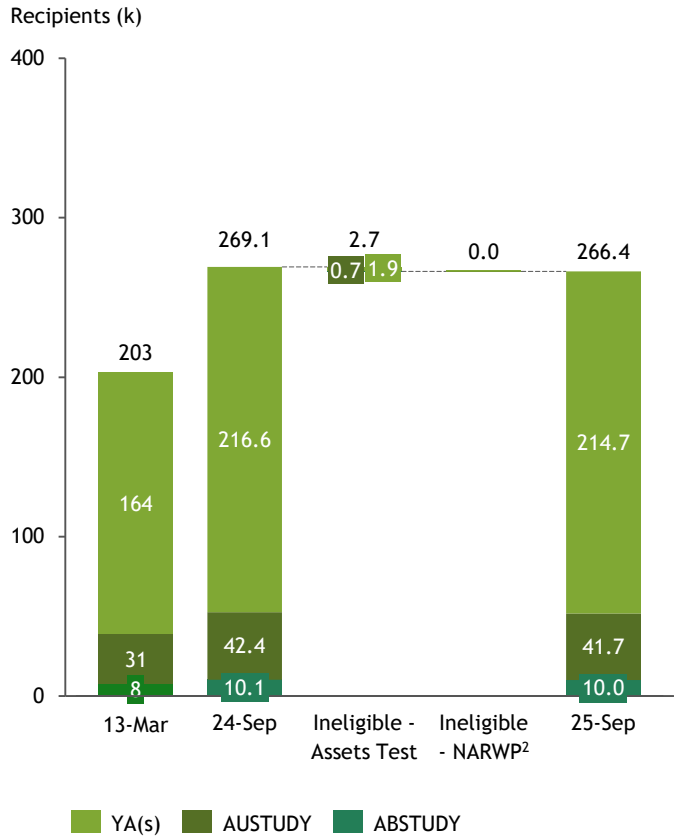
Jobseekers (~90k)



Parents of young children (~7k)



Students (~3k)



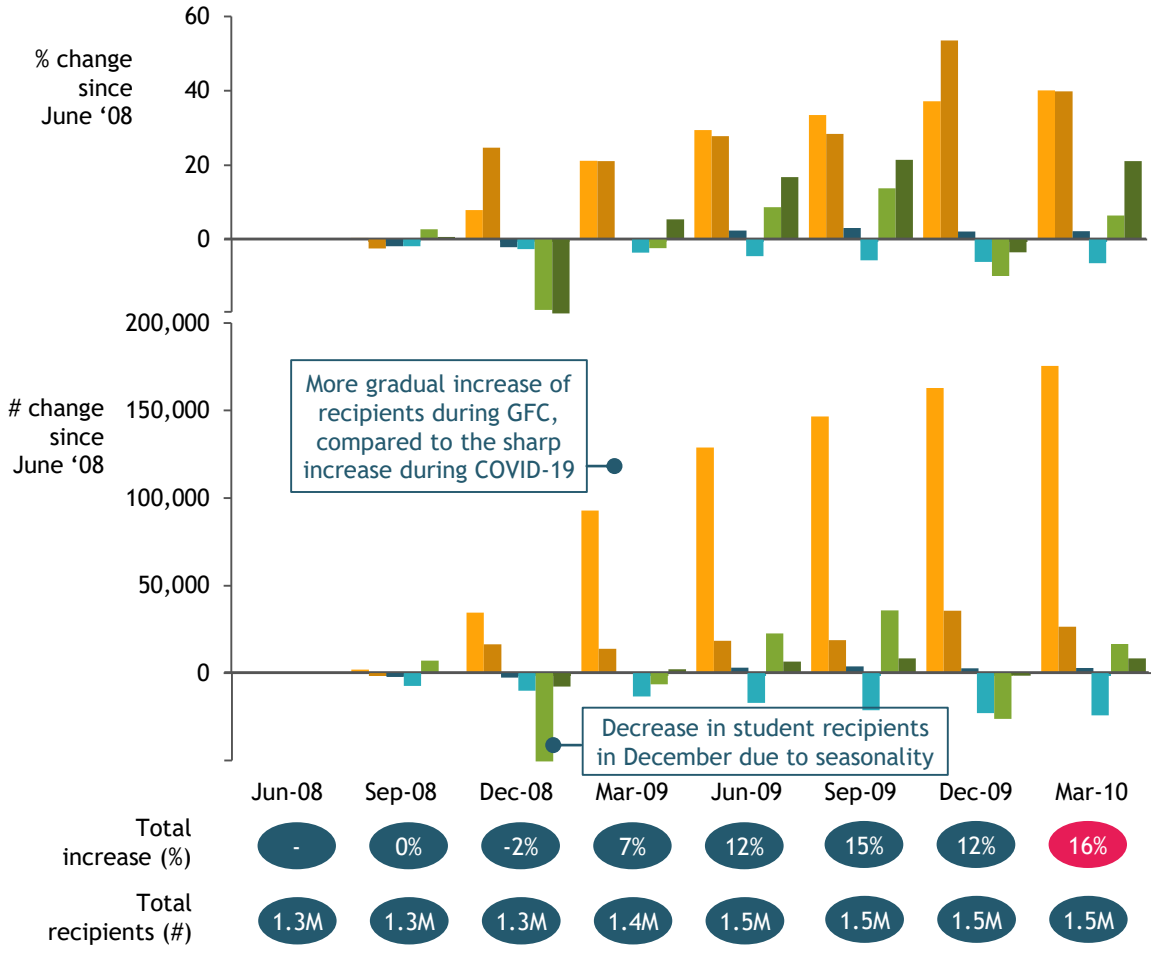
1. 25% of ~60k stood-down permanent employees and ~30k sole traders assumed to opt of payment due to MO requirements 2. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

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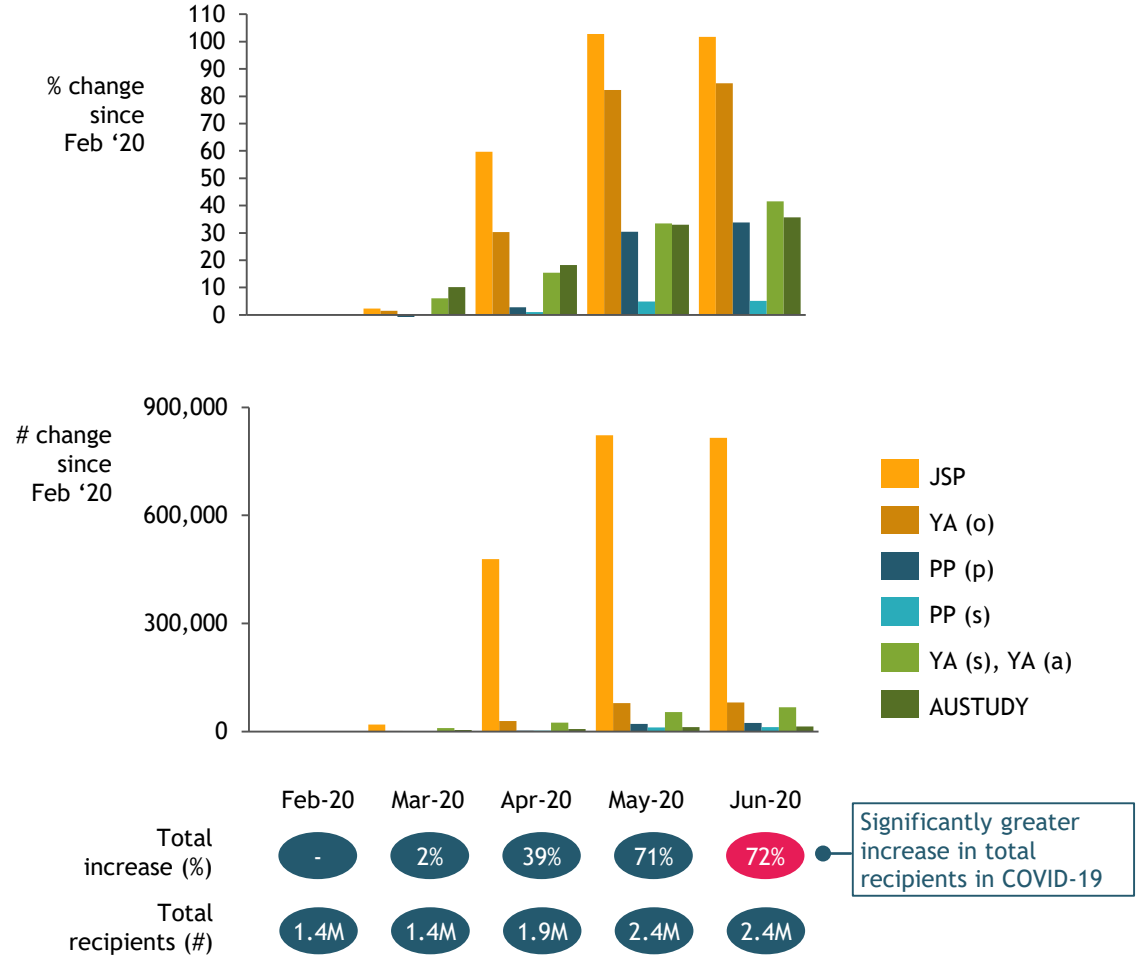
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During the GFC, the increase in working-age welfare recipients was smaller, and more gradual, compared to COVID-19

Change in welfare recipients following GFC



Change in welfare recipients following COVID-19



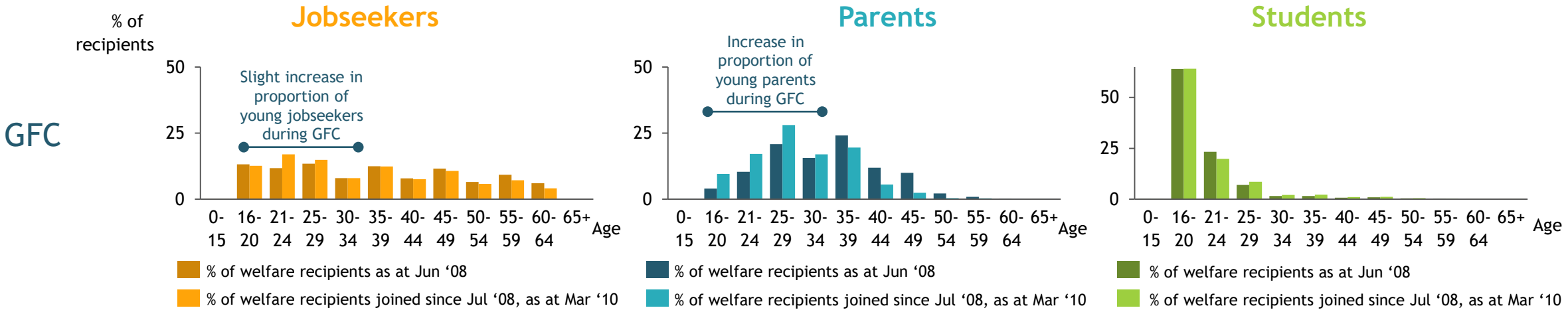
Note: Does not include pending claims, shows actual recipients on ISP at the point in time
Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

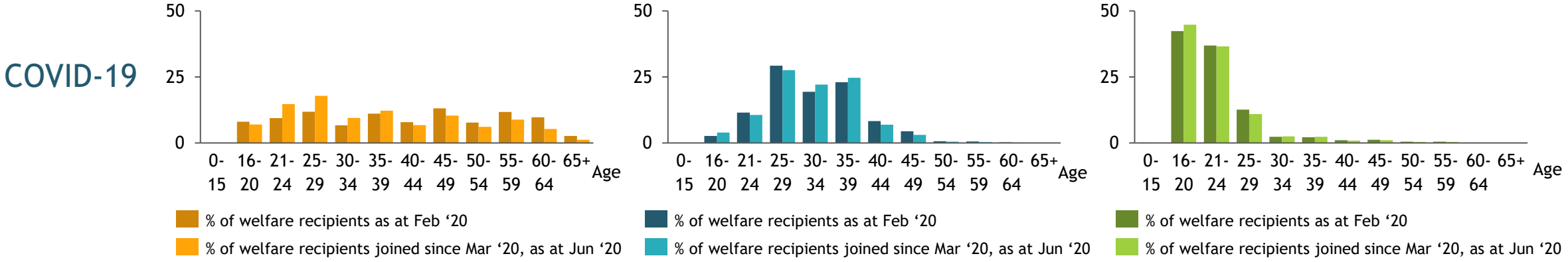
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During both the GFC and COVID-19, new entrants are more likely to be younger

GFC comparison – Age distribution





1. Where number of children is marked as NA, zero is assumed

Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

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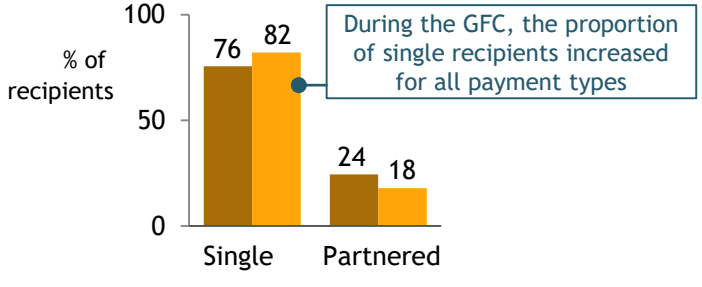
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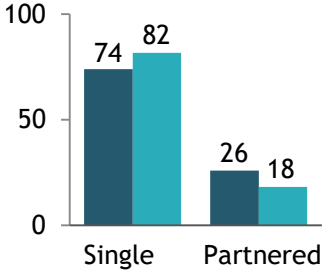
Proportion of single recipients increased during GFC, decreased during COVID-19

GFC comparison – Relationship status

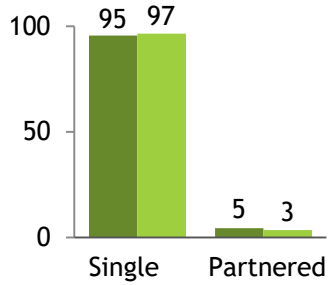
Jobseekers



Parents



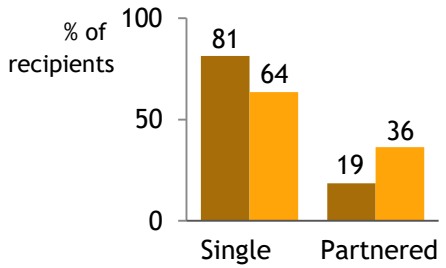
Students

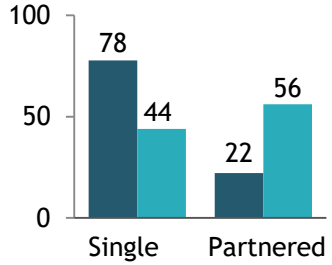


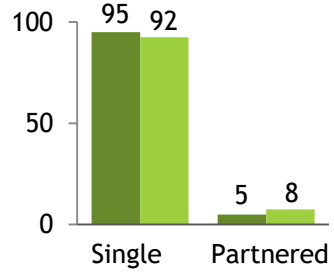
GFC

- % of welfare recipients as at Jun '08
- % of welfare recipients joined since Jul '08, as at Mar '10

COVID-19







- % of welfare recipients as at Feb '20
- % of welfare recipients joined since Mar '20, as at Jun '20

1. Where number of children is marked as NA, zero is assumed

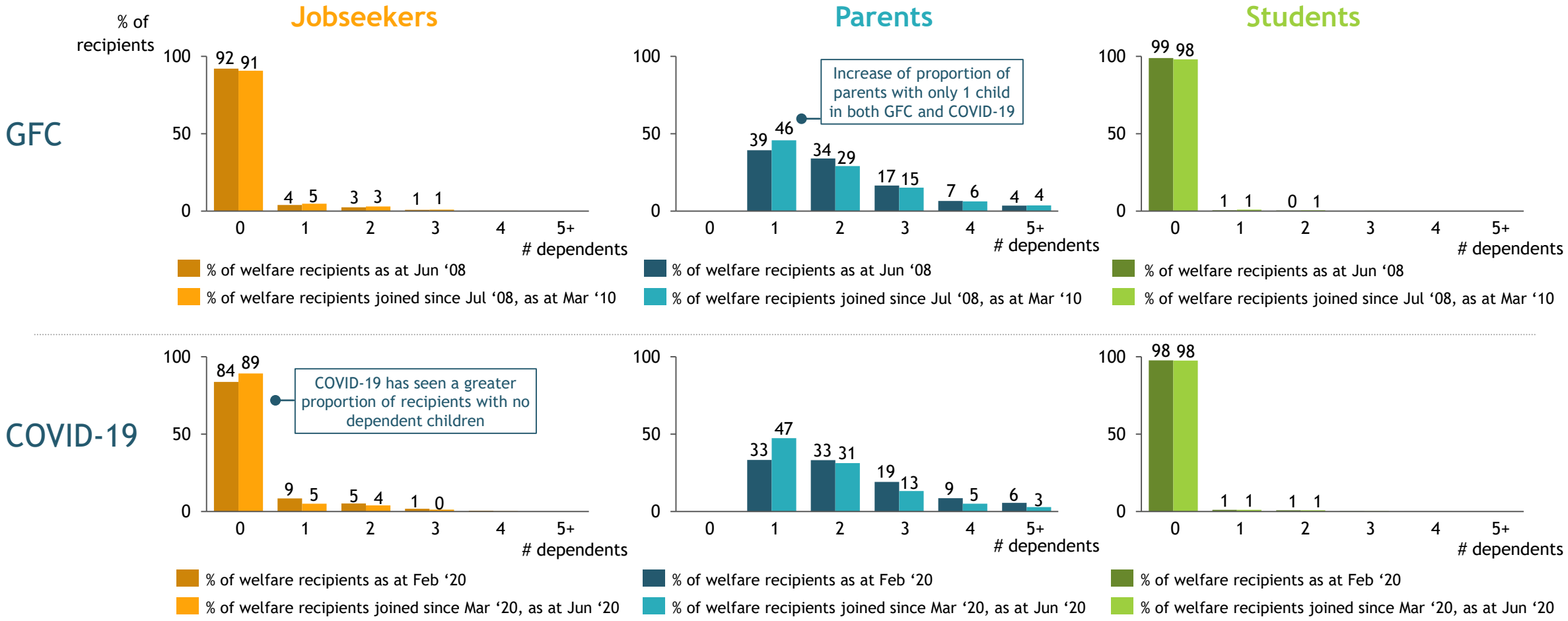
Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

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Shift toward smaller & no-child families more pronounced in COVID-19

GFC comparison – Dependent children



Note: Number of children assumed to be maximum out of dependent children flag, principal carer flag and family tax benefit flag
Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

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Thank you

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Project Canoe

Phase II - Compendium of materials

7 AUGUST 2020

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Note to the reader

This compendium contains a suite of materials developed during research into a range of illustrative policy options for the social security system in the wake of the COVID-19 pandemic.

The figures shown in this compendium are drawn from a model developed during the research, which models the working-age social security system over the period FY20-24. The figures shown in this Compendium represent the best view possible as at 7 August 2020, based on the data made available to the researchers, and the time available to conduct the research.

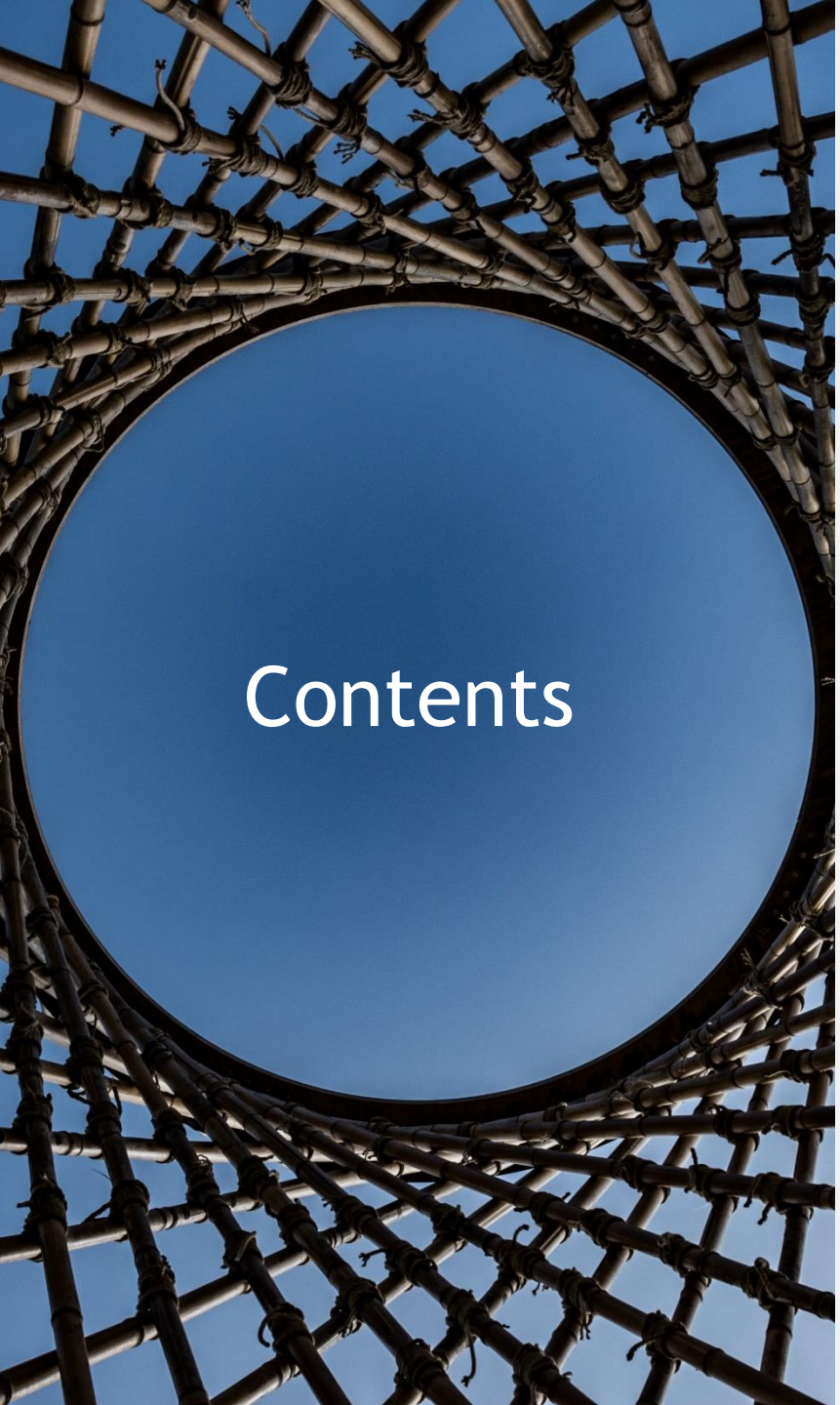
The researchers' intent is that this model should continue to be developed and progressed over time. Accordingly, materials in this compendium should be updated with the latest figures from that model, prior to being used in subsequent months after this research.

In particular the following further updates to the model are considered to be a high priority:

- Refining the model logic for the treatment of FTB policy options (the current integration of FTB options adopted a light-touch approach, as FTB policy options were not considered a priority relative to other items)
- Refining the model logic to account for interactions between payments, and between income support payments and FTB payments
- Adding a feature reflecting the independence test for Youth Allowance payments

A full backlog for the suggested further development of the model is provided in the final section of this Compendium.

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- Scenarios for what to expect from here

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Model and illustrative dashboard 107

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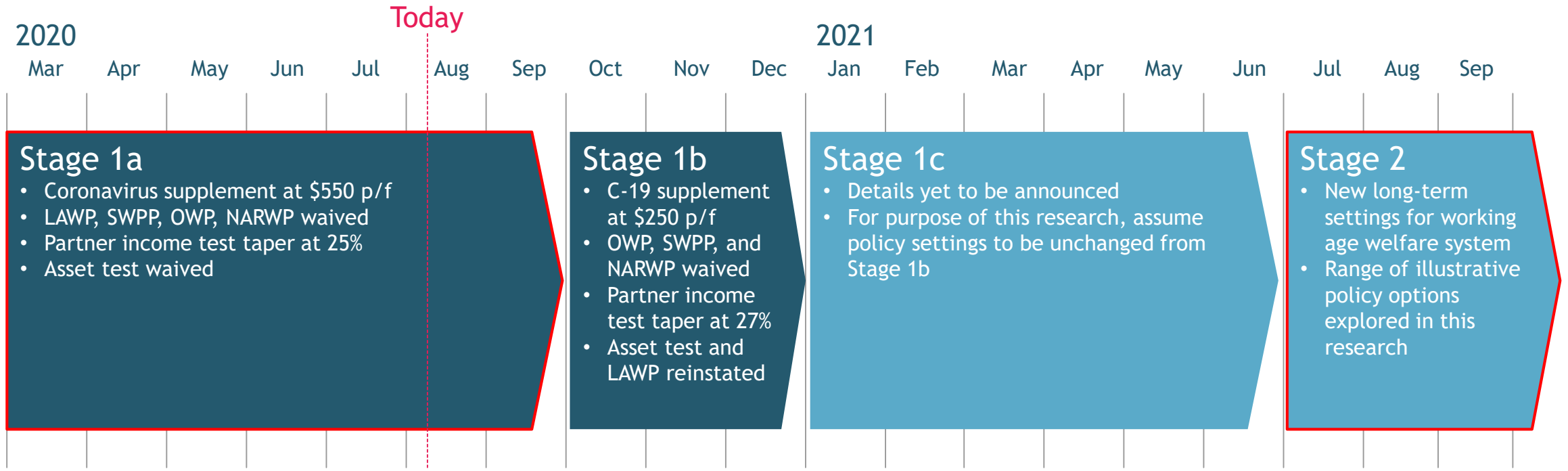
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- Single Parents Addendum
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Context: Four key stages to Coronavirus response in the welfare system – this research focused on Stage 1a, and Stage 2



Policy settings decided by government

Policy settings yet to be decided by government

Focus of this research

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Stage 1a Further Analysis

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Stage 1a: Three key questions posed

1. What are the characteristics of those who have commenced on a working-age payment since February 2020?
2. How have the working arrangements of working-age welfare recipients changed since February 2020?
3. As the economy improves what is the likely recovery pathway for employment and the welfare system?

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Summary: Stage 1a (I/II)

1

Characteristics of those who have commenced since Feb '20

The number of working age income support recipients has increased by 1m to 2.4m (72% increase) since February 2020. Of these, 80% have commenced on JobSeeker Payment.

The new cohort is younger (50% of jobseekers <35 yo vs 35% in old cohort), **wealthier** (13% with assets >$100k vs 6%) **more likely to be partnered** (36% of jobseekers vs 19%), and **their partners typically earn more** (52% partners of earning $1600+ vs 21% in old cohort)

The new cohort is more heavily weighted toward the major cities (75% of new cohort live in a major city vs 65% previously). The **greatest inflows have come from traditionally disadvantaged areas**, while more affluent areas have seen the greatest relative change in the proportion of population in income support.

Among the new commencements on jobseeker and parenting payments, ~40% have had no prior engagement with the welfare system since 2000, and ~5% have only engaged on student payments. This is distinctly different to the GFC when just 23% of new commencements on jobseeker and parenting payments were entirely new to welfare, with a further 6% having been on a student payment

Segmentation analysis of new commencements suggests four key groups to consider in shaping policy responses. Each group faces different pressures:

- Young, single, no dependents, with limited assets, half with year-12 qualifications or less **(53% of commencements)**
  - Risk of disengagement from labour market if ongoing lack of opportunity in entry-level roles. May benefit from supports for study, training, & entrepreneurship, as well as clear incentives to remain engaged in the labour force
- Older workers 55+, typically with assets to fall back on, and owning a home, 40% with year-12 qualifications or less **(14% of commencements)**
  - Risk of challenges in reskilling/retaining to find new work, may benefit from intensive supports, particularly those without higher ed or tertiary qualifications
- Young & middle aged parents, typically modest assets, often own a home if partnered, typically higher ed/tertiary quals **(14% of commencements)**
  - Pressure from parenting responsibilities under social distancing, single parents particularly vulnerable (85% female), mortgage pressure among homeowners. May benefit from differentiated approach to mutual obligations and social supports
- Young and middle aged couples with no dependents, typically moderate assets, higher ed or tertiary qualifications, many owning a home **(19% of commencements)**
  - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals come to an end

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Summary: Stage 1a (II/II)

2

Changes to working arrangements since Feb '20

Compared to February 2020, Jobseeker recipients are receiving more income while on welfare (23% receiving income in June vs 19% in February), noting that this is not explained by JobKeeper alone, since **working hours also increased** (23% working hours in June vs 19% in Feb). This increase was greatest among young jobseekers aged under 30 (23% receiving income in June vs 16% in Feb)

In contrast, recipients of parenting payment and student payments have seen decreases in earned income and hours worked

As at 30 June 2020, 187k recipients were on nil-rates. Estimates suggest that **~75k of those would likely return to welfare** payments as JobKeeper is phased out

3

What should we be expecting to see during recovery?

For the near term, this research has assumed that ~150k additional recipients will start receiving a working-age income support payment in Q4 2020 as JobKeeper scales down and triggers further job losses. This may be higher given the recently announced Stage 4 lockdown in Victoria

Observation of the recovery pathway in the 1991 recession and GFC suggests that **40% - 80% of new working age ISP recipients may remain in the welfare system** over the medium term, with older workers being over-represented in this "sticky" cohort, even as jobs growth in the economy resumes

Observation of the 1991 recession and GFC also indicates we should anticipate **substantial numbers of payment transfers from jobseeker payments to student payments from 2021 onwards** for several years

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1. The characteristics of those who have commenced on a working-age payment since February 2020

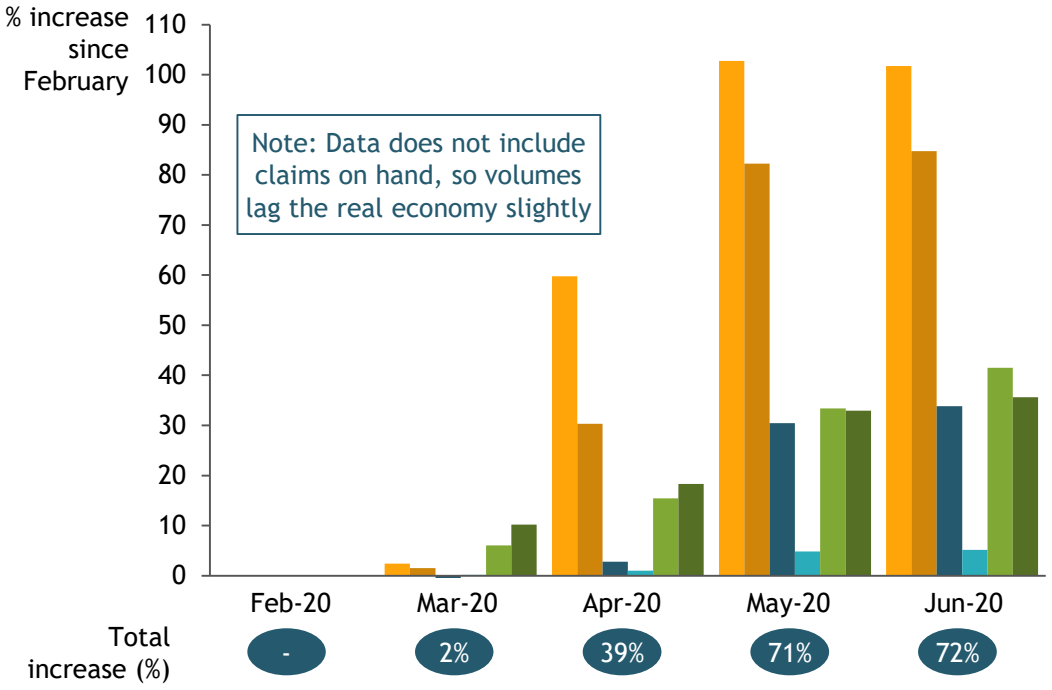
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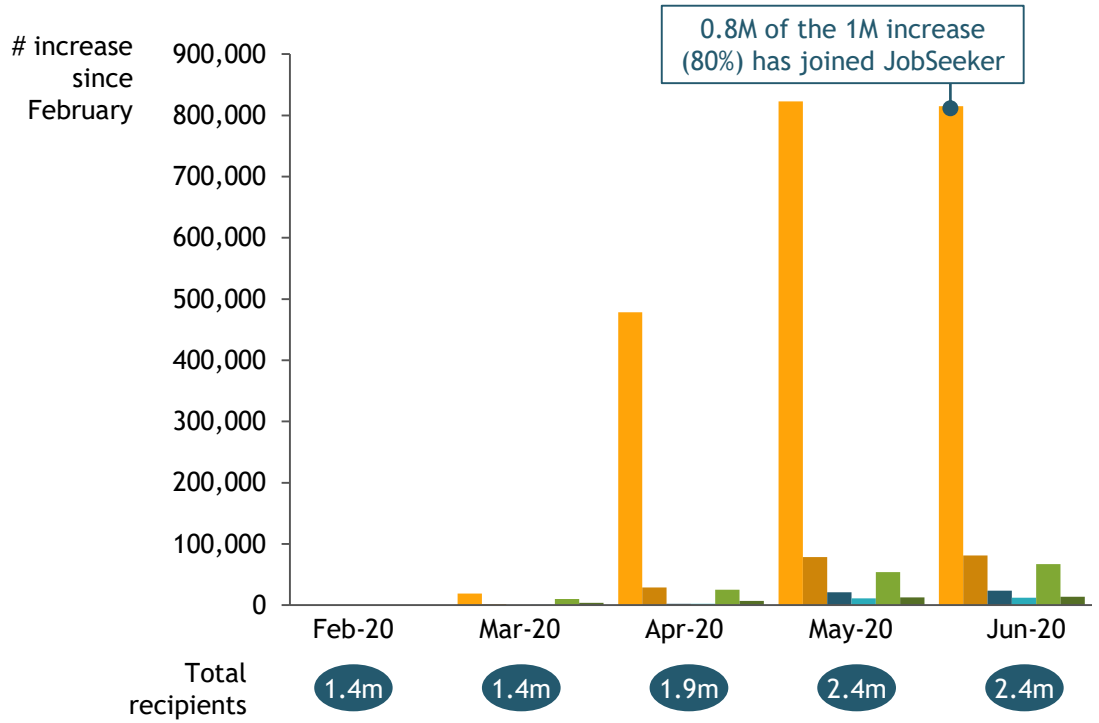
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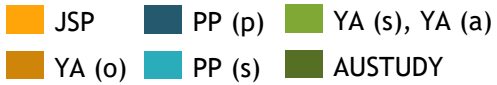
Overall, the number of working age welfare recipients has increased by 72% since February, with 80% of new entrants joining JobSeeker

Working-age ISP recipients increased 72% since Feb '20, with biggest % increases in JSP & YA(o)



Of those new entrants, 80% have been on JobSeeker





Note: Does not include pending claims, shows actual recipients on ISP at the point in time; includes nil-rate recipients
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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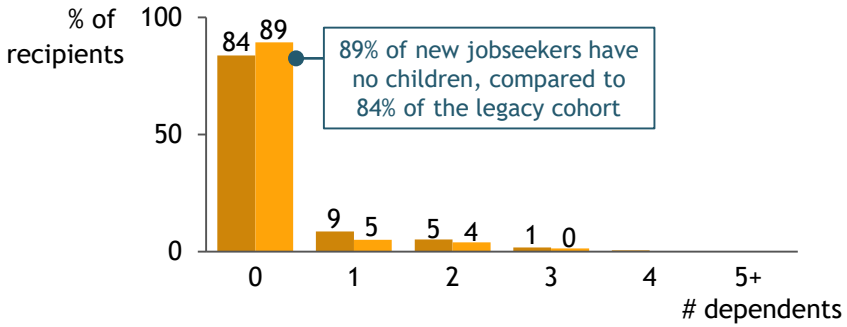
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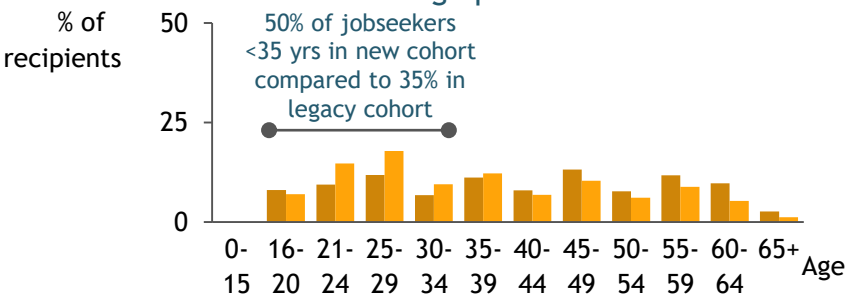
The new cohort is typically younger, with fewer children, particularly among jobseekers

Jobseekers

Number of dependent children[1]

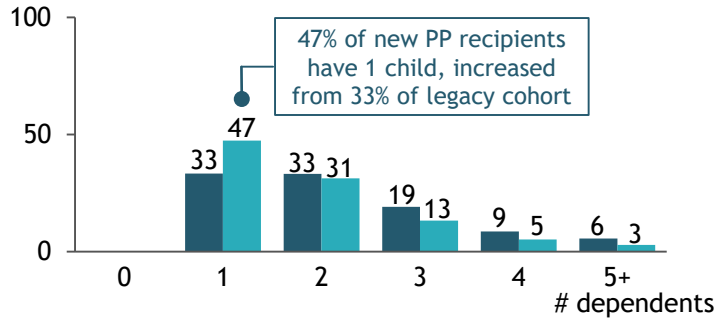


Age profile

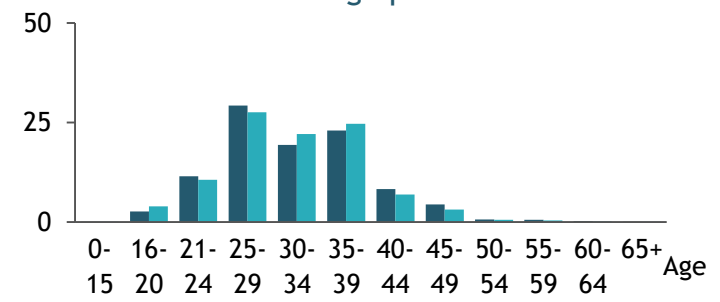


Parents

Number of dependent children[1]

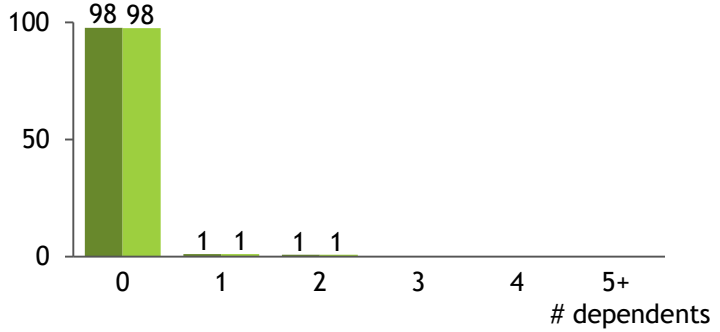


Age profile

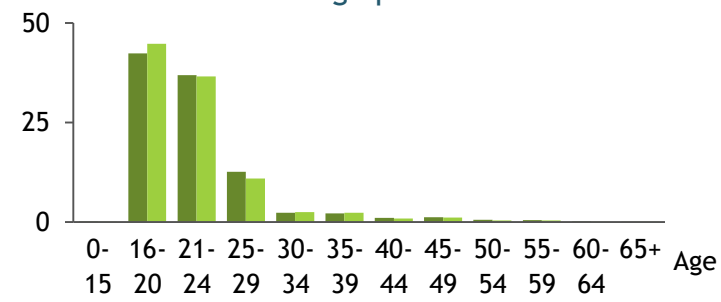


Students

Number of dependent children[1]



Age profile



% of welfare recipients as at Feb-20

% of welfare recipients joined since Mar-20, as at Jun-20

1. Number of dependents taken as the maximum of dependent children, primary carer children and family tax benefit children

Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

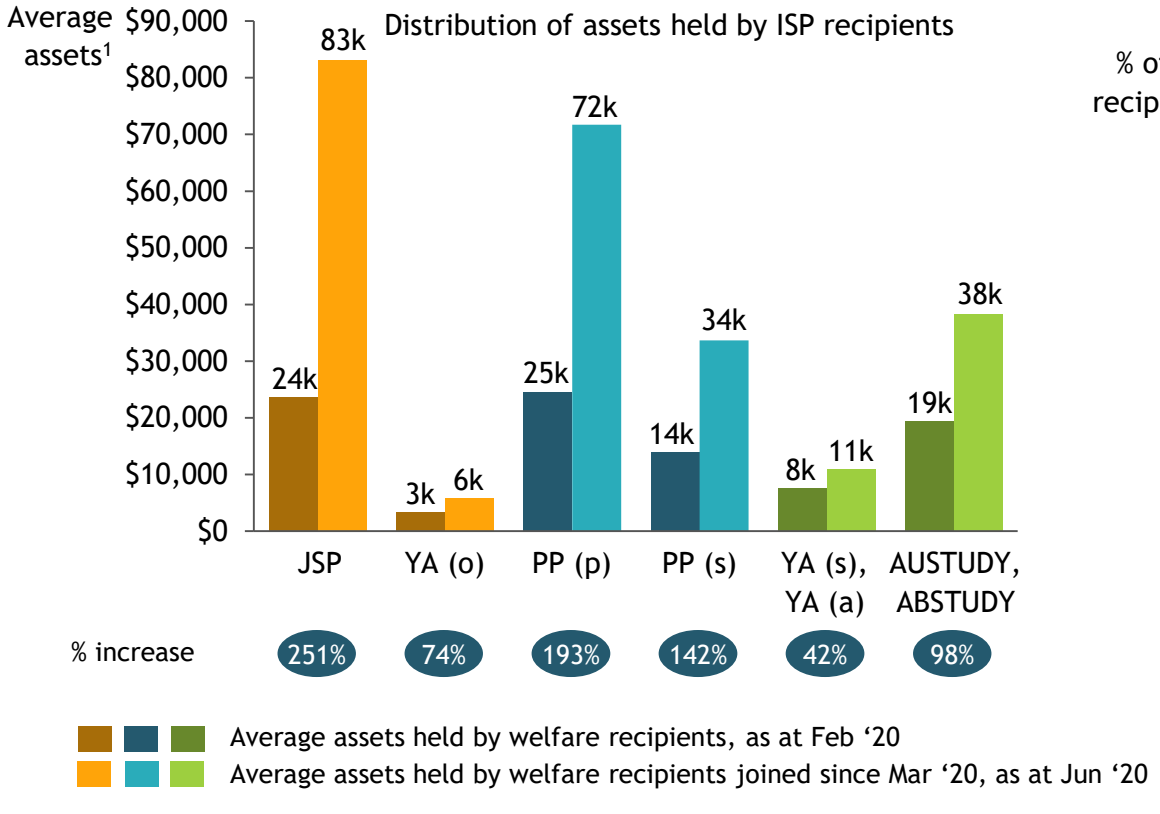
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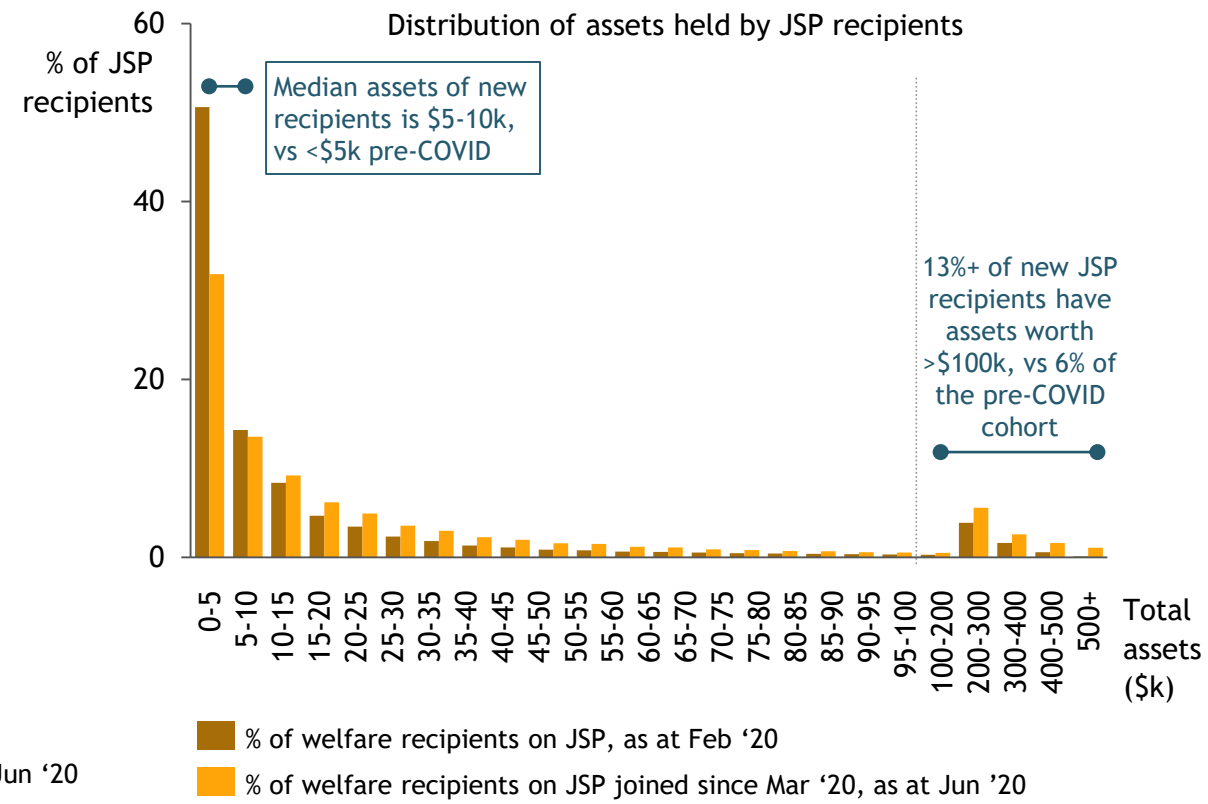
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New welfare recipients are on average wealthier, with the largest increase in assets among JSP and PPP recipients

There has been an increase in average (mean) assets held, particularly in JSP and PPP…



…Although this increase is partly driven by those with very high assets (>$100k)



1. Average assets is an approximation calculated using the midpoint of each asset bracket
Note: 20 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

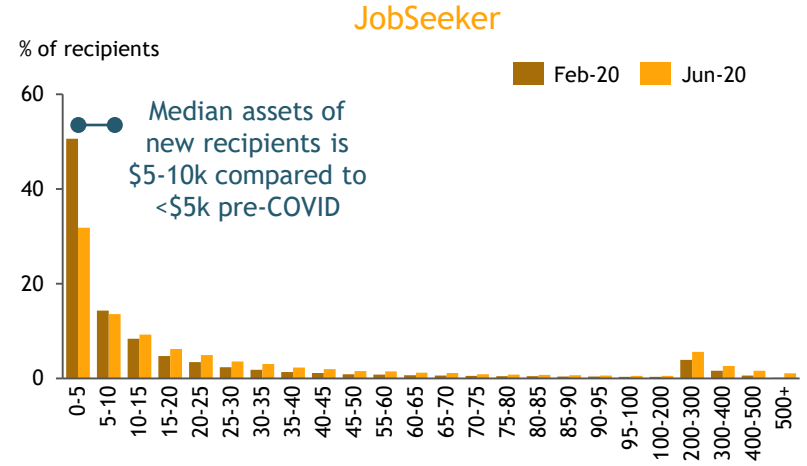
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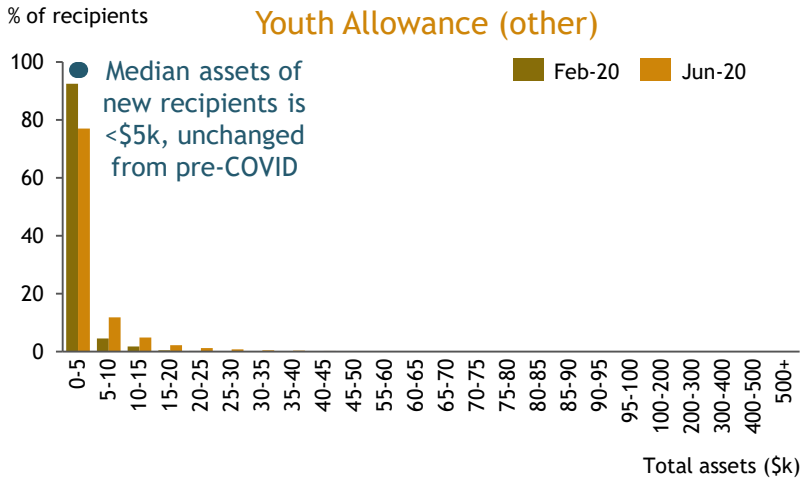
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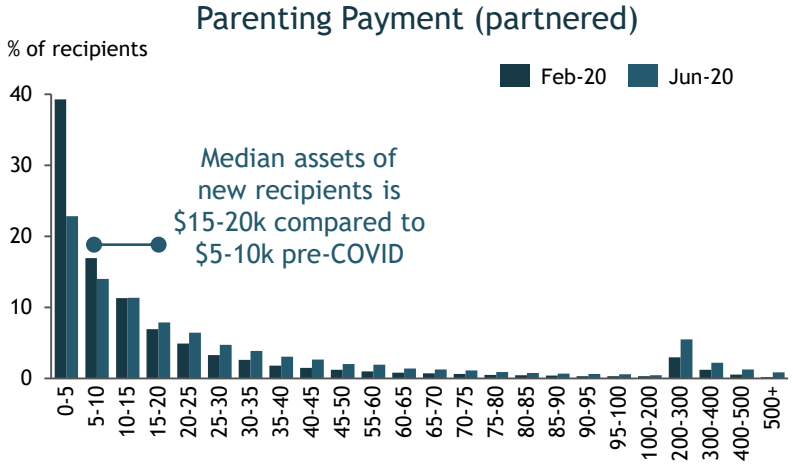
Backup: Largest increase in median assets among PPP, PPS and JSP recipients

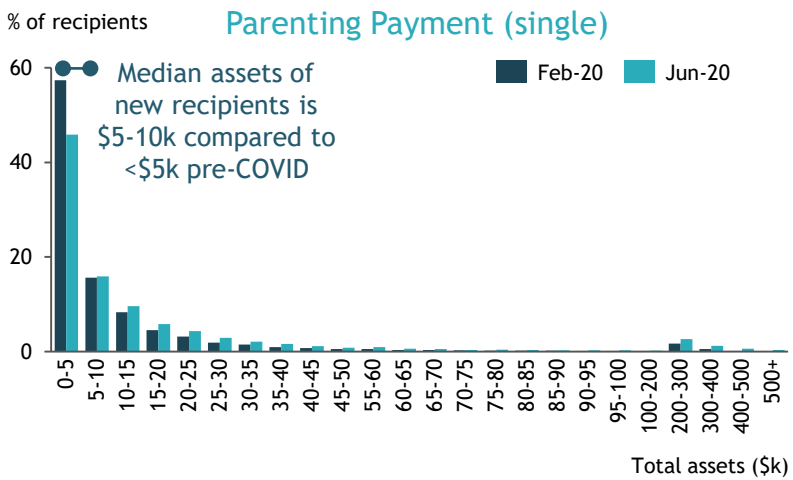
Jobseekers



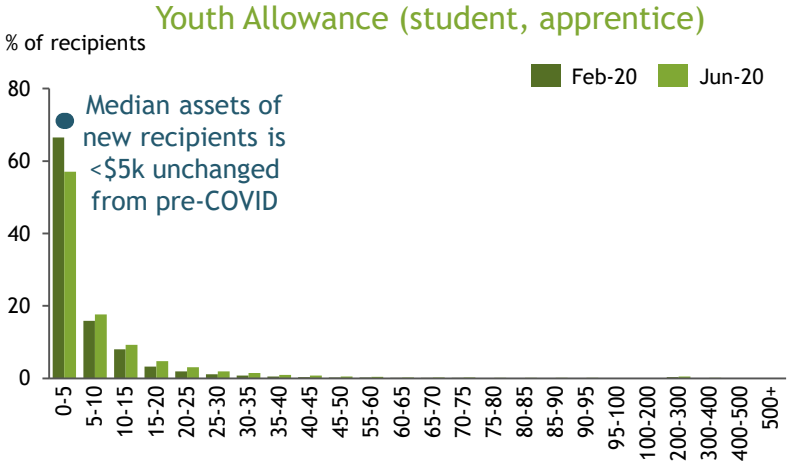


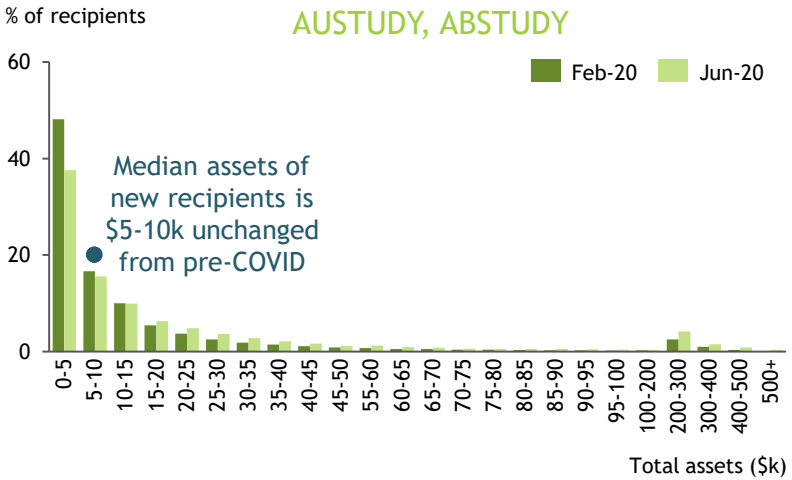
Parents of young children





Students





Note: 20 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

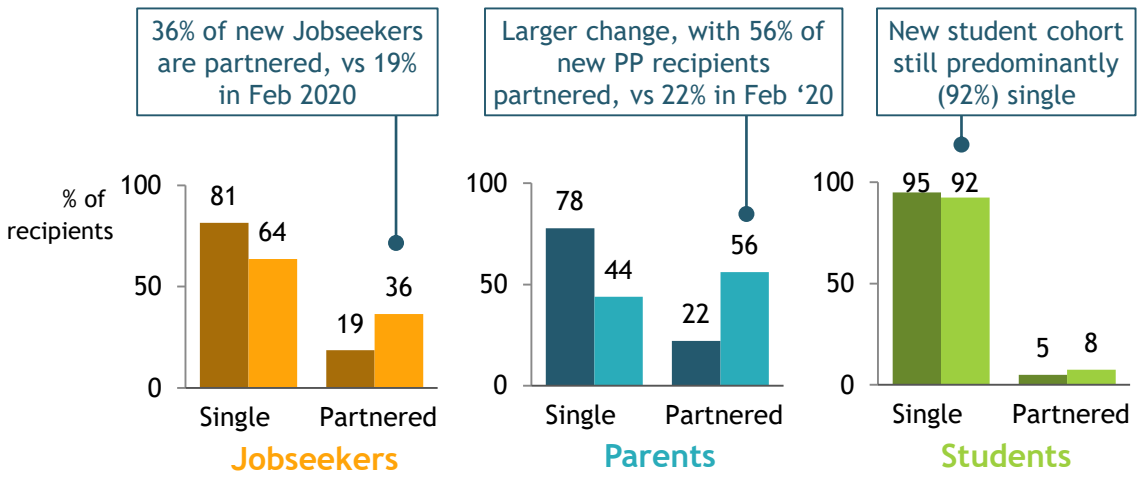
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New welfare recipients are more likely to be partnered, and with higher-earning partners, compared to the legacy cohort

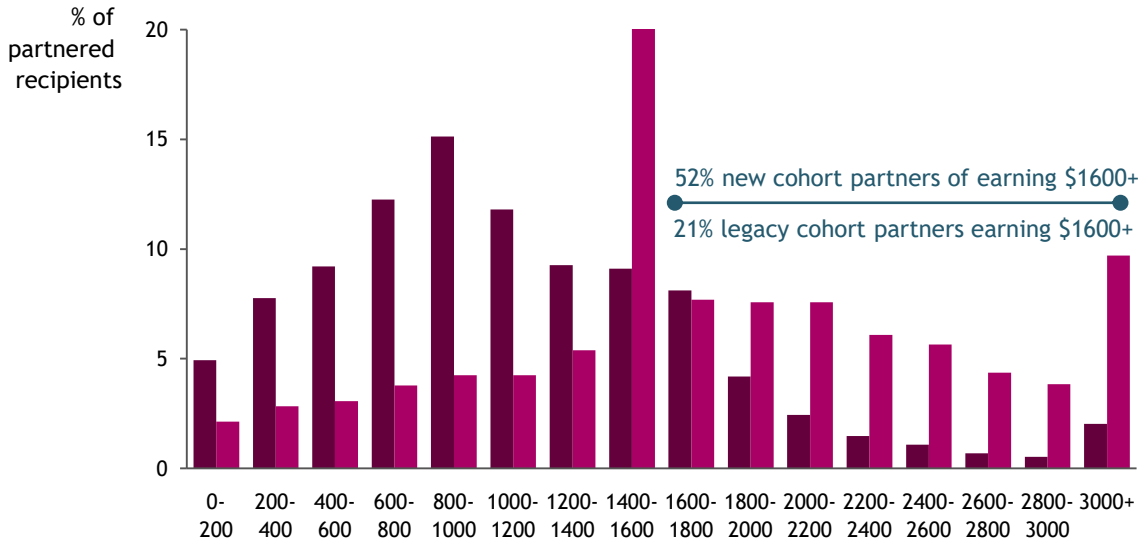
New cohort are more likely to be partnered, across jobseeker, parenting, and student payments…



Relationship status of welfare recipients, as at Feb 2020

Relationship status of welfare recipients joined since Mar 2020, as at Jun 2020

…and partners of the new cohort are typically higher earning



Earnings of partners of welfare recipients, as at Feb 2020

Earnings of partners of welfare recipients joined since Mar 2020, as at Jun 2020

Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Segmentation analysis shows the largest inflows to income support among young singles, couples without children, and people living in major city areas…

		Australia			Major Cities			Regional Areas		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
		53% of total			75% of total					
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)	302k (+100%)	152k (+94%)	44k (+52%)	86k (+71%)	48k (+54%)	20k (+40%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)	$12k (+245%)	$51k (+425%)	$107k (+345%)	$8k (+252%)	$30k (+272%)	$84k (+233%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)	3% (+1ppt)	18% (+11ppt)	43% (+15ppt)	3% (+1ppt)	20% (+12ppt)	50% (+16ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)	8k (+13%)	33k (+23%)	1k (+25%)	5k (+11%)	15k (+18%)	1k (+19%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)	$11k (+194%)	$43k (+218%)	$81k (+305%)	$9k (+176%)	$32k (+184%)	$74k (+264%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)	8% (+5ppt)	28% (+11ppt)	43% (+15ppt)	8% (+5ppt)	27% (+11ppt)	46% (+18ppt)
		27% of total								
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)	43k (+335%)	121k (+389%)	55k (+123%)	14k (+140%)	34k (+164%)	26k (+102%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)	$38k (+335%)	$99k (+367%)	$186k (+251%)	$32k (+446%)	$94k (+369%)	$206k (+199%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)	18% (+15ppt)	51% (+25ppt)	75% (+17ppt)	19% (+16ppt)	55% (+33ppt)	81% (+10ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)	15k (+81%)	56k (+115%)	2k (+74%)	7k (+51%)	15k (+78%)	1k (+49%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)	$34k (+279%)	$74k (+261%)	$121k (+265%)	$29k (+277%)	$74k (+247%)	$132k (+225%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)	27% (+16ppt)	51% (+18ppt)	61% (+17ppt)	27% (+19ppt)	51% (+26ppt)	67% (+16ppt)

Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast; where an SA4 covers multiple Remoteness Areas, the area with majority crossover is selected; Children determined by dependent children, primary carer and family tax benefit flags; 1660 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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…while gender is balanced at 51% male/49% female, men more likely to be young & single, while higher proportion of women have dependent children

		Australia			Male (51% of total)			Female (49% of total)		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
					60% of males			46% of females		
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)	209k (+95%)	129k (+79%)	32k (+51%)	178k (+89%)	71k (+80%)	32k (+45%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)	$11k (+255%)	$45k (+452%)	$106k (+354%)	$12k (+248%)	$47k (+322%)	$94k (+265%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)	3% (+1ppt)	16% (+9ppt)	38% (+14ppt)	3% (+1ppt)	24% (+14ppt)	52% (+17ppt)
					2% of males, 15% of single parents			10% of females, 85% of single parents		
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)	1k (+26%)	8k (+36%)	1k (+33%)	13k (+12%)	40k (+20%)	1k (+19%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)	$8k (+190%)	$33k (+245%)	$80k (+302%)	$10k (+190%)	$41k (+211%)	$77k (+284%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)	6% (+4ppt)	22% (+11ppt)	41% (+16ppt)	8% (+5ppt)	29% (+12ppt)	45% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)	28k (+198%)	94k (+260%)	43k (+132%)	29k (+335%)	61k (+392%)	38k (+101%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)	$33k (+377%)	$90k (+399%)	$180k (+266%)	$41k (+365%)	$110k (+312%)	$205k (+207%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)	16% (+13ppt)	49% (+28ppt)	76% (+19ppt)	21% (+17ppt)	56% (+24ppt)	78% (+10ppt)
					3% of males			14% of females		
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)	2k (+100%)	16k (+166%)	1k (+85%)	20k (+67%)	55k (+94%)	1k (+51%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)	$32k (+286%)	$67k (+233%)	$108k (+219%)	$32k (+282%)	$76k (+264%)	$146k (+289%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)	23% (+15ppt)	44% (+17ppt)	57% (+13ppt)	28% (+18ppt)	53% (+22ppt)	70% (+22ppt)

Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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In education, largest segment are young year-12 graduates, although more than half of new entrants have a higher ed or tertiary qualification

		< Year 12 (17% of total)			Year 12 (31% of total)			Certificate (26% of total)			Tertiary (26% of total)		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
Single (no dep. children)	New entrants	55k (+68%)	24k (+45%)	10k (+27%)	155k (+81%)	28k (+82%)	6k (+36%)	66k (+73%)	54k (+51%)	14k (+31%)	66k (+130%)	47k (+113%)	11k (+53%)
	Average assets	$4k (+269%)	$86k (+1035%)	$70k (+242%)	$9k (+181%)	$31k (+267%)	$71k (+213%)	$9k (+266%)	$23k (+228%)	$64k (+202%)	$19k (+206%)	$47k (+269%)	$102k (+266%)
	Homeowners	2% (+1ppt)	15% (+9ppt)	41% (+14ppt)	2% (+0ppt)	16% (+8ppt)	41% (+10ppt)	3% (+2ppt)	14% (+7ppt)	39% (+11ppt)	4% (+2ppt)	20% (+9ppt)	48% (+15ppt)
Single (dep. children)	New entrants	4k (+11%)	7k (+15%)	0k (+11%)	3k (+14%)	8k (+20%)	0k (+17%)	4k (+10%)	13k (+17%)	0k (+18%)	1k (+13%)	10k (+25%)	1k (+34%)
	Average assets	$7k (+196%)	$26k (+204%)	$51k (+231%)	$10k (+174%)	$37k (+180%)	$73k (+258%)	$8k (+159%)	$26k (+165%)	$57k (+221%)	$14k (+177%)	$50k (+190%)	$99k (+271%)
	Homeowners	6% (+4ppt)	21% (+10ppt)	34% (+12ppt)	8% (+5ppt)	28% (+9ppt)	42% (+11ppt)	6% (+4ppt)	20% (+7ppt)	35% (+8ppt)	9% (+4ppt)	33% (+10ppt)	52% (+14ppt)
Partnered (no dep. children)	New entrants	6k (+103%)	15k (+106%)	12k (+57%)	14k (+214%)	19k (+248%)	7k (+67%)	12k (+165%)	25k (+158%)	12k (+70%)	12k (+430%)	34k (+443%)	11k (+115%)
	Average assets	$22k (+567%)	$73k (+394%)	$178k (+218%)	$30k (+281%)	$81k (+310%)	$177k (+218%)	$28k (+328%)	$72k (+277%)	$170k (+189%)	$50k (+249%)	$103k (+282%)	$211k (+242%)
	Homeowners	14% (+13ppt)	48% (+29ppt)	75% (+13ppt)	14% (+11ppt)	48% (+24ppt)	72% (+8ppt)	17% (+14ppt)	46% (+24ppt)	75% (+9ppt)	19% (+14ppt)	49% (+19ppt)	76% (+12ppt)
Partnered (dep. children)	New entrants	3k (+37%)	7k (+46%)	0k (+26%)	5k (+64%)	10k (+85%)	0k (+49%)	5k (+56%)	11k (+73%)	0k (+50%)	3k (+91%)	17k (+122%)	1k (+79%)
	Average assets	$21k (+273%)	$55k (+275%)	$84k (+202%)	$29k (+247%)	$68k (+235%)	$109k (+270%)	$25k (+211%)	$54k (+189%)	$101k (+199%)	$43k (+238%)	$85k (+220%)	$132k (+224%)
	Homeowners	19% (+12ppt)	46% (+21ppt)	58% (+13ppt)	25% (+14ppt)	50% (+19ppt)	56% (+7ppt)	22% (+14ppt)	45% (+17ppt)	56% (+7ppt)	34% (+16ppt)	52% (+15ppt)	64% (+16ppt)

22% of total new entrants

48% of singles without children

57% of singles with children

59% of partnered with children

60% of partnered without children

Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children; 98,193 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Overall, four potential archetypes for the new cohort emerge, who likely have differentiated needs…

Australia

		18-29	30-54	55+
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)

1. **Young, single, no dependents, with limited assets, half with year-12 quals or less (53% of new entrants)**
   - Potential risk of "scarring effect" from period of unemployment at a young age
   - Exposed to risk of "young person" industries being slower to recover from COVID[2]
   - May benefit from extra training, study and entrepreneurial opportunities, as well as clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

2. **Older workers 55+, with assets to fall back on, and typically own a home, 40% with year-12 qualifications or less (14% of new entrants)**
   - Risk of challenges in reskilling/retaining to find new work
   - May benefit from intensive supports, particularly those without higher ed quals[1]

3. **Young & middle aged parents, typically with modest assets, often own a home if partnered, typically with higher ed or tertiary quals (14% of new entrants)**
   - Likely to experience pressure from parenting responsibilities under social distancing, with mortgage pressure among homeowners after deferrals end
   - Single parents (85% female), likely more vulnerable than those with partners
   - May benefit from differentiated approach to mutual obligations, employment services, and social supports

4. **Young and middle aged couples with no dependents, typically with moderate assets, many owning a home (19% of new entrants, 73% of those aged 30-54)**
   - Natural safety net for many in having a partner with income, although likely mortgage pressure for many after loan deferrals & rent waivers come to an end
   - May benefit from clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

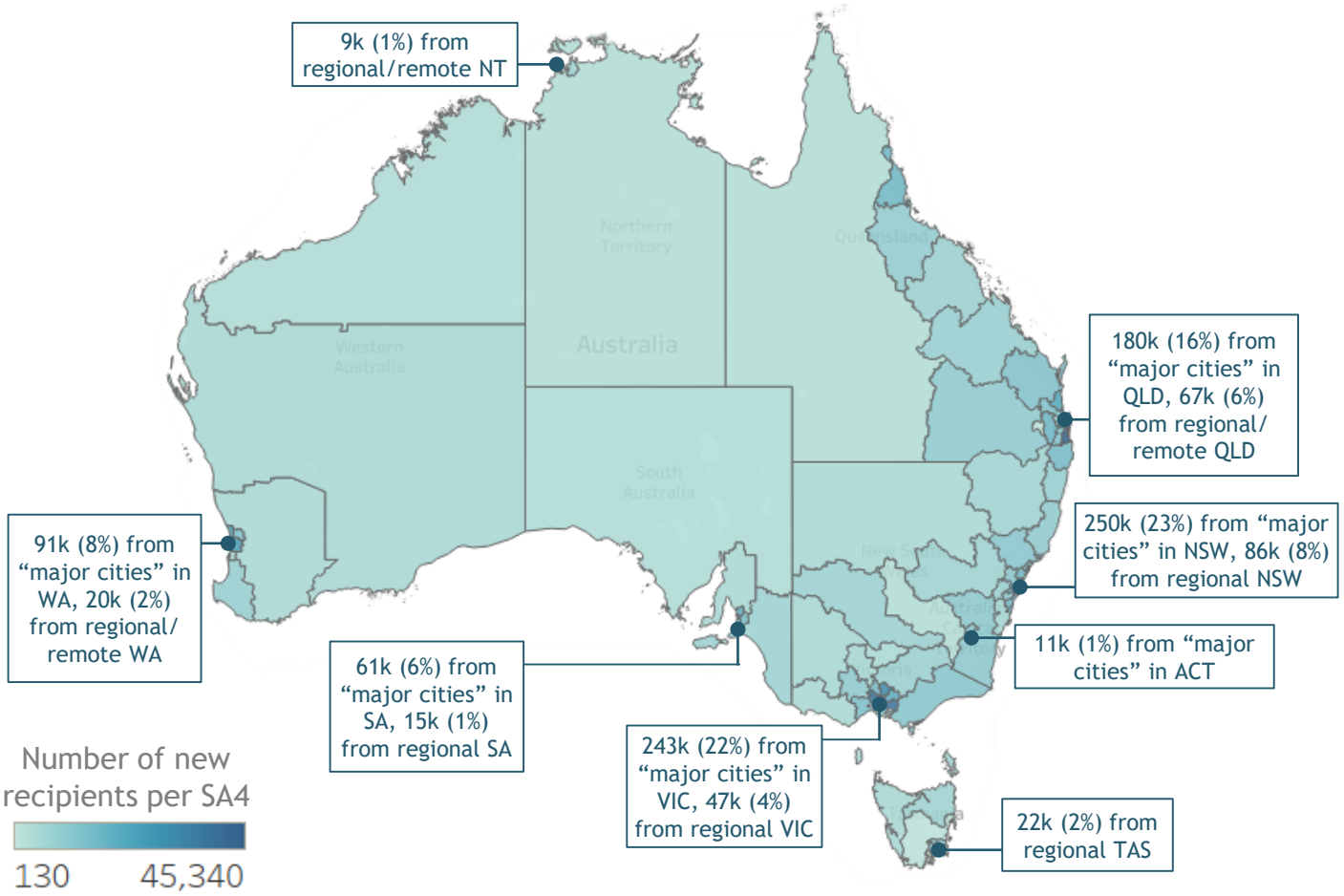
1. Note successful examples of reskilling older workers from the automotive industry following closure of Holden, Ford and Toyota manufacturing facilities 2. E.g. hospitality, tourism, domestic and personal services
Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS data; ABS data; Project analysis

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The majority of new entrants live in Australia's major cities (75%), not regional or remote areas (25%)



Overall key figures

Location	# recipients Feb '20	% of total Feb '20	# new entrants	% of total new entrants
Major Cities	867k	66%	836k	75%
Regional Australia	425k	32%	257k	24%
Remote Australia	24k	2%	8k	1%
Total	**1,316k**	**100%**	**1,101k**	**100%**

Within Major Cities:
- 640k (77%)of the new recipients live in a capital city
- 195k (23%) live in other major cities in Australia (e.g. Gold Coast, Geelong, Newcastle)

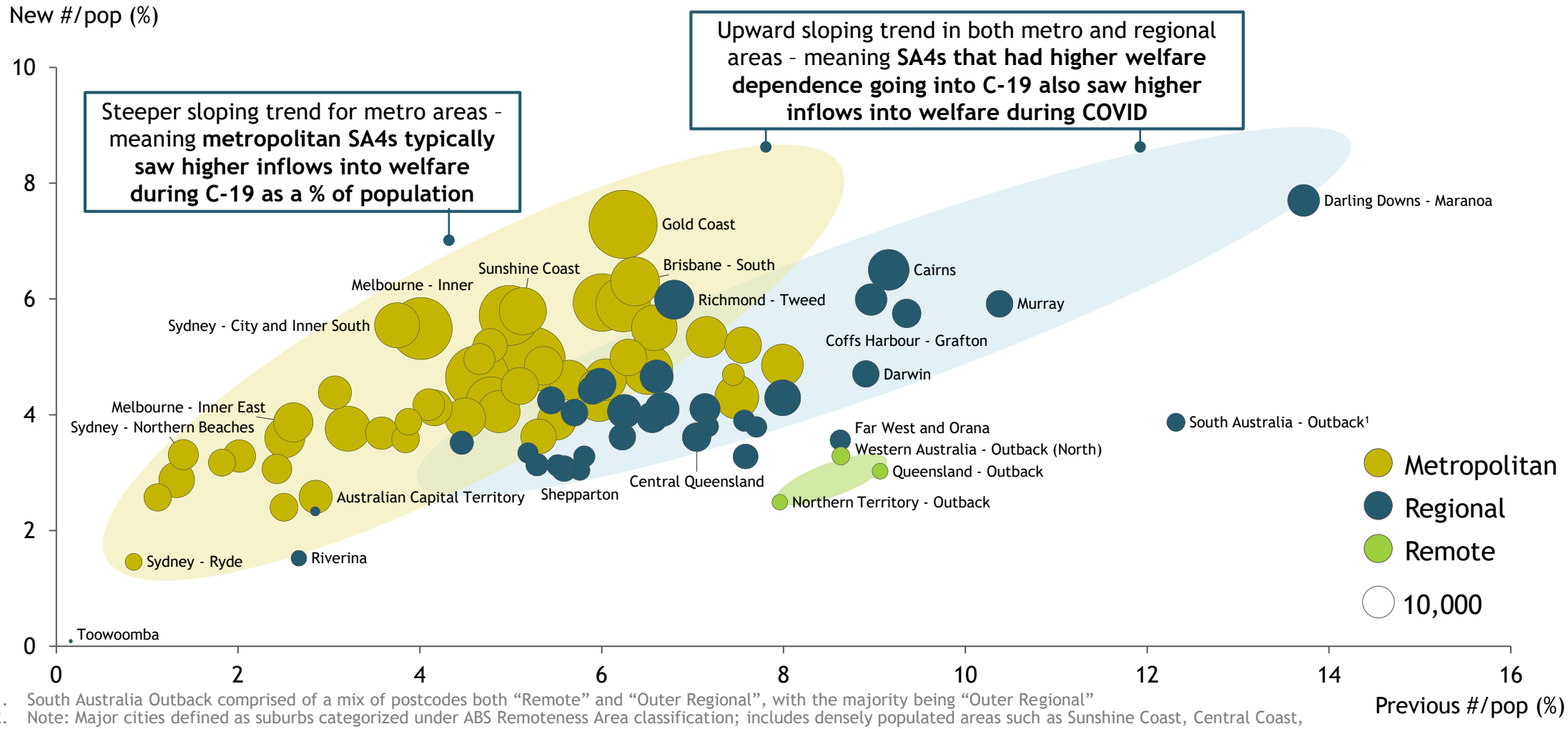
Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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High levels of disadvantage pre-COVID correlates with a high proportion of new ISP entrants, with metropolitan areas worse off than regional and remote areas



1. South Australia Outback comprised of a mix of postcodes both "Remote" and "Outer Regional", with the majority being "Outer Regional"
2. Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

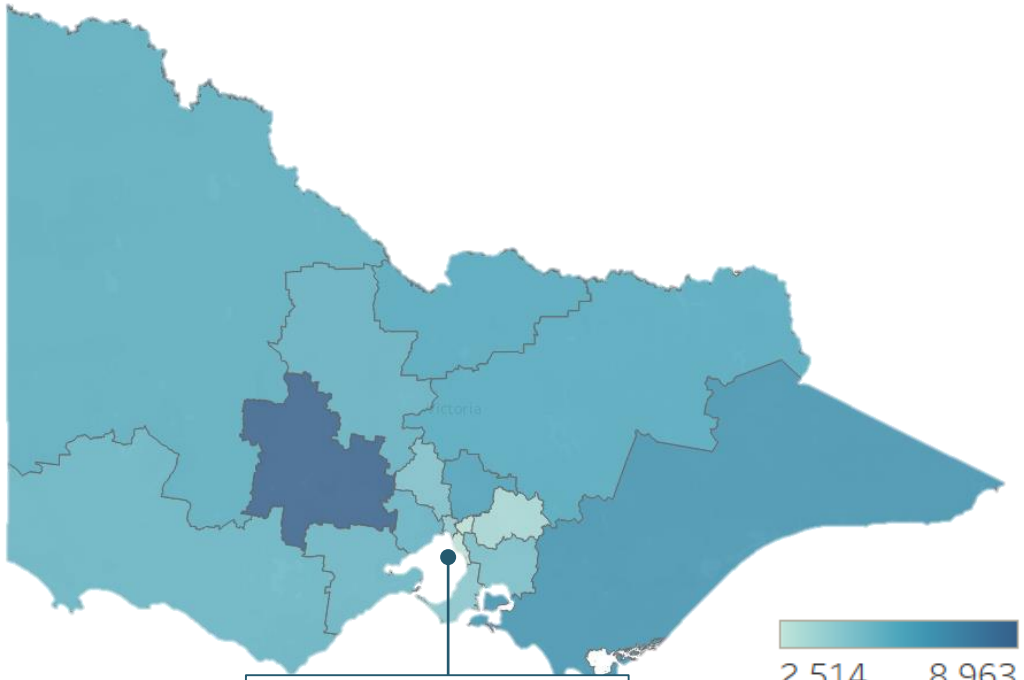
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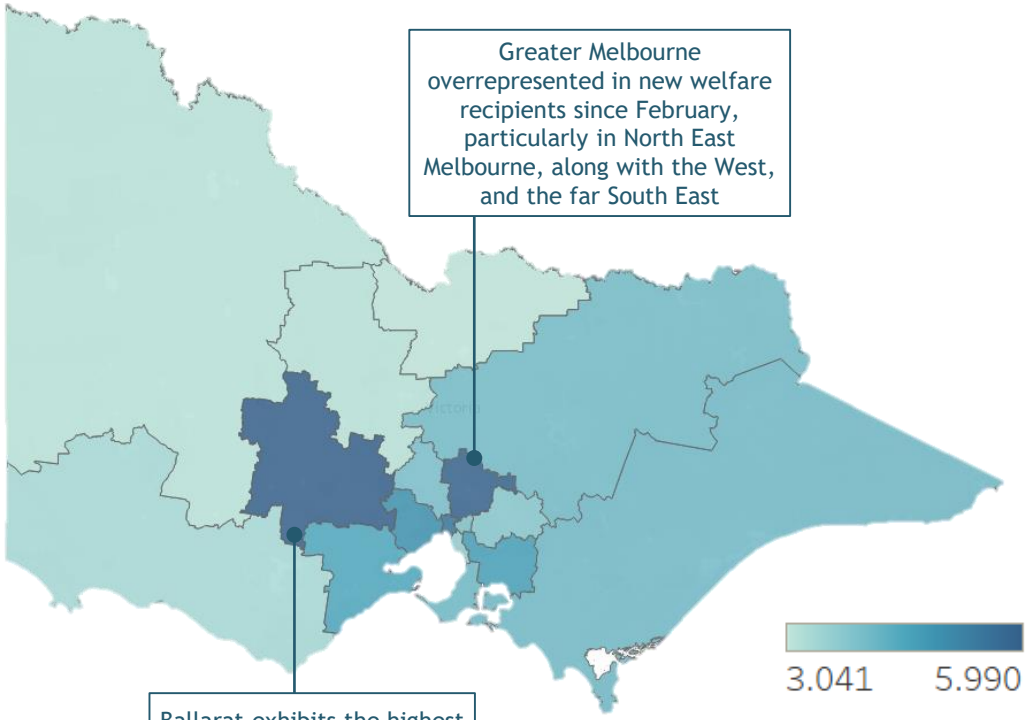
In Victoria, Melbourne has been hit much harder than the regions, with the metropolitan areas of long-term disadvantage seeing the most new entrants

Proportion of SA4 population receiving welfare in February in Victoria



Lower representation of welfare recipients in metropolitan Melbourne compared to the regions in February

Proportion of SA4 population commencing welfare since February in Victoria



Greater Melbourne overrepresented in new welfare recipients since February, particularly in North East Melbourne, along with the West, and the far South East

Ballarat exhibits the highest representation of welfare recipients both prior to and during COVID-19

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

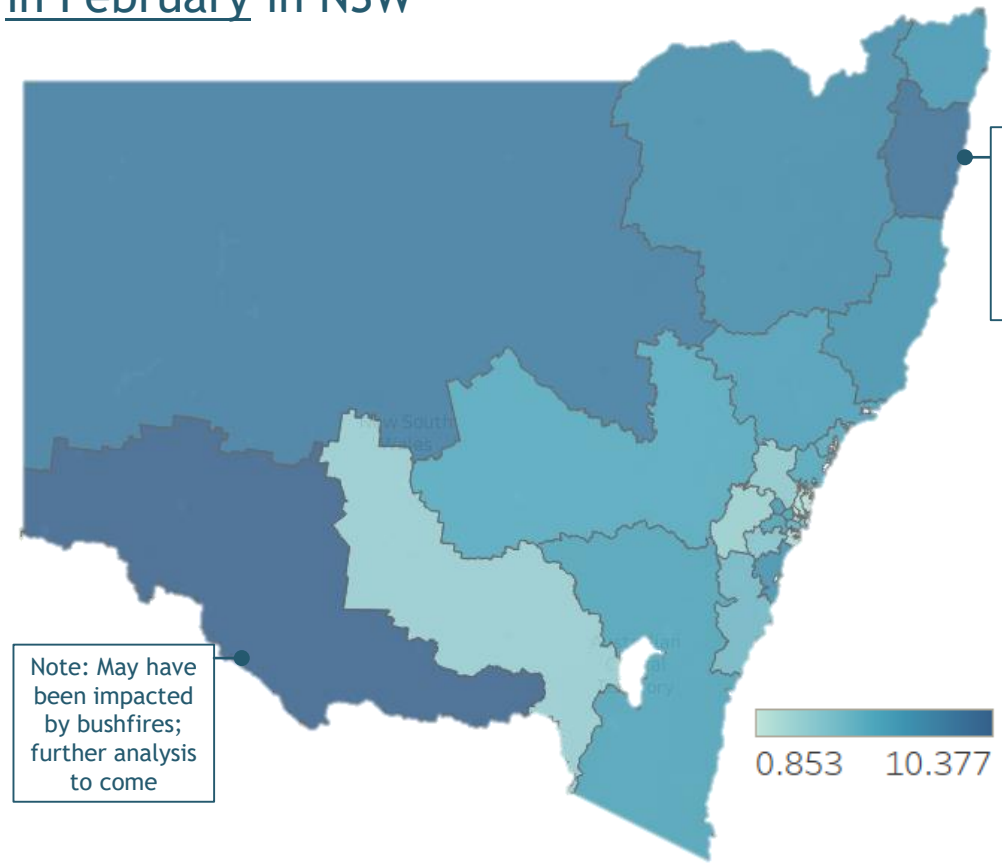
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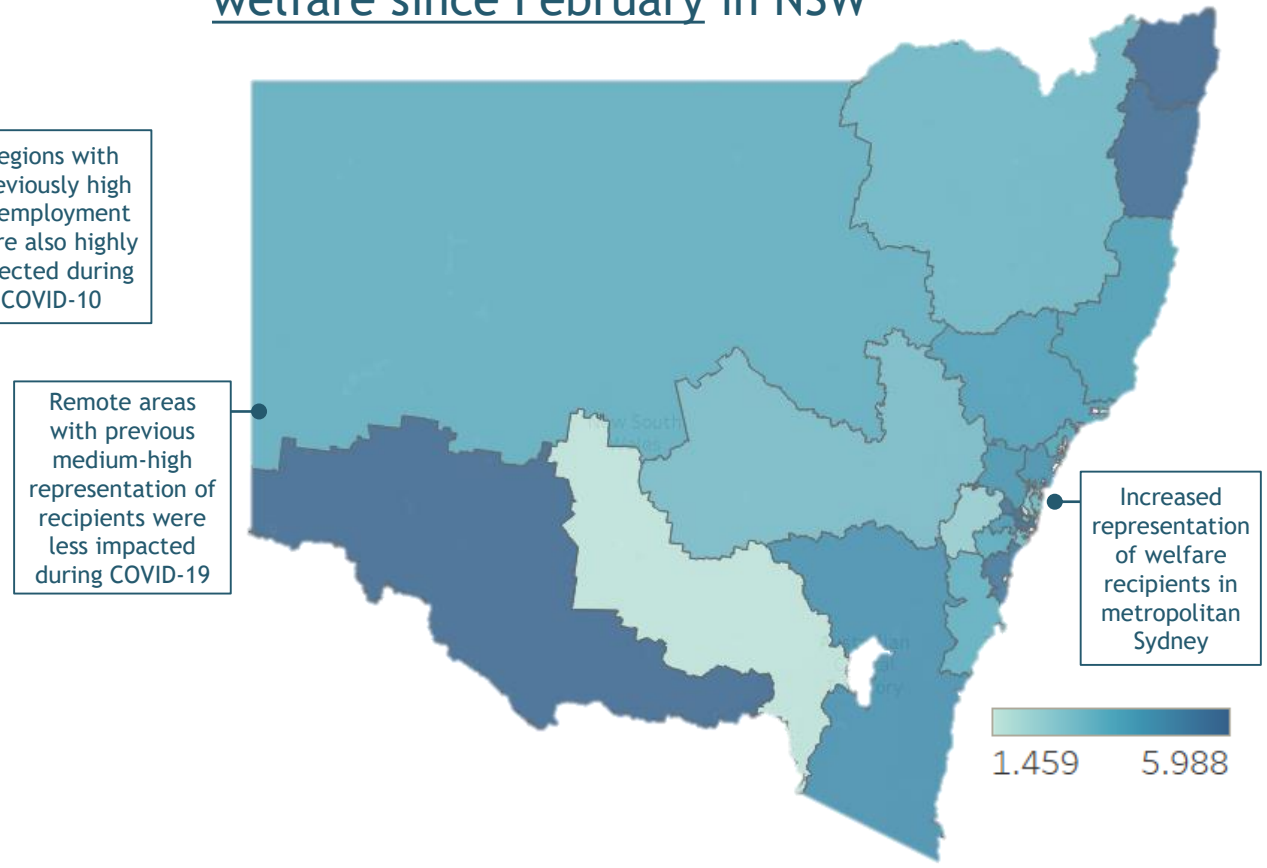
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In NSW, metro areas typically hit hardest, although some regions with previous high unemployment also were substantially impacted

Proportion of SA4 population receiving welfare in February in NSW



Proportion of SA4 population commencing welfare since February in NSW



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

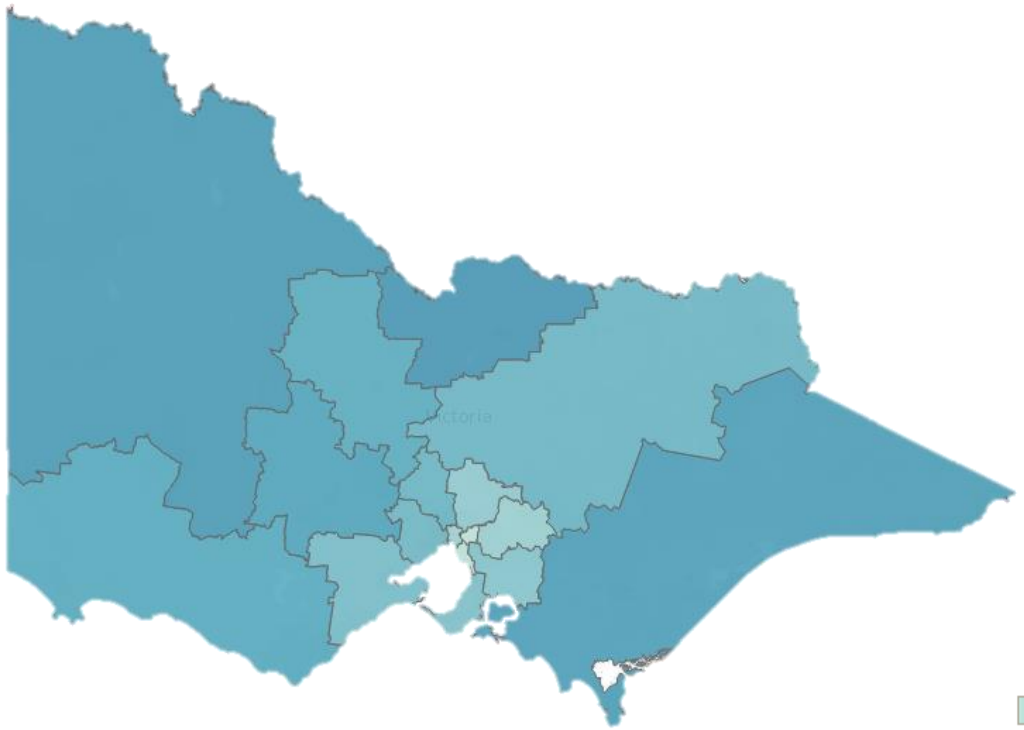
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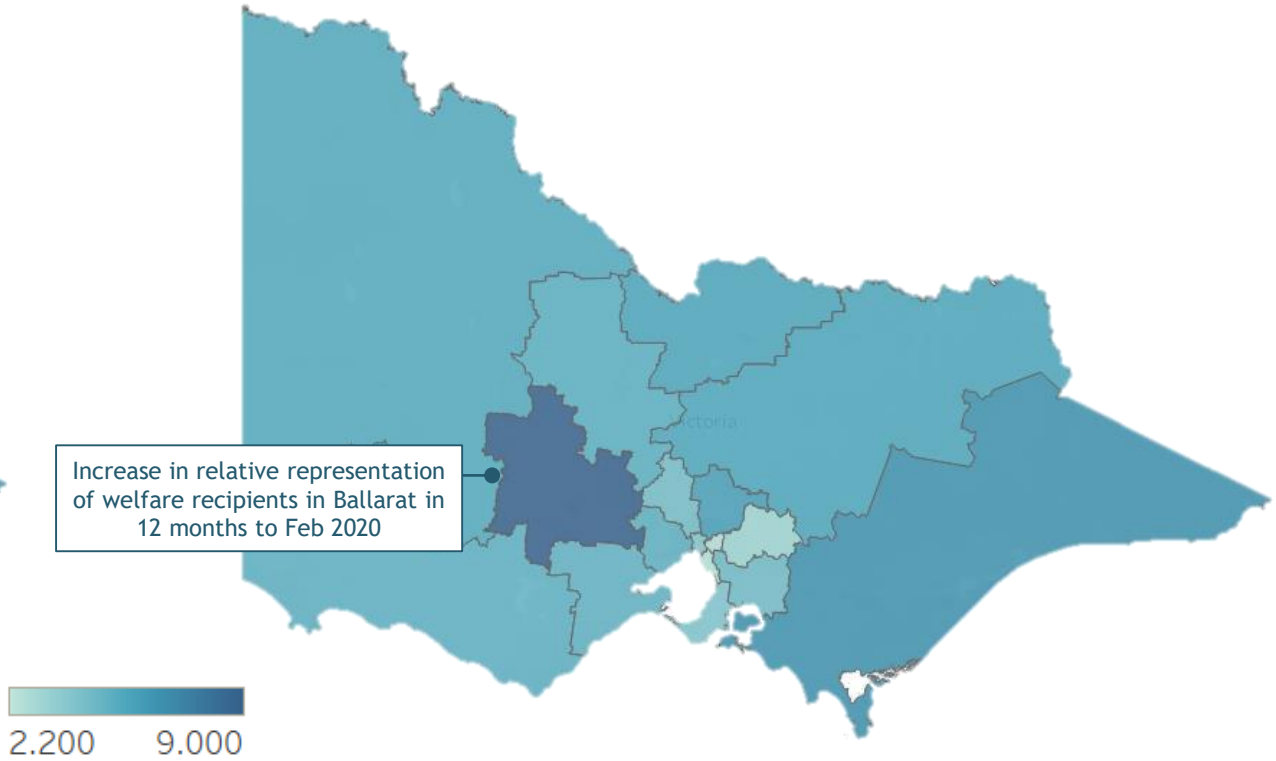
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Backup: Representation of welfare recipients in Ballarat increased significantly between 2019-20

Proportion of SA4 population receiving welfare in February 2019 in Victoria



Proportion of SA4 population receiving welfare in February 2020 in Victoria



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

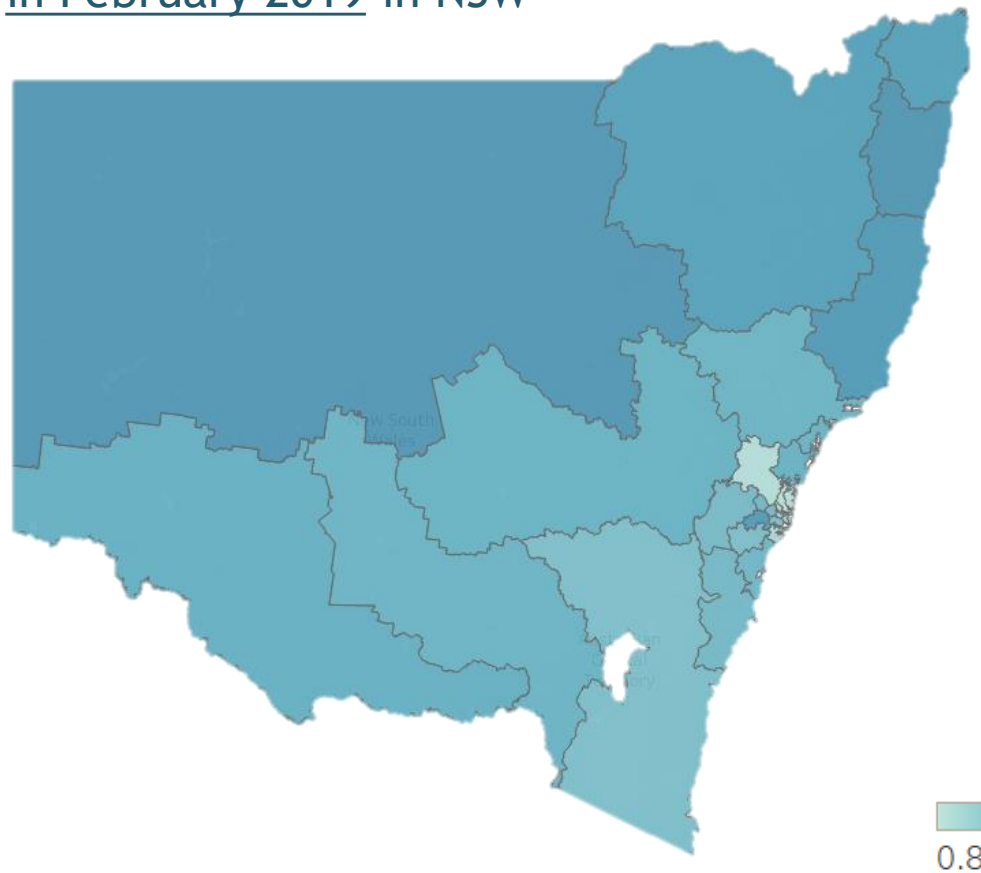
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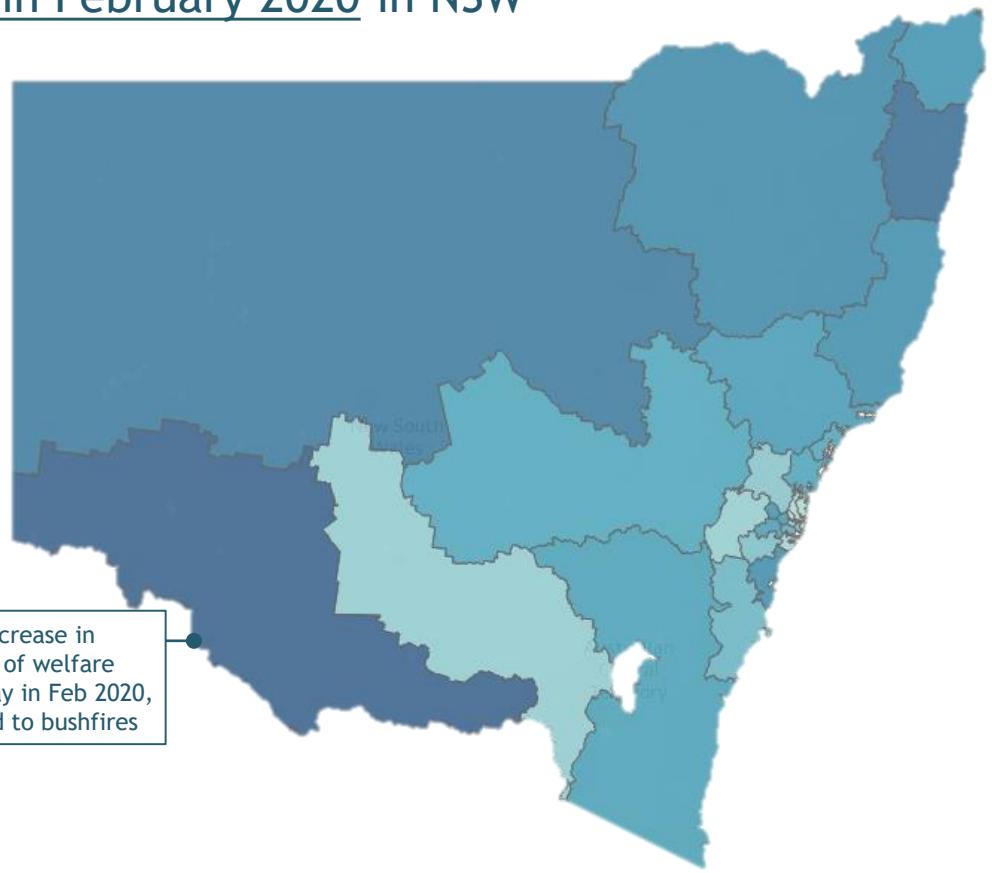
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Backup: Representation of welfare recipients in Murray also increased significantly between 2019-20, potentially linked to bushfires

Proportion of SA4 population receiving welfare in February 2019 in NSW



Proportion of SA4 population receiving welfare in February 2020 in NSW



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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Within Major Cities, the largest number of new entrants have come from more disadvantaged SA4s

Largest % changes in the SA4s with lowest in-going proportion of welfare recipients

Largest number of new entrants still coming from the more disadvantaged SA4s

		Group 1: <4.05% on ISP in Feb-20			Group 2: 4.1% – 5.6% on ISP in Feb-20			Group 3: >5.6% on ISP in Feb-20		
		18-29	30-54	55+	18-29	30-54	55+	18-29	30-54	55+
Single (no dep. children)	New entrants	88k (+132%)	47k (+132%)	12k (+70%)	98k (+97%)	48k (+91%)	15k (+51%)	116k (+86%)	58k (+77%)	18k (+45%)
	Average assets	$16k (+234%)	$49k (+387%)	$104k (+335%)	$11k (+234%)	$76k (+605%)	$148k (+453%)	$10k (+241%)	$32k (+283%)	$74k (+246%)
	Homeowners	3% (+1ppt)	16% (+11ppt)	41% (+17ppt)	3% (+1ppt)	20% (+11ppt)	45% (+15ppt)	3% (+1ppt)	19% (+11ppt)	44% (+15ppt)
Single (dep. children)	New entrants	1k (+15%)	7k (+30%)	0k (+35%)	3k (+14%)	12k (+23%)	0k (+24%)	4k (+13%)	15k (+21%)	1k (+21%)
	Average assets	$14k (+224%)	$64k (+259%)	$113k (+380%)	$10k (+176%)	$40k (+201%)	$79k (+303%)	$10k (+188%)	$34k (+193%)	$63k (+244%)
	Homeowners	6% (+3ppt)	29% (+12ppt)	46% (+18ppt)	9% (+5ppt)	30% (+11ppt)	45% (+15ppt)	8% (+4ppt)	27% (+11ppt)	41% (+13ppt)
Partnered (no dep. children)	New entrants	11k (+523%)	29k (+778%)	12k (+177%)	14k (+351%)	43k (+393%)	20k (+124%)	18k (+261%)	49k (+293%)	24k (+105%)
	Average assets	$49k (+292%)	$140k (+409%)	$226k (+305%)	$35k (+325%)	$91k (+330%)	$181k (+234%)	$33k (+333%)	$82k (+324%)	$168k (+229%)
	Homeowners	13% (+11ppt)	44% (+22ppt)	73% (+17ppt)	20% (+17ppt)	54% (+26ppt)	78% (+16ppt)	19% (+16ppt)	53% (+27ppt)	75% (+18ppt)
Partnered (dep. children)	New entrants	2k (+118%)	11k (+178%)	0k (+125%)	6k (+85%)	21k (+116%)	1k (+73%)	7k (+71%)	24k (+98%)	1k (+60%)
	Average assets	$48k (+288%)	$104k (+287%)	$162k (+328%)	$33k (+269%)	$69k (+243%)	$104k (+196%)	$30k (+263%)	$65k (+247%)	$113k (+277%)
	Homeowners	26% (+16ppt)	47% (+18ppt)	62% (+19ppt)	28% (+15ppt)	52% (+18ppt)	63% (+14ppt)	28% (+17ppt)	51% (+19ppt)	59% (+16ppt)

Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast; where an SA4 covers multiple Remoteness Areas, the area with majority crossover is selected; Children determined by dependent children, primary carer and family tax benefit flags; 1660 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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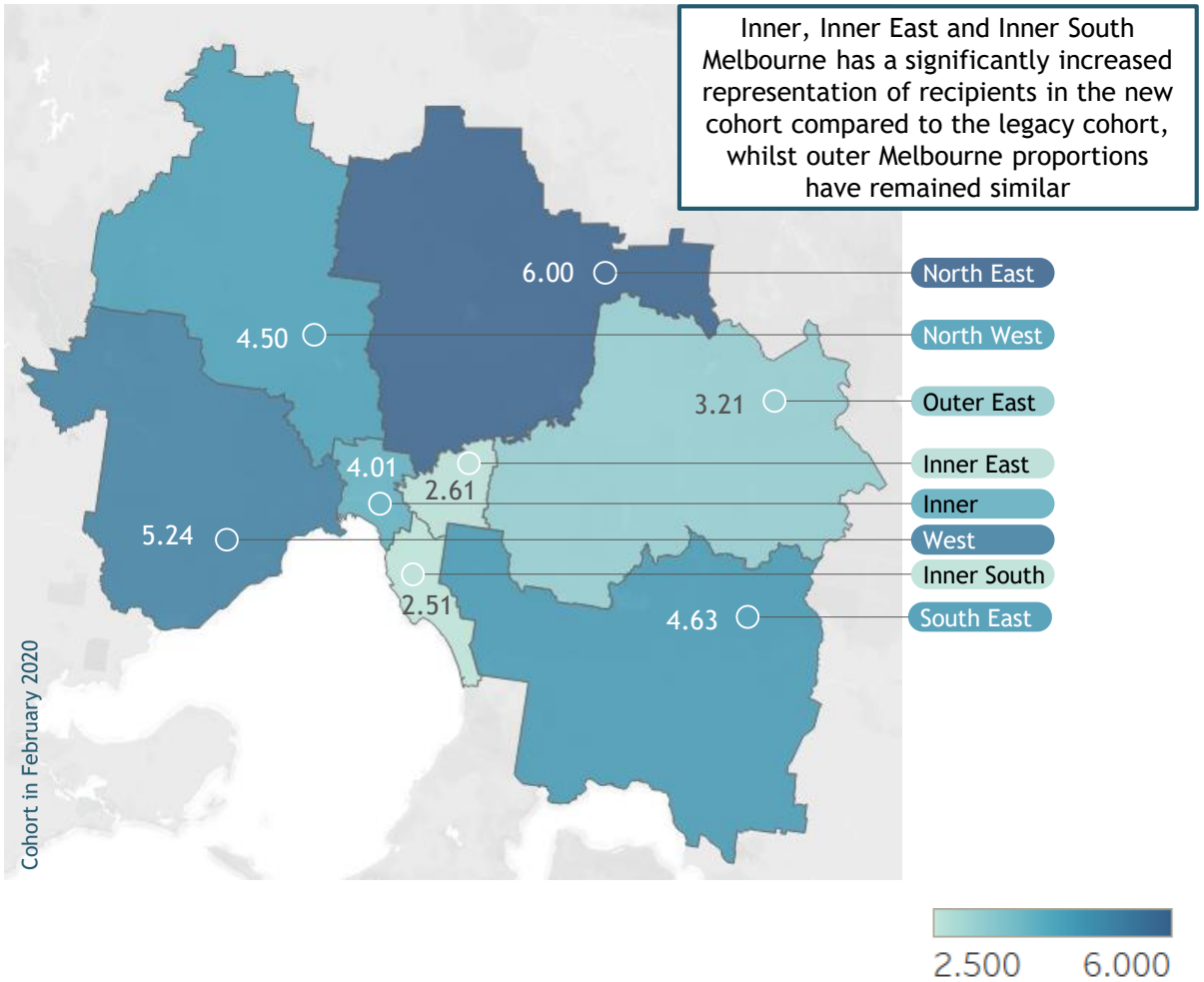
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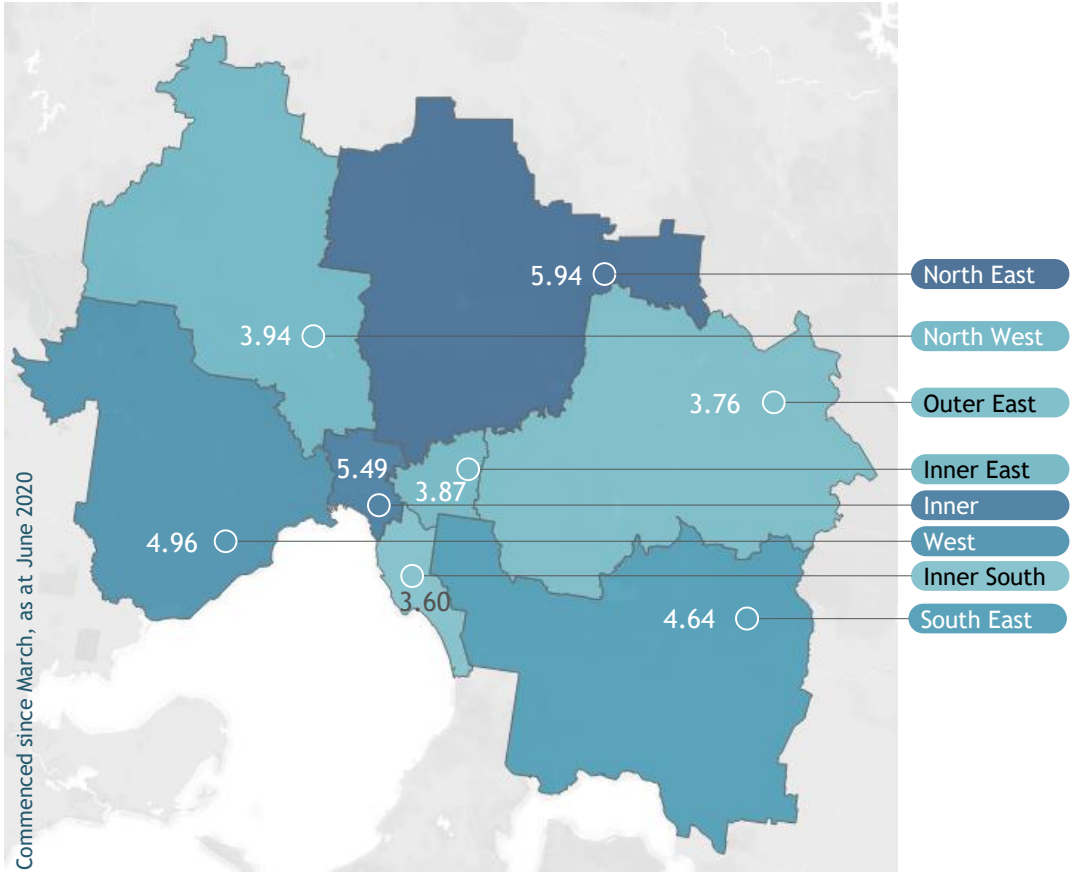
Backup: Representation of welfare recipients in inner Melbourne has significantly increased during COVID-19

Melbourne: February (% of population)

Inner, Inner East and Inner South Melbourne has a significantly increased representation of recipients in the new cohort compared to the legacy cohort, whilst outer Melbourne proportions have remained similar



Melbourne: New entrants (% of population)



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

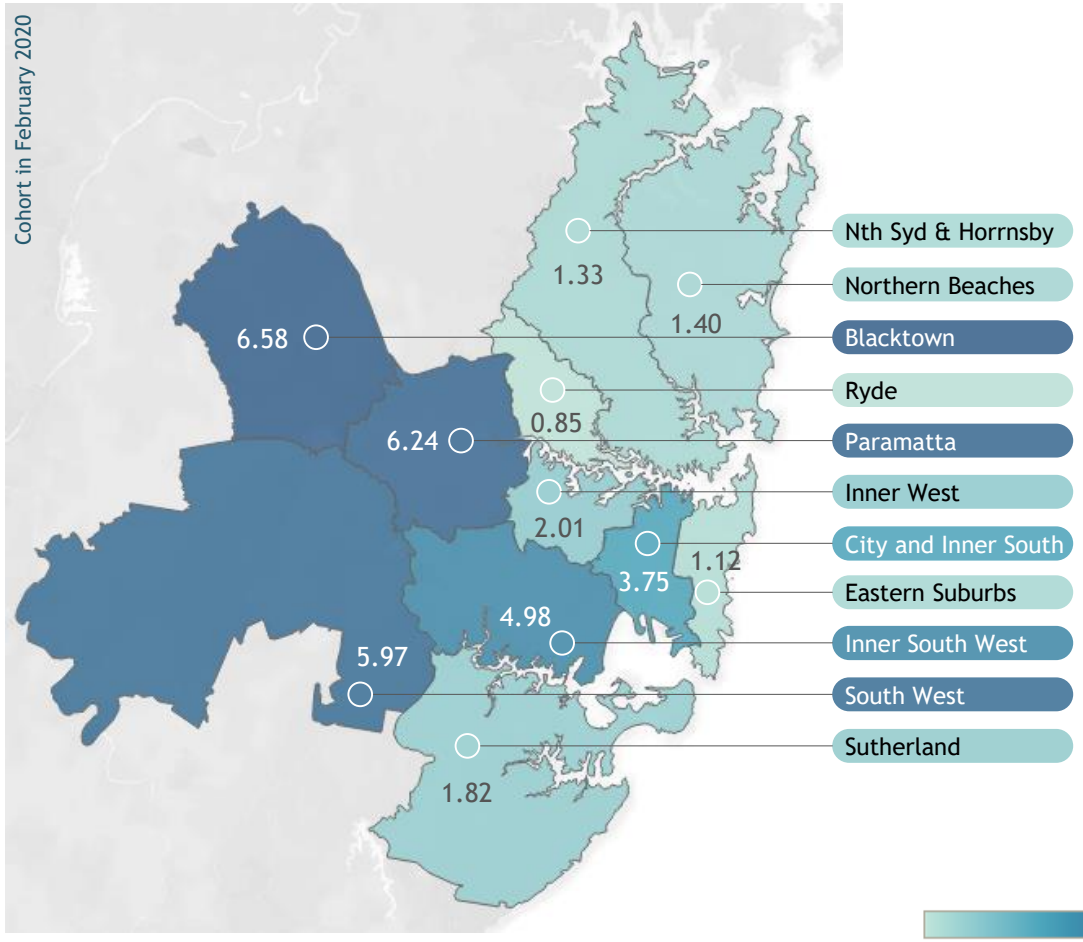
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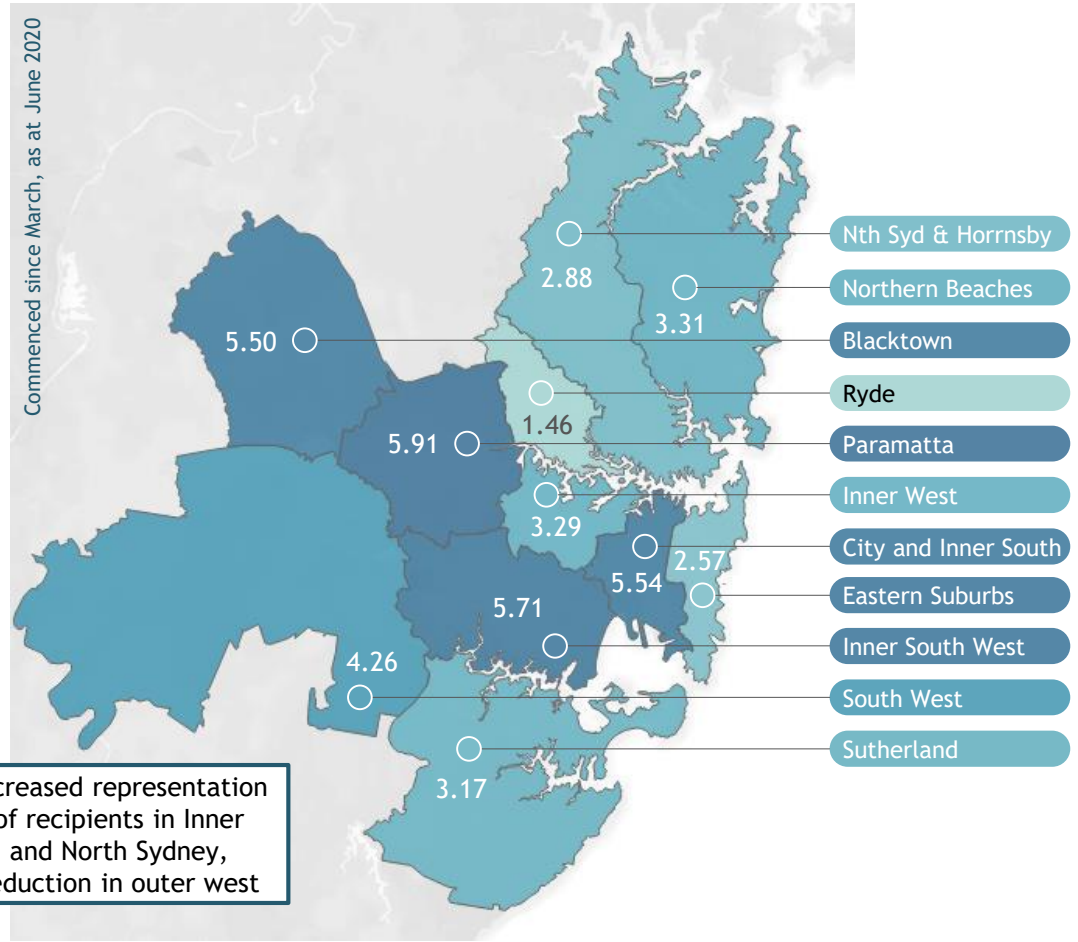
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Backup: Areas surrounding Sydney with previously low rates of welfare representation have been impacted

Sydney: February (% of population)



Sydney: New entrants (% of population)



Increased representation of recipients in Inner and North Sydney, reduction in outer west



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

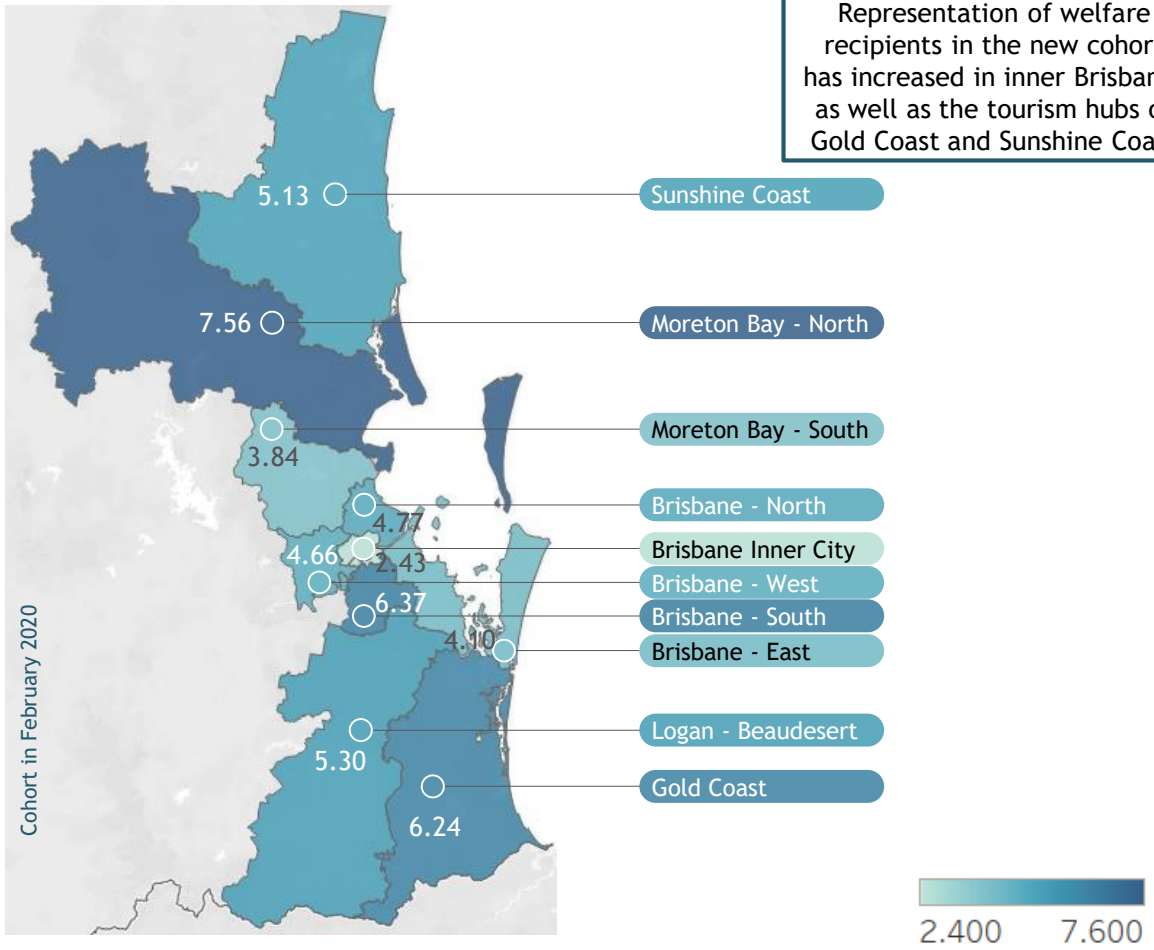
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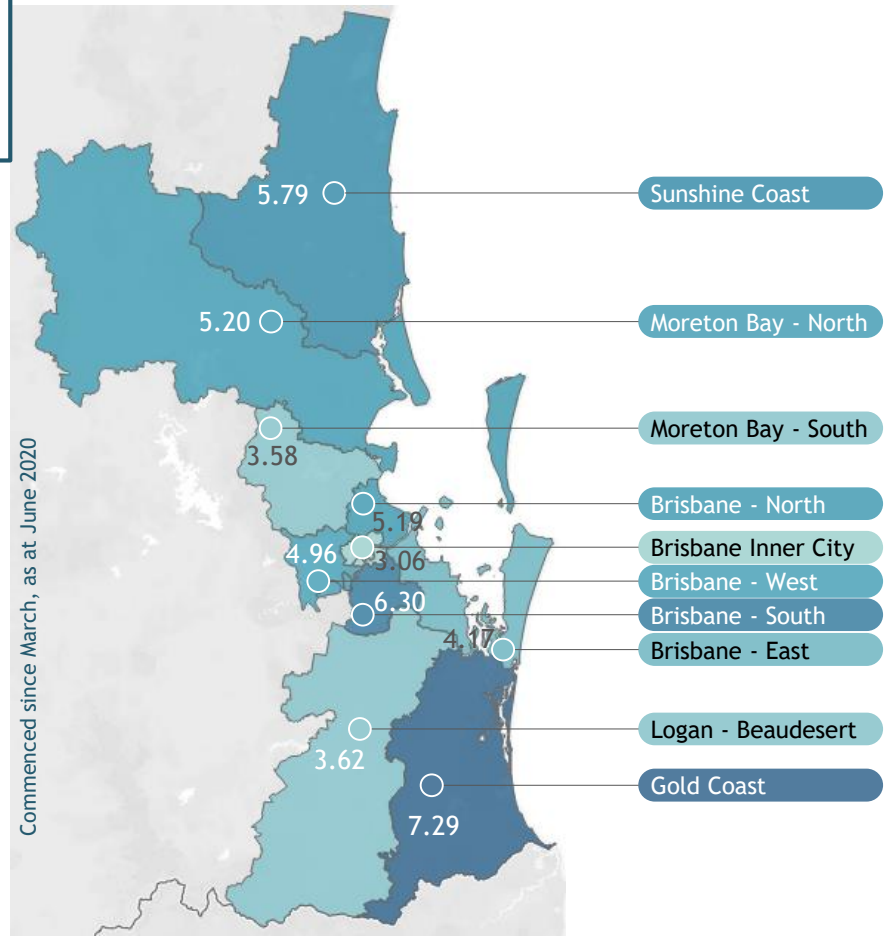
Backup: Welfare representation has increased in the tourism hubs of Gold Coast and Sunshine Coast, as well as in inner Brisbane

Brisbane: February (% of population)



Representation of welfare recipients in the new cohort has increased in inner Brisbane, as well as the tourism hubs of Gold Coast and Sunshine Coast

Brisbane: New entrants (% of population)



Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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Backup: Major metro areas typically responsible for the largest volumes of new entrants, with increased representation from historically wealthy areas

Victoria

	New entrants	Previous #/pop (%)	New #/pop (%)
Ballarat	9865	8.96	5.99
Latrobe - Gippsland	11583	6.66	4.09
Melbourne - North East	32375	6.01	5.94
Shepparton	4061	5.76	3.04
Hume	7132	5.70	4.04
North West	4746	5.51	3.12
Bendigo	5034	5.29	3.14
Melbourne - West	40610	5.24	4.96
Warrnambool and South West	4177	5.19	3.34
Geelong	13570	5.10	4.50
Melbourne - South East	39119	4.63	4.64
Melbourne - North West	16007	4.50	3.94
Mornington Peninsula	12665	4.16	4.12
Melbourne - Inner	37431	4.01	5.49
Melbourne - Outer East	19939	3.21	3.76
Melbourne - Inner East	15131	2.61	3.87
Melbourne - Inner South	15844	2.51	3.61

South Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
South Australia - Outback	3282	12.31	3.87
Barossa - Yorke - Mid North	4316	7.70	3.79
Adelaide - North	18890	7.49	4.31
South Australia - South East	6942	6.23	3.62
Adelaide - South	16947	6.04	4.61
Adelaide - West	10654	5.93	4.49
Adelaide - Central and Hills	14651	5.36	4.85

ACT

	New entrants	Previous #/pop (%)	New #/pop (%)
Australian Capital Territory	10871	2.85	2.58

New South Wales

	New entrants	Previous #/pop (%)	New #/pop (%)
Murray	7109	10.38	5.92
Coffs Harbour - Grafton	8120	9.35	5.75
Far West and Orana	4178	8.63	3.56
New England and North West	6127	7.58	3.28
Illawarra	16623	7.16	5.34
Mid North Coast	9057	7.14	4.10
Richmond - Tweed	15032	6.80	5.99
Sydney - Blacktown	20323	6.58	5.50
Hunter Valley exc Newcastle	11247	6.25	4.06
Sydney - Parramatta	29144	6.24	5.91
Capital Region	10319	5.98	4.53
Sydney - South West	18947	5.97	4.26
Central Coast	15734	5.65	4.60
Central West	6533	5.59	3.07
Newcastle and Lake Macquarie	14652	5.50	3.90
Sydney - Inner South West	35438	4.98	5.71
Southern Highlands and Shoalhaven	5435	4.46	3.51
Sydney - City and Inner South	19918	3.75	5.54
Sydney - Outer South West	10438	3.58	3.68
Sydney - Baulkham Hills and Hawkesbury	10773	3.06	4.39
Riverina	2445	2.67	1.52
Sydney - Outer West and Blue Mountains	7777	2.51	2.40
Sydney - Inner West	10494	2.01	3.29
Sydney - Sutherland	7260	1.82	3.17
Sydney - Northern Beaches	8979	1.40	3.31
Sydney - North Sydney and Hornsby	12581	1.32	2.88
Sydney - Eastern Suburbs	7541	1.12	2.57
Sydney - Ryde	2913	0.85	1.46

Tasmania

	New entrants	Previous #/pop (%)	New #/pop (%)
Launceston and North East	6304	8.02	4.35
West and North West	4249	7.18	3.80
Hobart	10841	6.60	4.66
South East	902	2.84	2.34

Queensland

	New entrants	Previous #/pop (%)	New #/pop (%)
Darling Downs - Maranoa	9917	13.72	7.70
Cairns	16394	9.16	6.50
Queensland - Outback	2489	9.06	3.02
Wide Bay	12738	7.99	4.29
Ipswich	17087	7.99	4.86
Moreton Bay - North	13092	7.55	5.20
Central Queensland	8154	7.05	3.61
Townsville	9354	6.55	3.96
Brisbane - South	23320	6.37	6.30
Gold Coast	45339	6.24	7.29
Mackay - Isaac - Whitsunday	7326	5.44	4.25
Logan - Beaudesert	12370	5.30	3.62
Sunshine Coast	21715	5.13	5.79
Brisbane - North	11544	4.77	5.19
Brisbane - West	9497	4.66	4.96
Brisbane - East	9923	4.10	4.17
Moreton Bay - South	7655	3.84	3.58
Brisbane Inner City	8660	2.43	3.06
Toowoomba	138	0.16	0.09

Western Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
Western Australia - Outback (North)	3207	8.64	3.28
Western Australia - Outback (South)	4606	7.56	3.89
Mandurah	4794	7.45	4.70
Perth - South East	24647	6.51	4.78
Perth - North East	13257	6.29	4.99
Bunbury	8076	5.90	4.42
Western Australia - Wheat Belt	4502	5.81	3.28
Perth - South West	17440	4.87	4.05
Perth - North West	23914	4.78	4.23
Perth - Inner	7011	3.87	3.88

Northern Territory

	New entrants	Previous #/pop (%)	New #/pop (%)
Darwin	6988	8.91	4.70
Northern Territory - Outback	2462	7.96	2.49

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

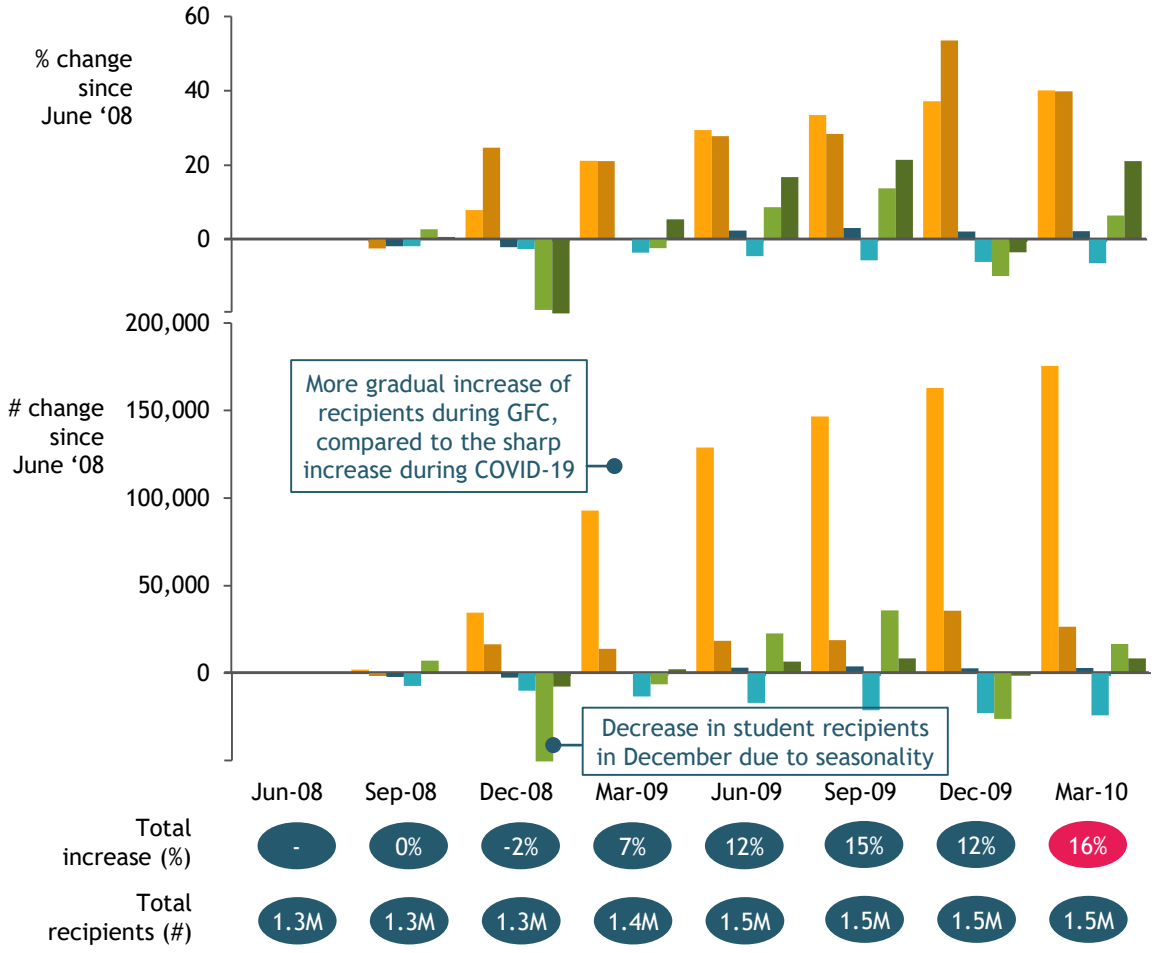
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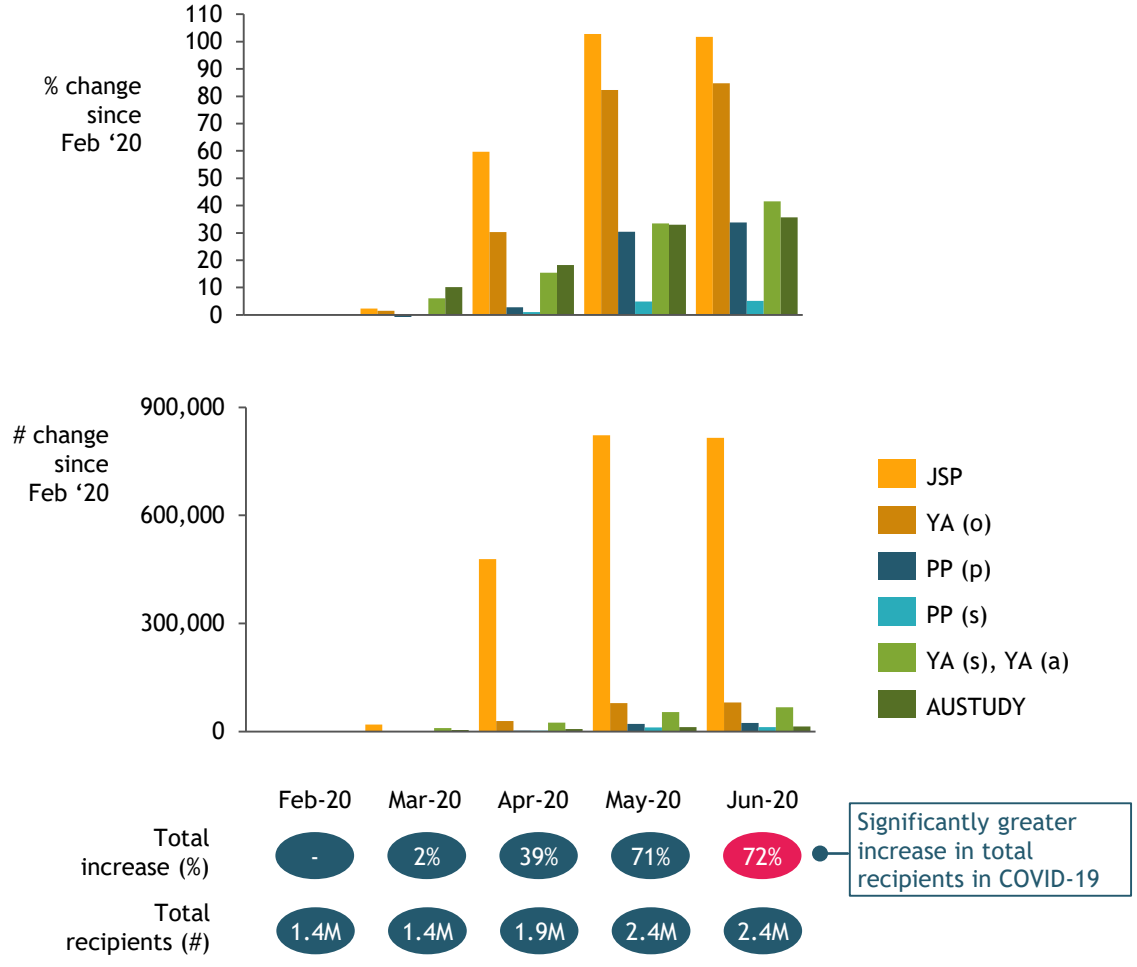
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During the GFC, the increase in working-age welfare recipients was smaller, and more gradual, compared to COVID-19

Change in welfare recipients following GFC



Change in welfare recipients following COVID-19



Note: Does not include pending claims, shows actual recipients on ISP at the point in time
Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

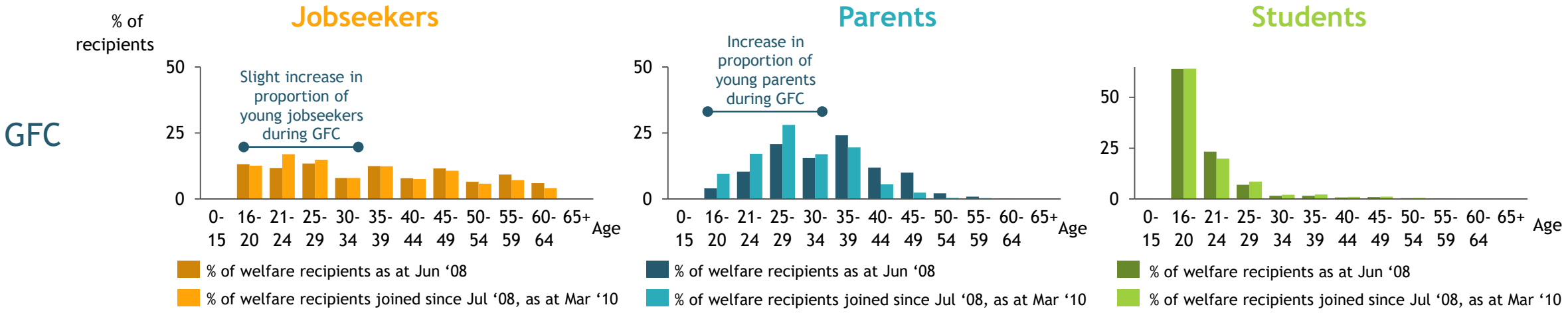
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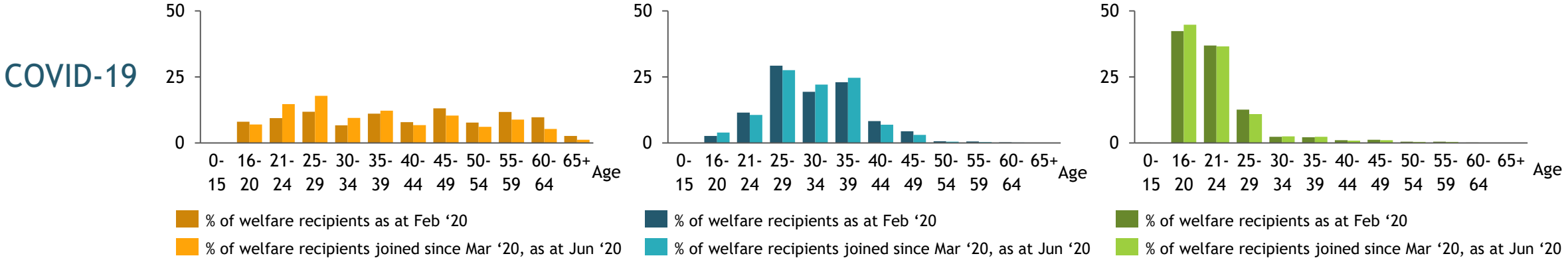
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During both the GFC and COVID-19, new entrants are more likely to be younger

GFC comparison – Age distribution





1. Where number of children is marked as NA, zero is assumed

Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

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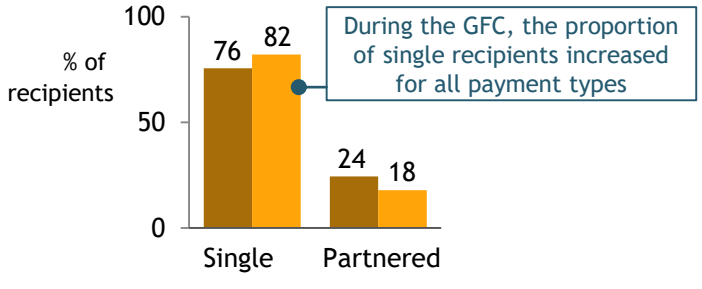
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Proportion of single recipients increased during GFC, decreased during COVID-19

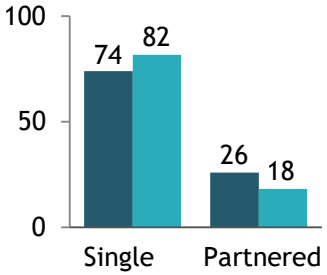
GFC comparison – Relationship status

GFC

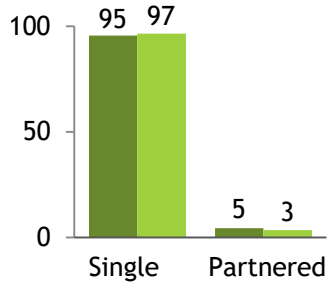
Jobseekers



Parents



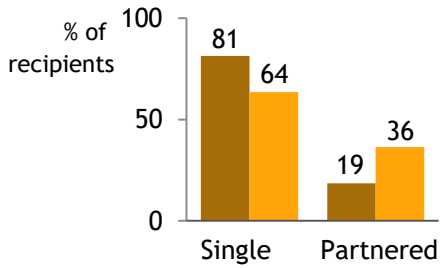
Students



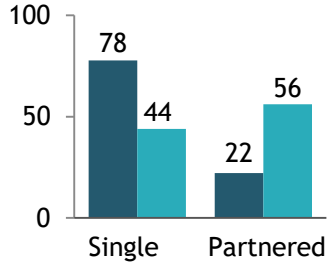
% of welfare recipients as at Jun '08
% of welfare recipients joined since Jul '08, as at Mar '10

COVID-19

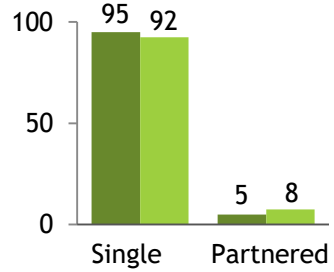
Jobseekers



Parents



Students



% of welfare recipients as at Feb '20
% of welfare recipients joined since Mar '20, as at Jun '20

1. Where number of children is marked as NA, zero is assumed

Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

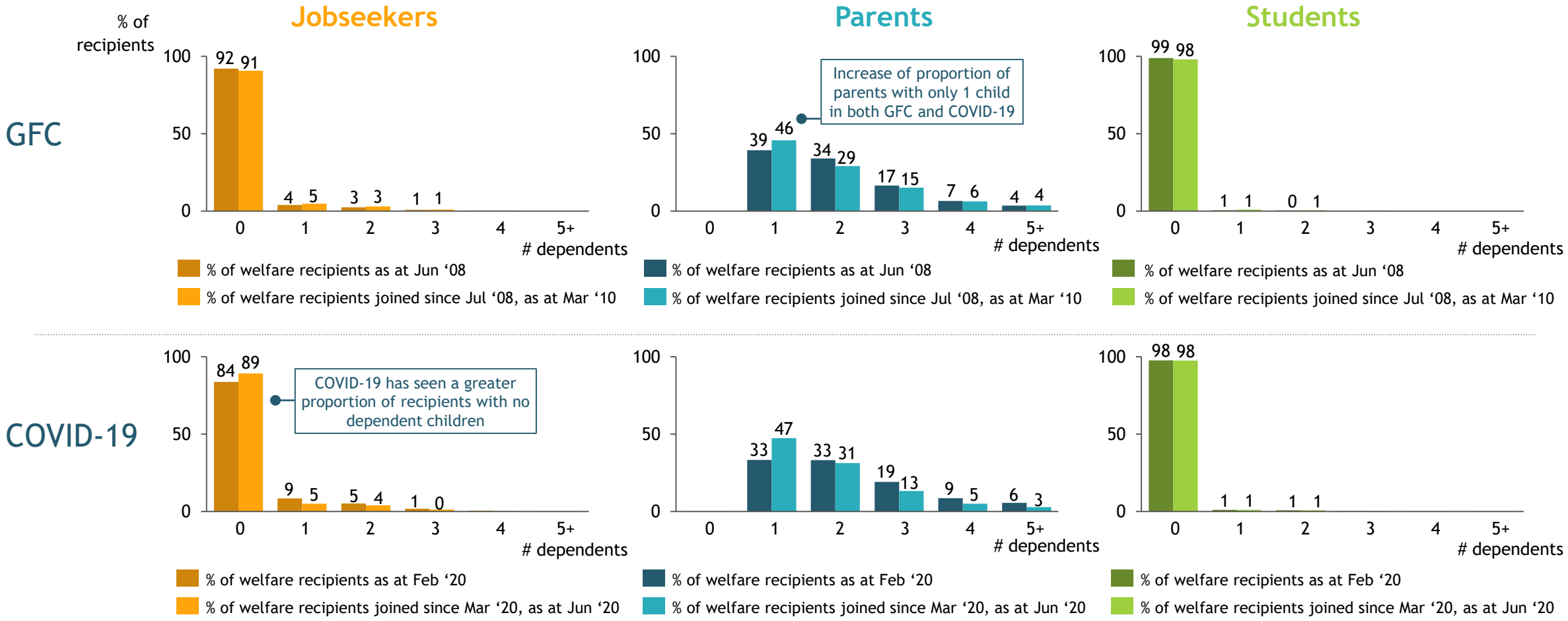
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Shift toward smaller & no-child families more pronounced in COVID-19

GFC comparison – Dependent children



Note: Number of children assumed to be maximum out of dependent children flag, principal carer flag and family tax benefit flag
Source: DSS data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

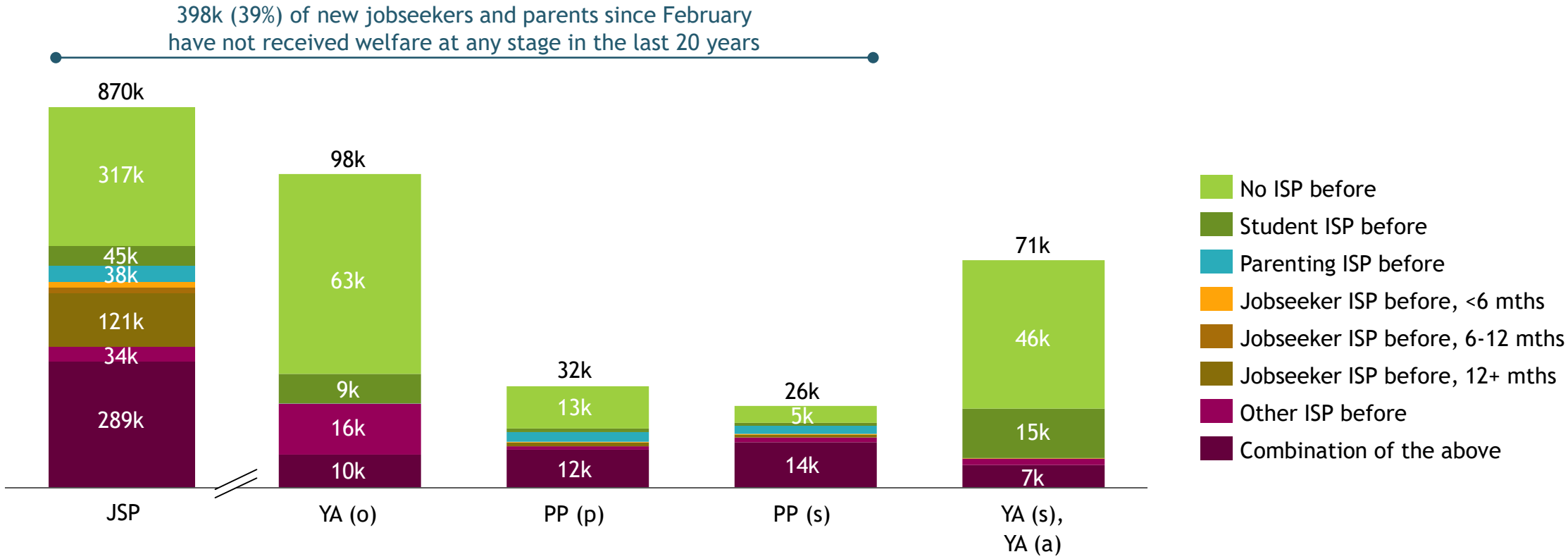
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Almost 40% of new jobseekers and parents have not received welfare in the last 20 years, a further ~5% have been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 28 February 2020, as at 3 July 2020



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 28 February 2020, 3 July 2020; Project analysis

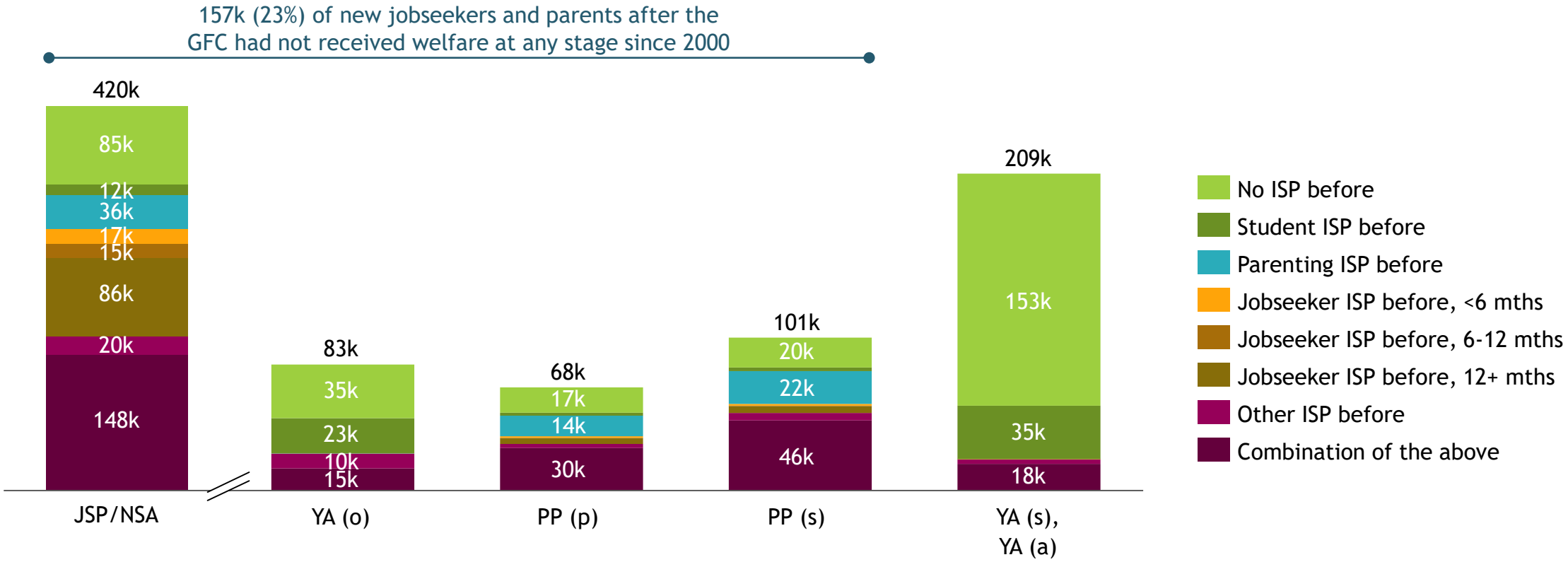
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In GFC, only 23% of new jobseekers and parents were new to income support, a with a further ~6% having been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 27 June 2008, as at 10 March 2010



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 27 June 2008, 10 March 2010; Project analysis

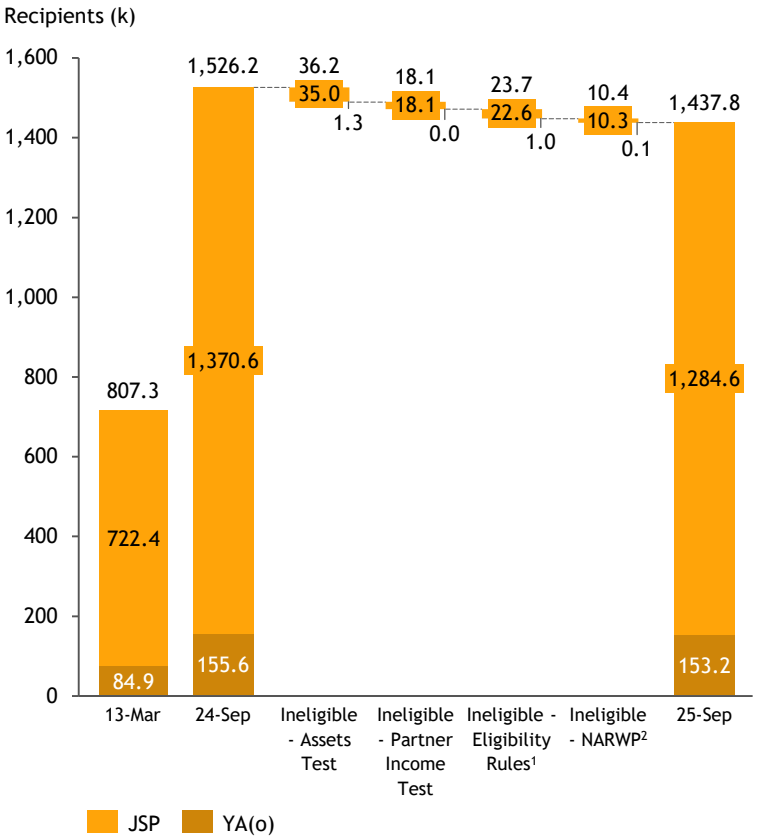
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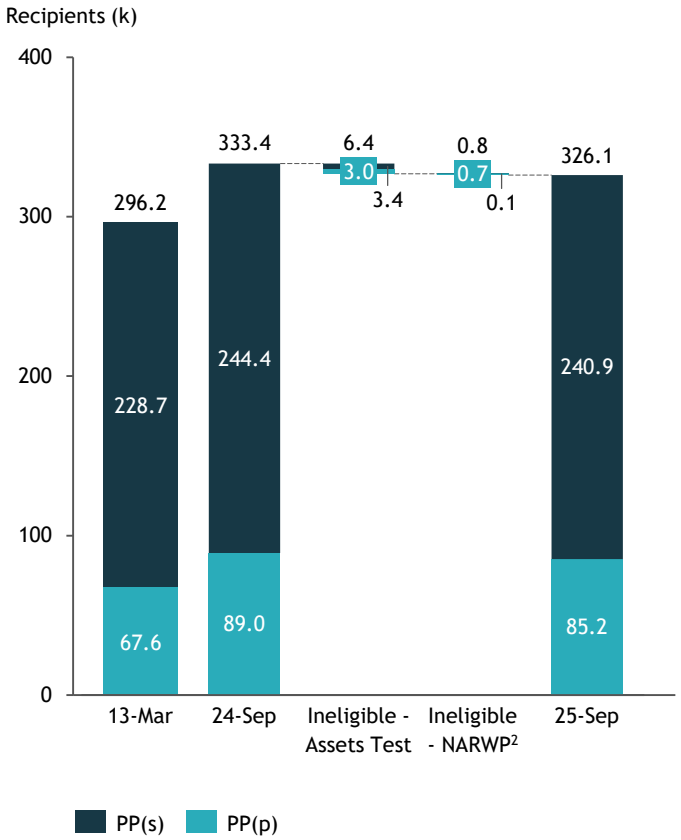
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

But for the temporary "access to payment" measures, ~100k current recipients would be ineligible

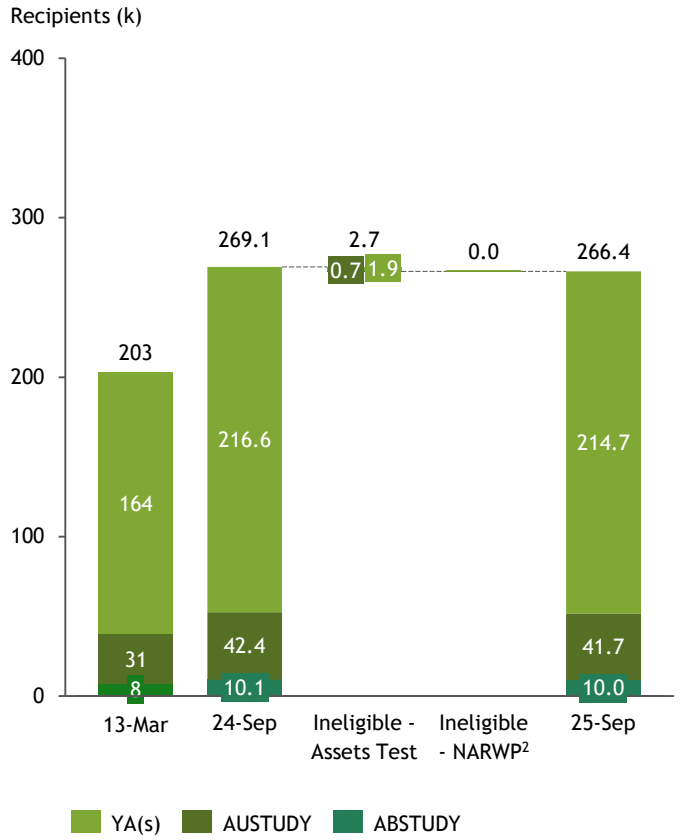
Jobseekers (~90k)



Parents of young children (~7k)



Students (~3k)



1. 25% of ~60k stood-down permanent employees and ~30k sole traders assumed to opt of payment due to MO requirements 2. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

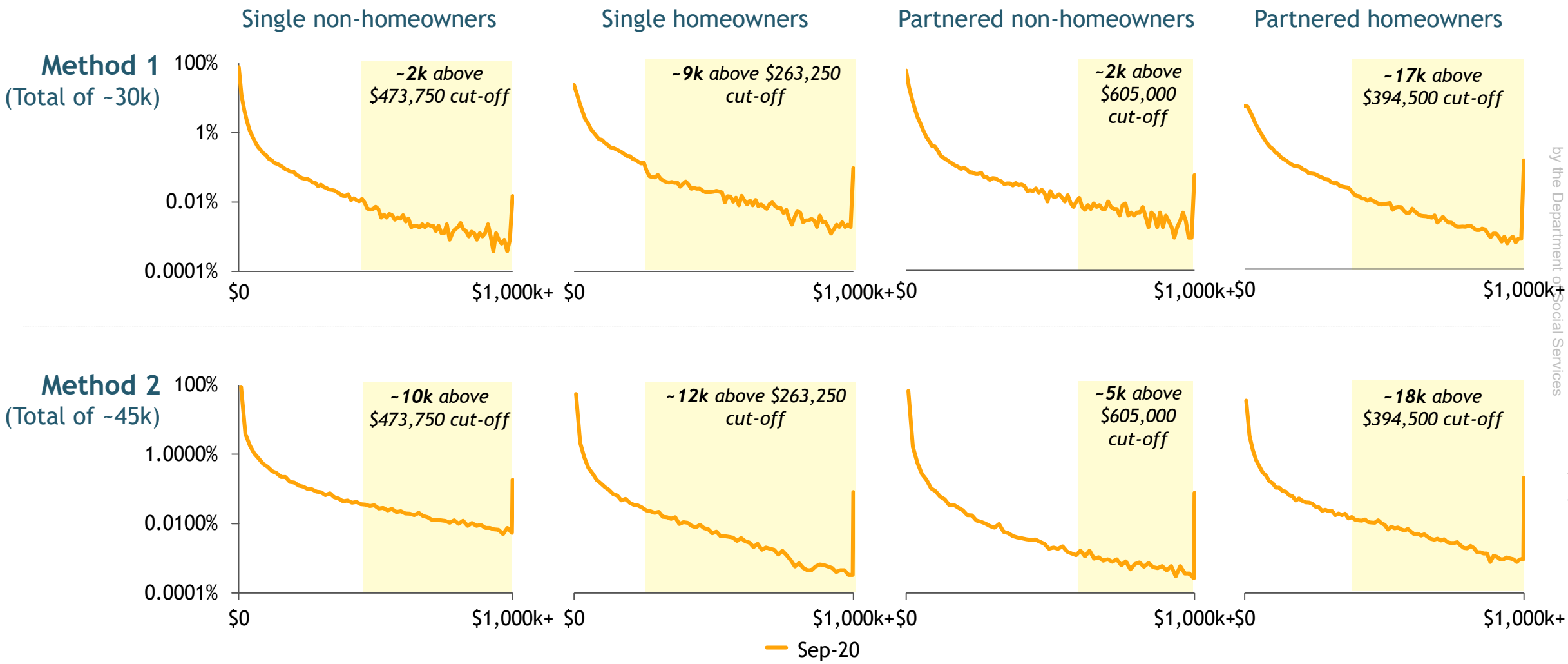
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Backup: Estimate 30k-45k recipients made eligible by waiving the assets test

See next slide for description of the two methods



Note: Assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

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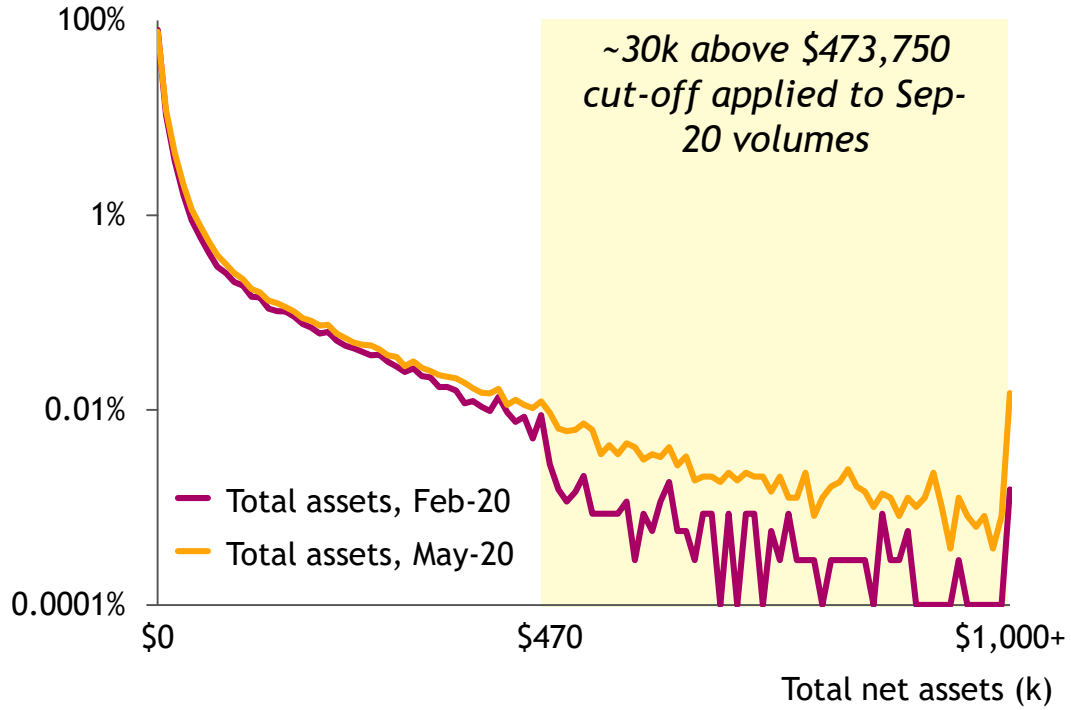
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: Two methods used for estimating net asset levels

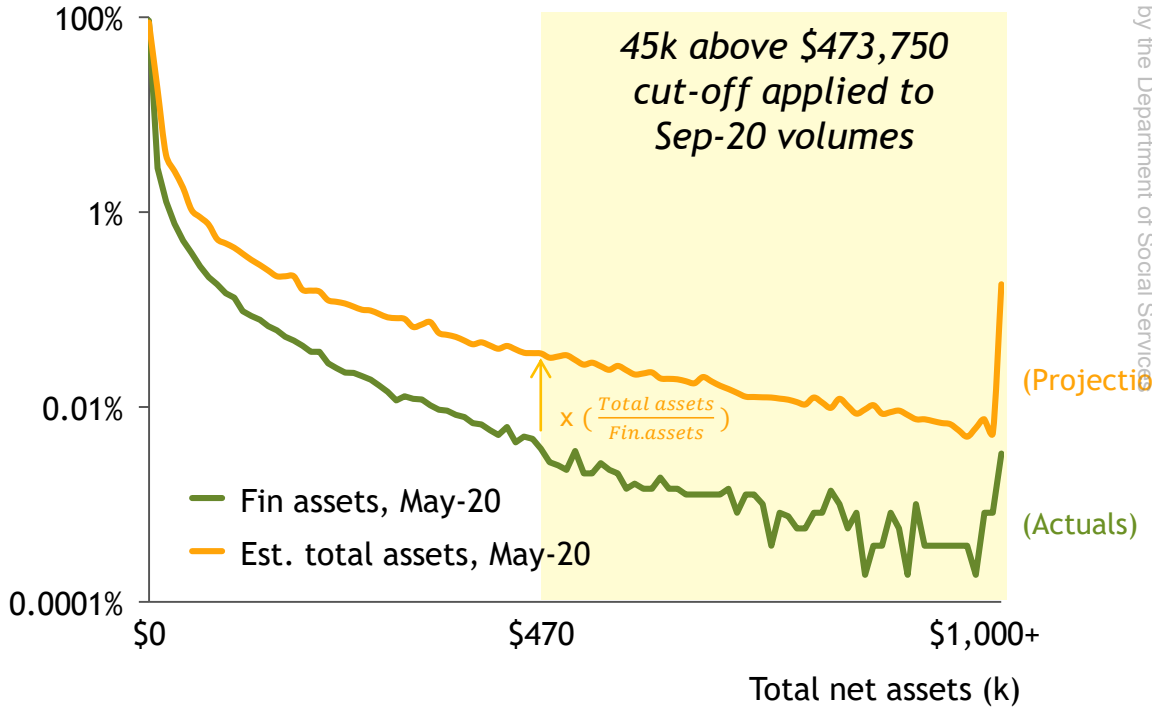
Method 1: Assumes non-financial assets data collected by Services Australia during COVID is complete (finds ~34k)

E.g. Single non-homeowners



Method 2: Extrapolates financial vs non-financial assets ratio from Feb '20 to estimate total assets (finds ~50k)

E.g. Single non-homeowners

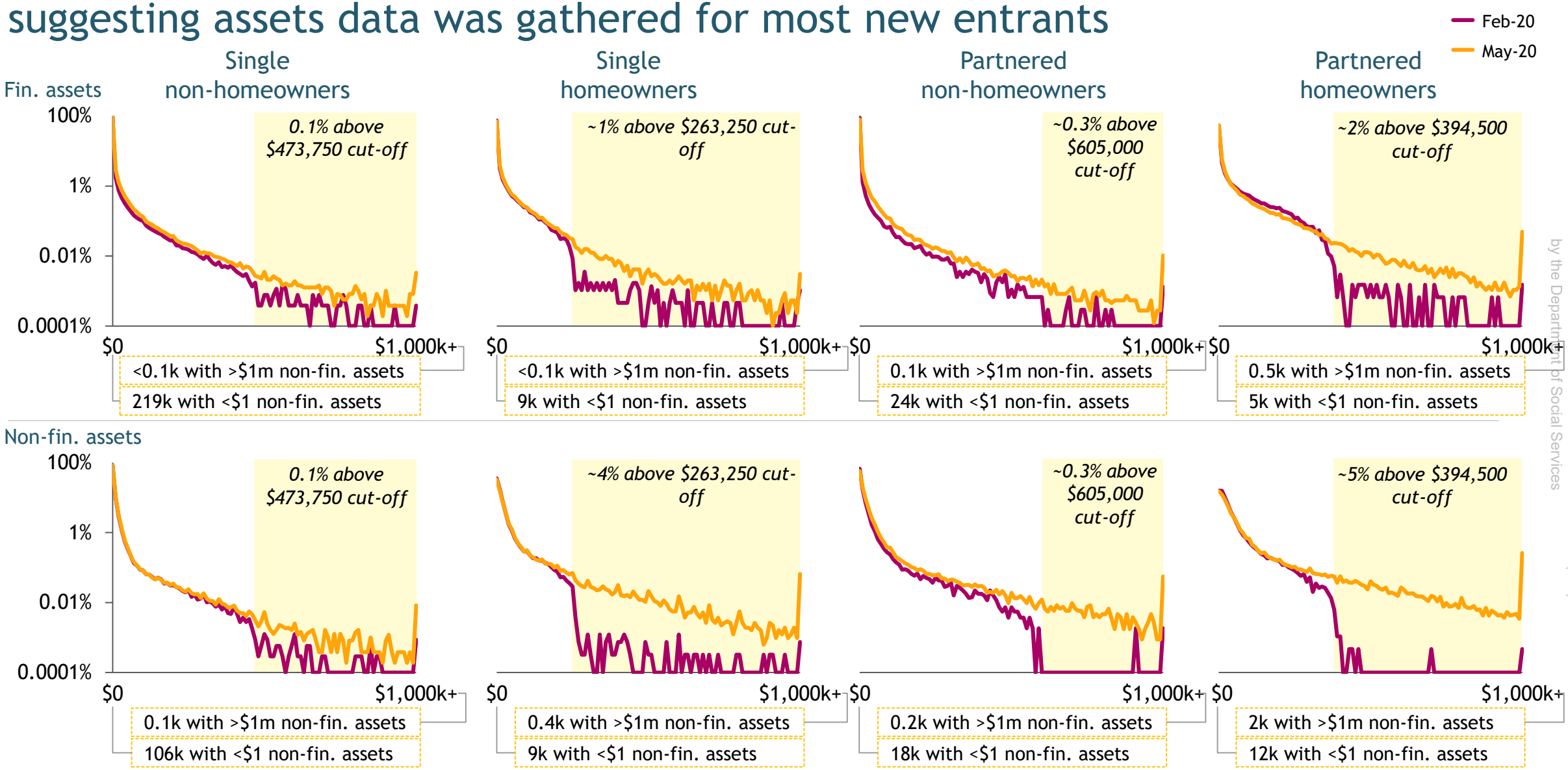


1. Average multiplier calculated using NSA, YA, PP, Austudy, ABSTUDY
Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

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DSS - FOI LEX 46661 Backup 22/00379 - Document 5
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Backup on Method 1: Assets distribution as at May 2020 broadly as expected, suggesting assets data was gathered for most new entrants



Note: Assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

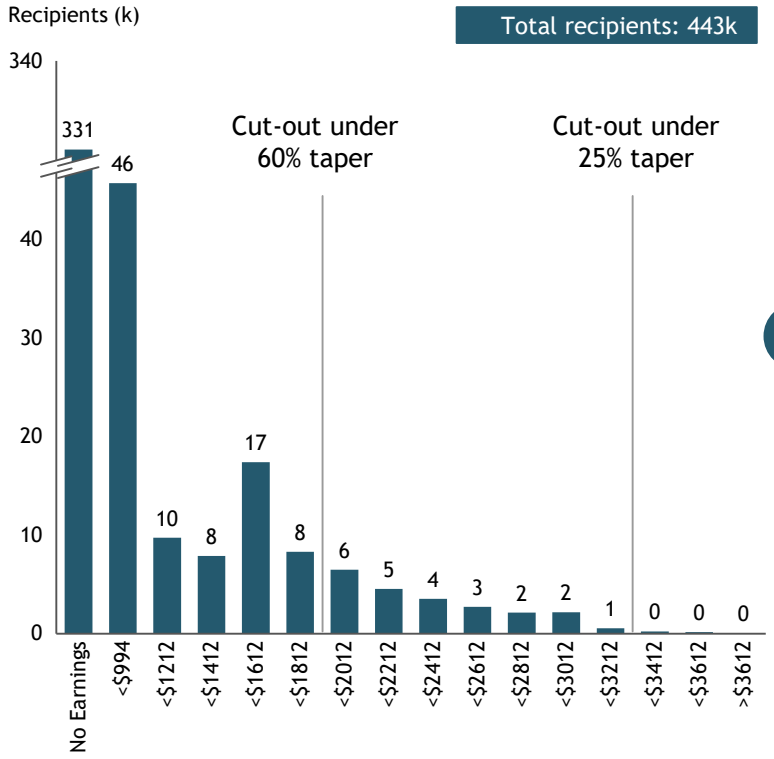
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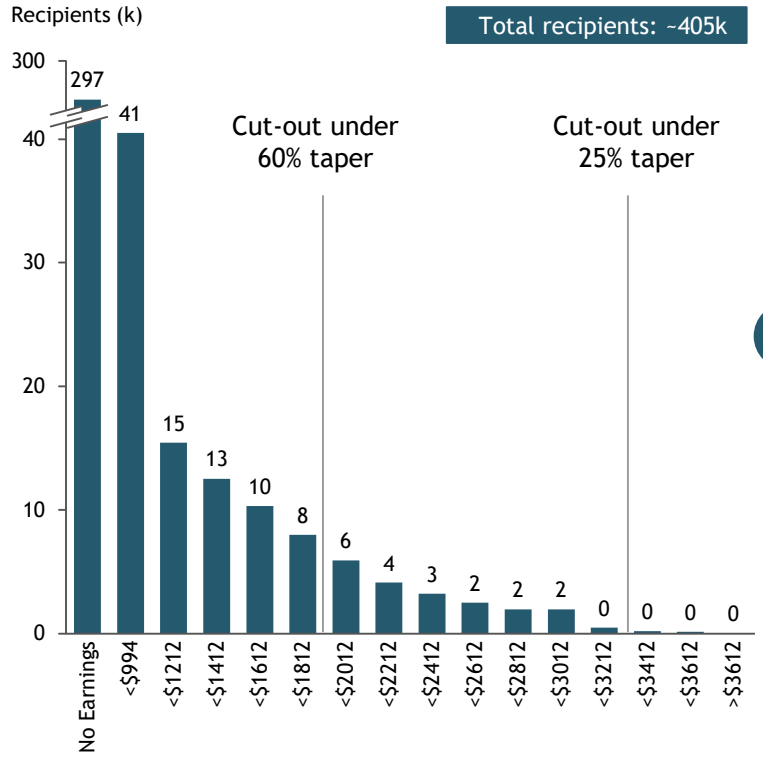
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: Estimate ~20k JS recipients made eligible by the more generous partner income test taper

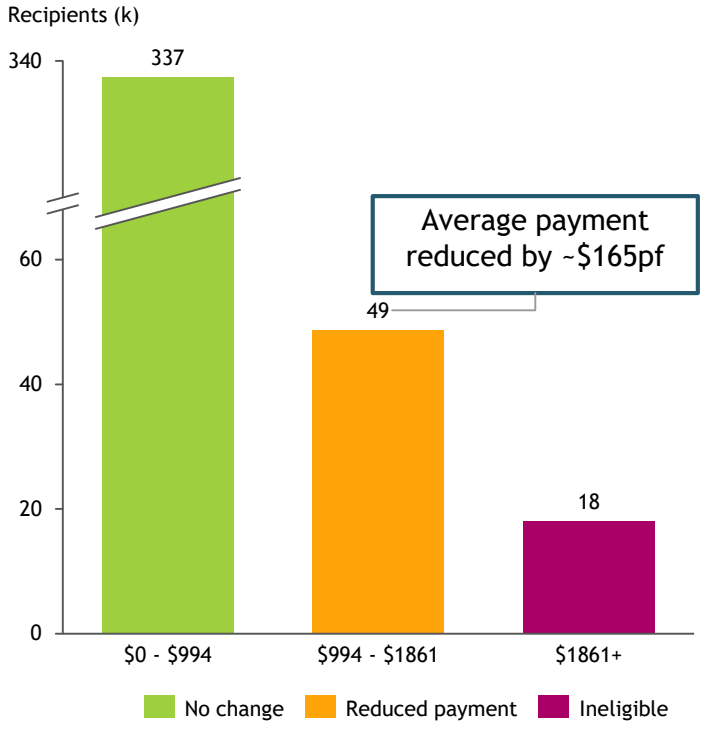
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

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2. Changes in the working arrangements of working-age welfare recipients since February 2020

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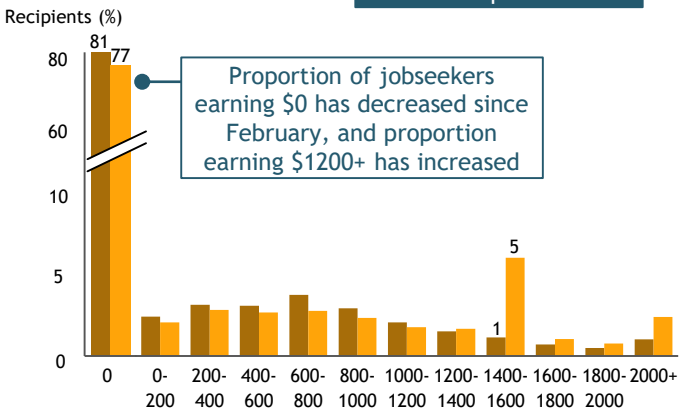
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Earned income and hours worked has increased for jobseekers, and decreased for parenting payment and student recipients

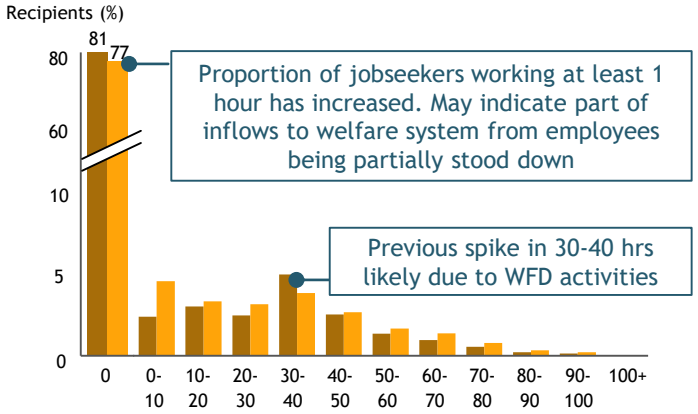
Jobseekers

Total recipients: 1.8M

Income p/f

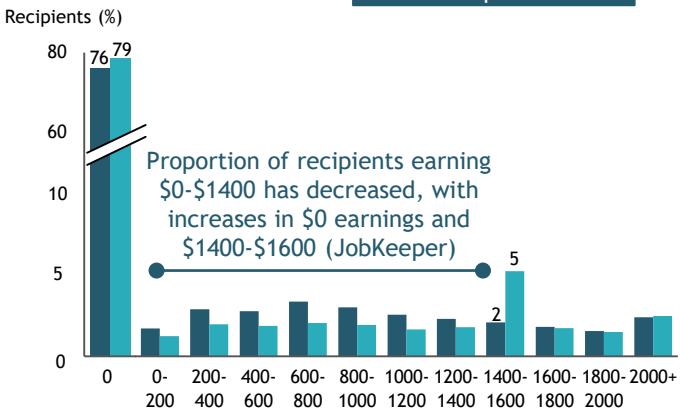


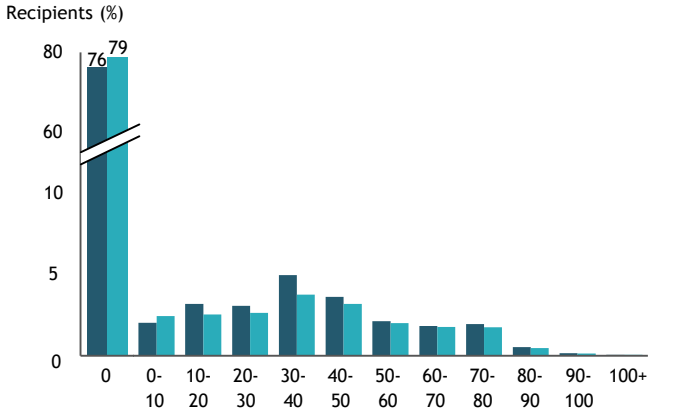
Hours worked p/f



Parents of young children

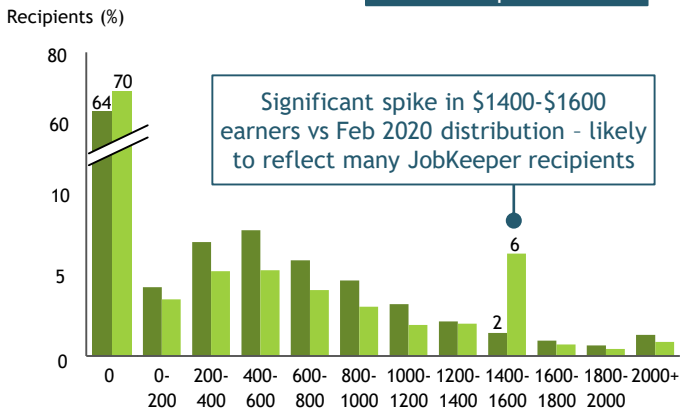
Total recipients: 337k

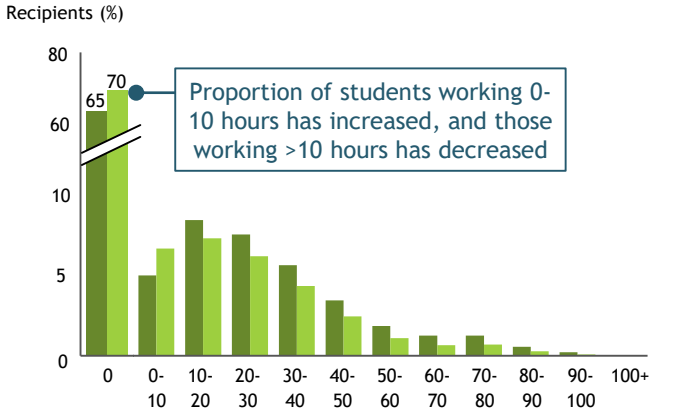


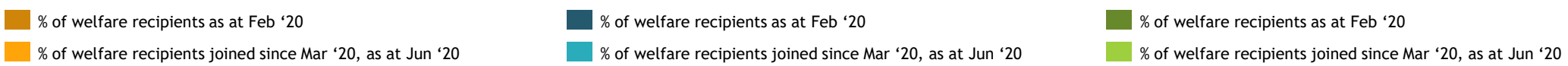


Students

Total recipients: 280k







Note: 440 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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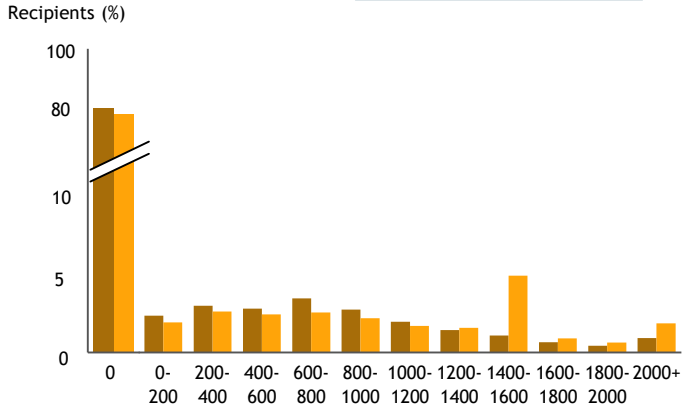
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Relationship status: Partnered parents are the largest cohort of nil-earners

Jobseekers

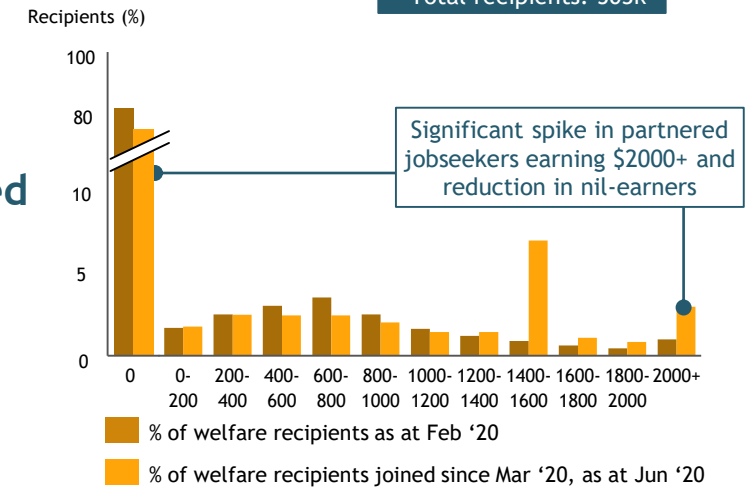
Single

Total recipients: 1.3M



Partnered

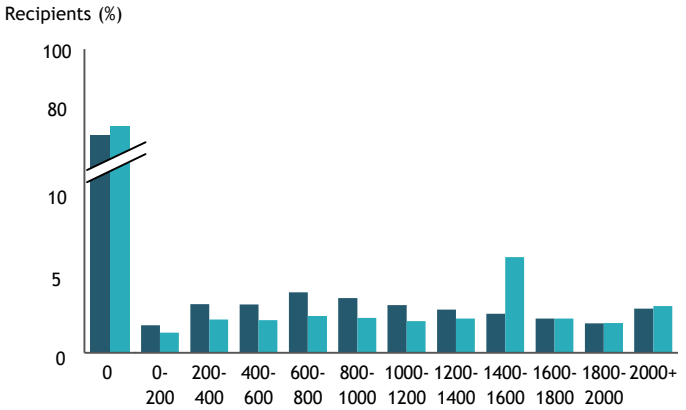
Total recipients: 503k



Parents of young children

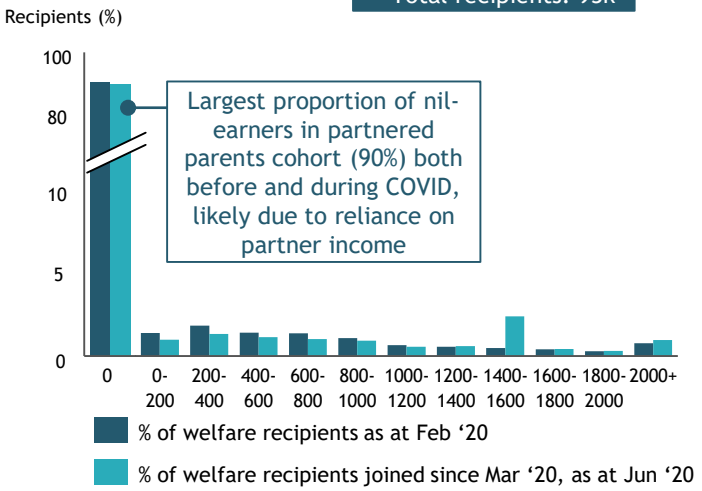
Single

Total recipients: 244k



Partnered

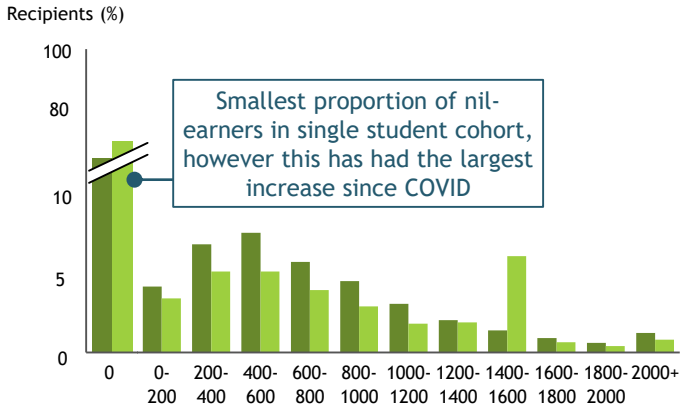
Total recipients: 93k



Students

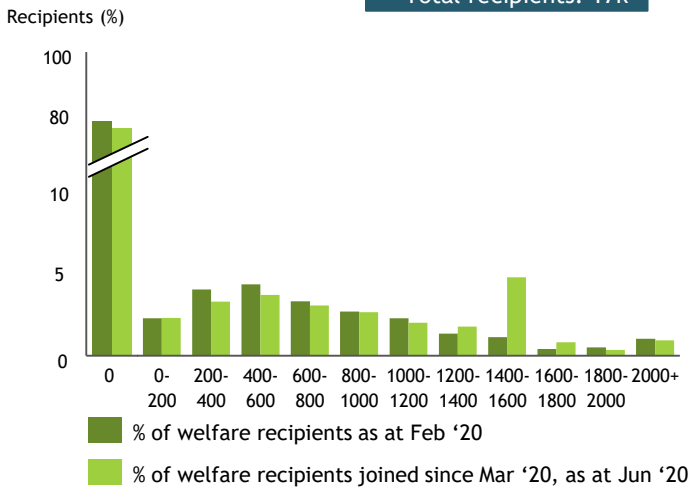
Single

Total recipients: 264k



Partnered

Total recipients: 17k



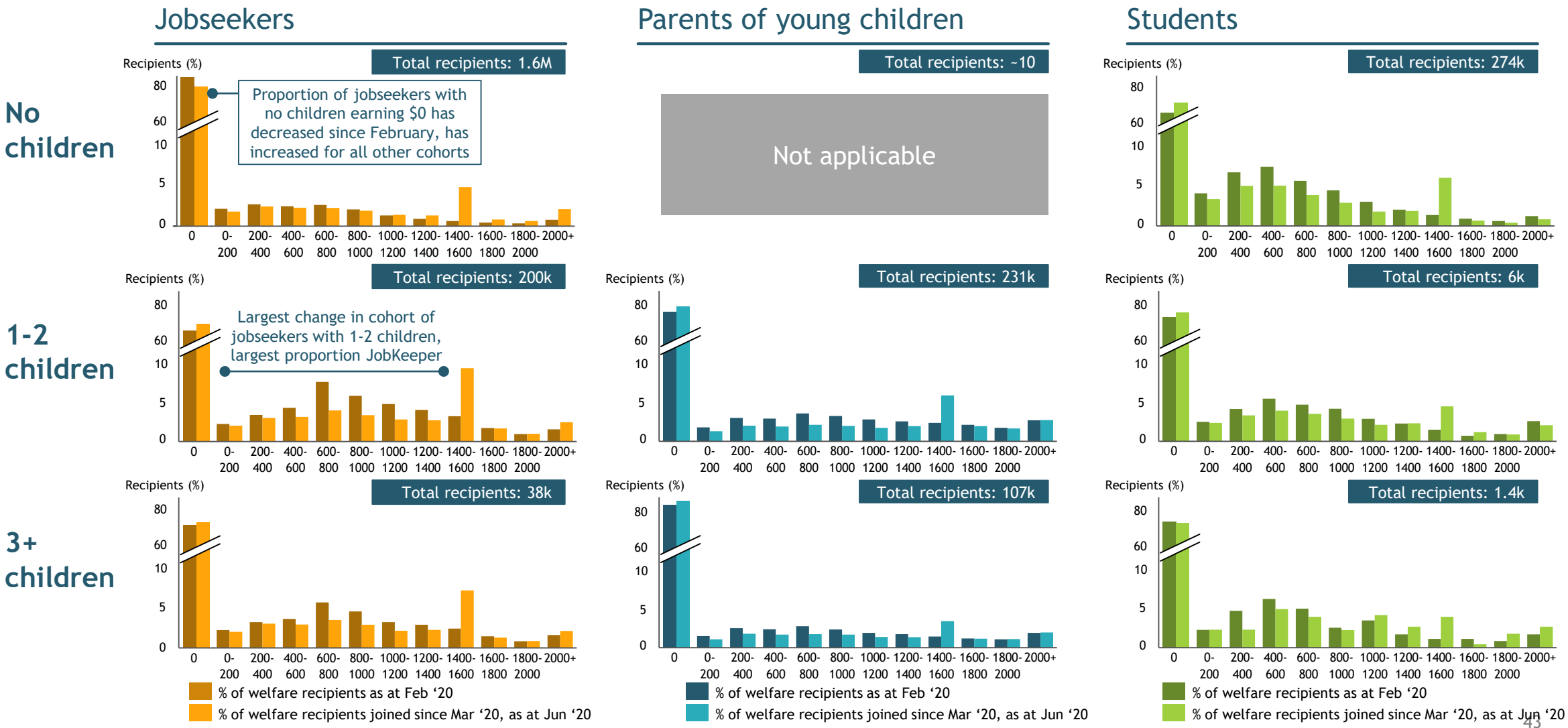
Note: 430 "NA" entries excluded from analysis
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Household size: Impact of JobKeeper is largest is among jobseekers with 1-2 children



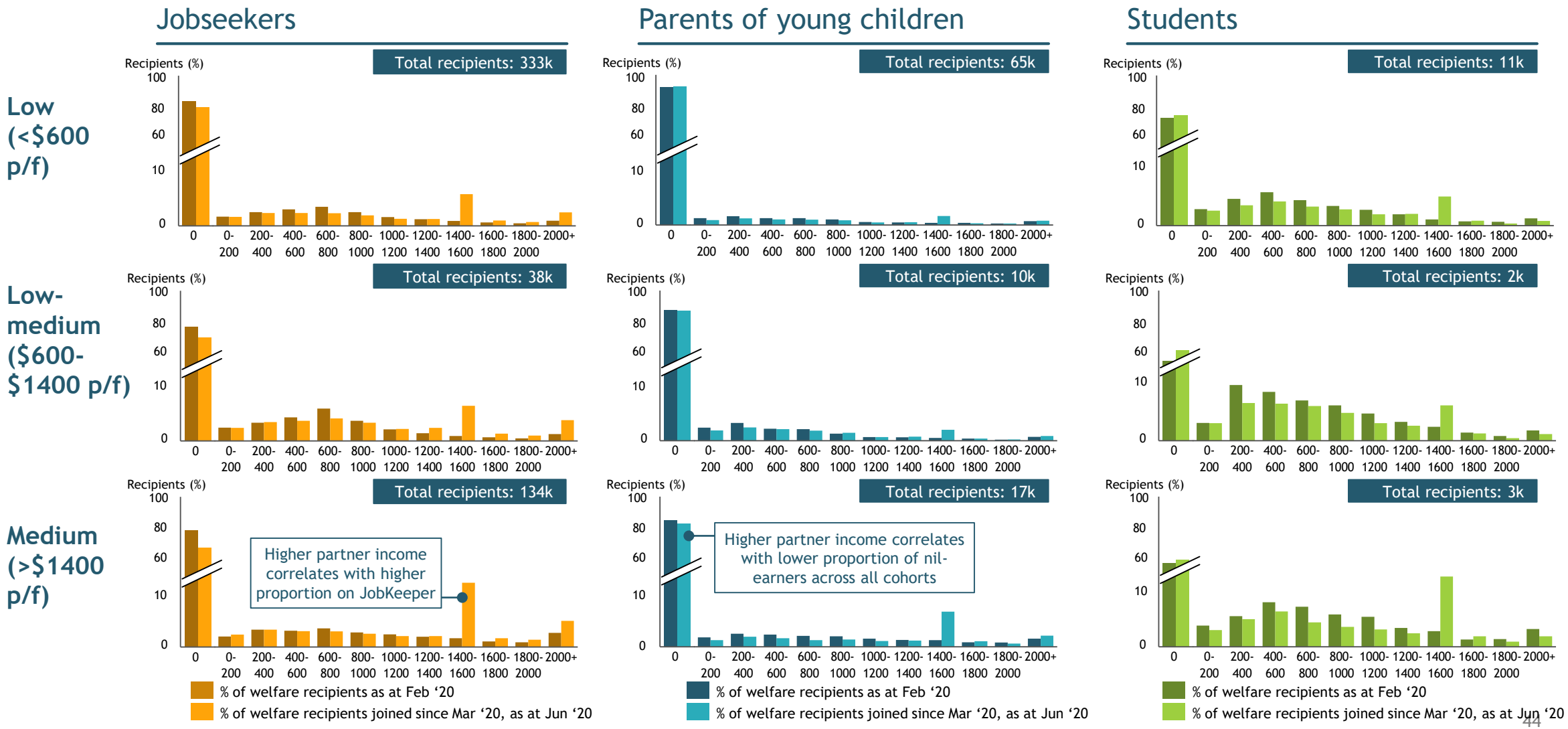
Note: Number of children taken as maximum of dependent children, principal carer and family tax benefit records
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Partner income level: Higher partner income correlates with lower proportion of nil-earners



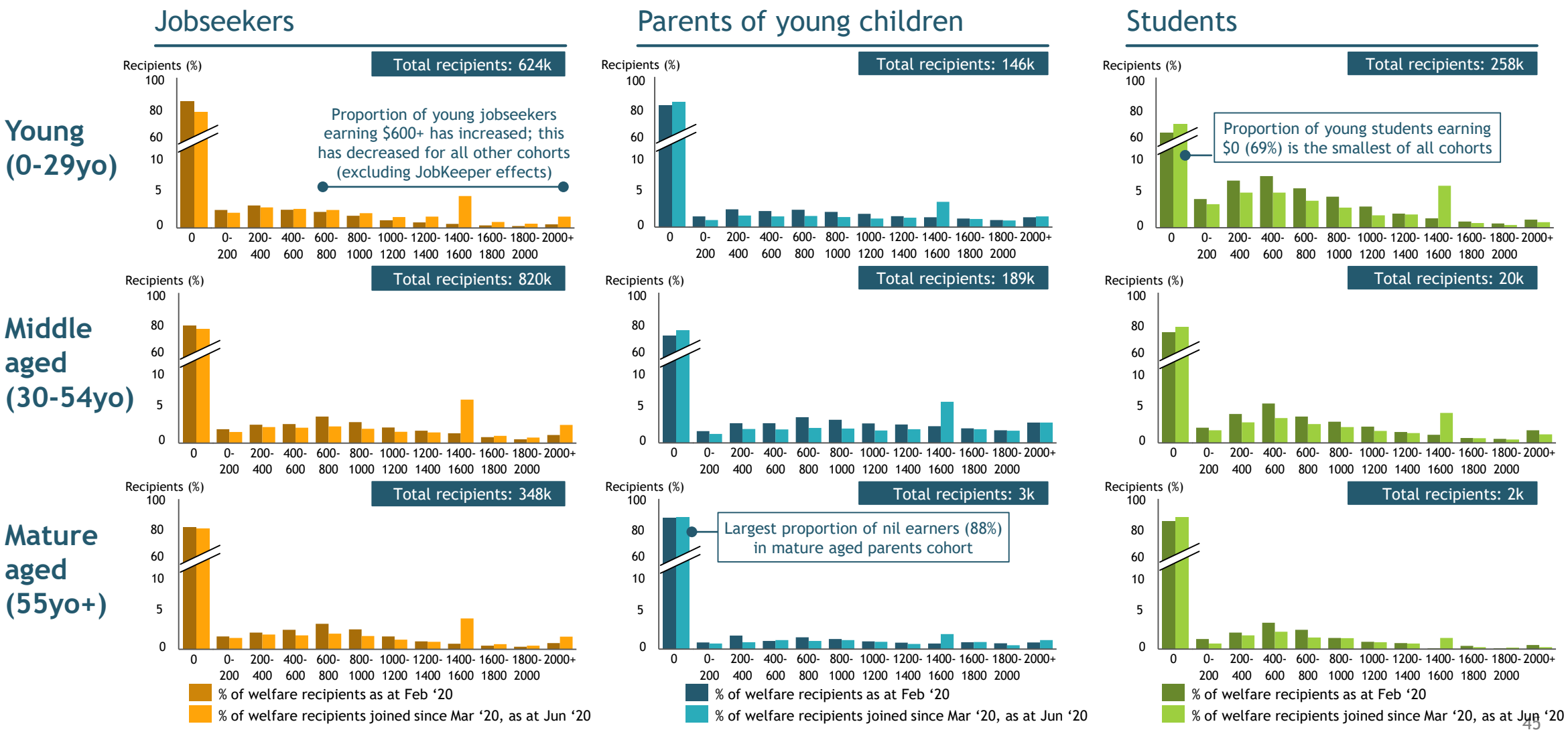
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Age: Increase in earned income has been greatest for young jobseekers



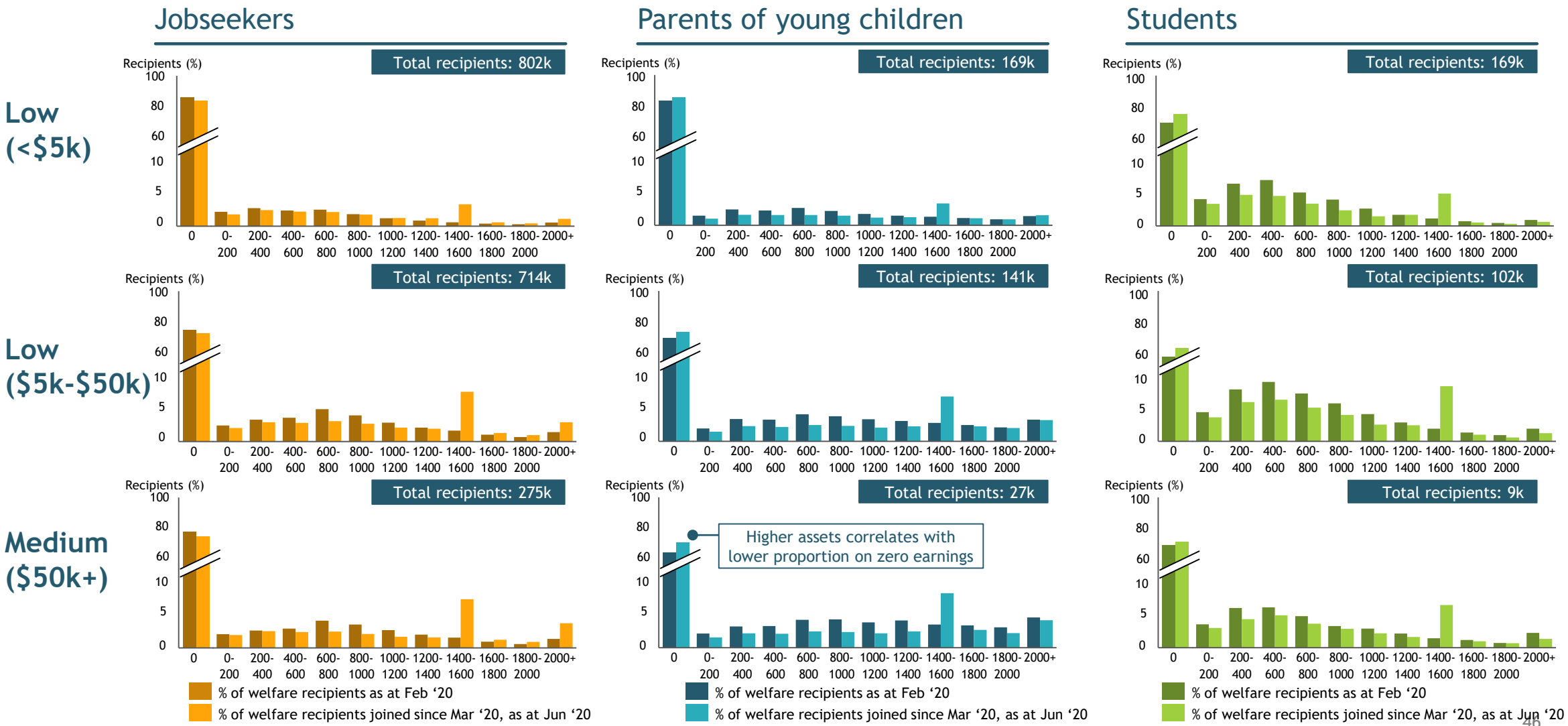
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Assets: Higher assets held correlates with lower proportion of nil-earners



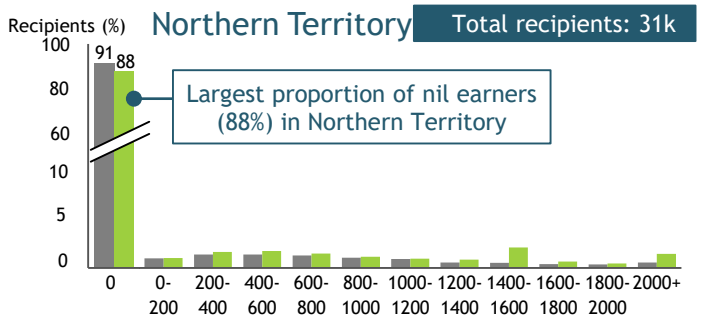
Note: Assets refers to financial and non-financial assets as recorded in the database
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

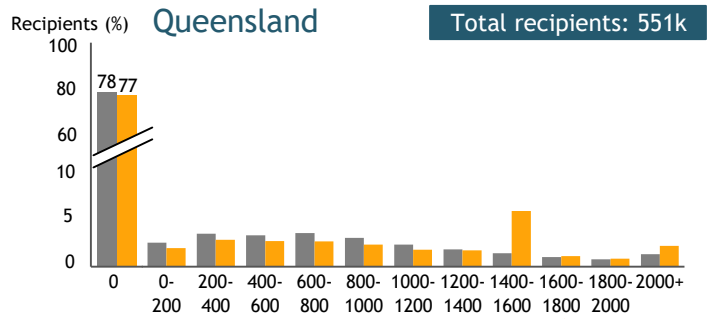
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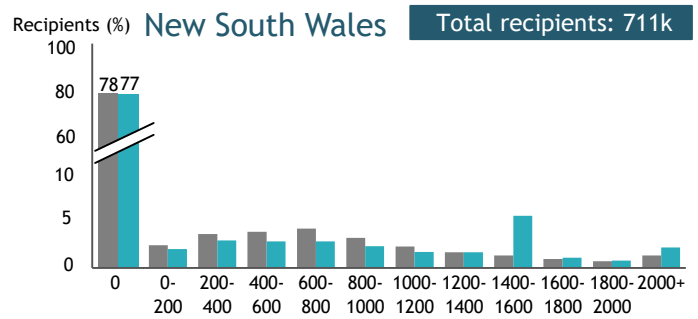
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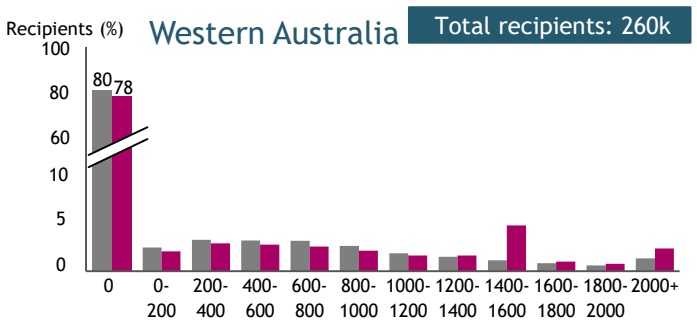
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Geography: Victoria has the largest proportion of welfare recipients on JobKeeper

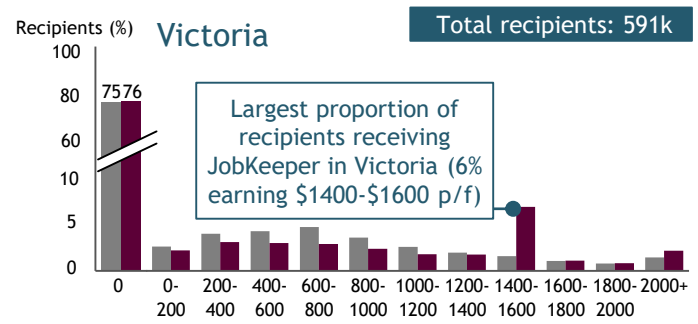


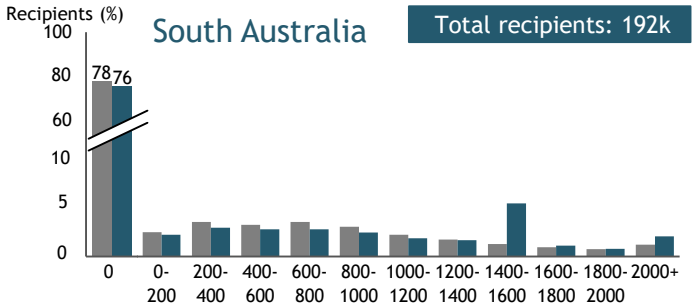


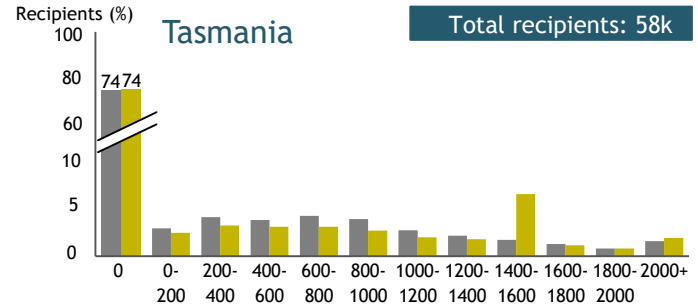












% of welfare recipients as at Feb '20

% of welfare recipients joined since Mar '20, as at Jun '20

Note: 1099 "NA" entries excluded from analysis

Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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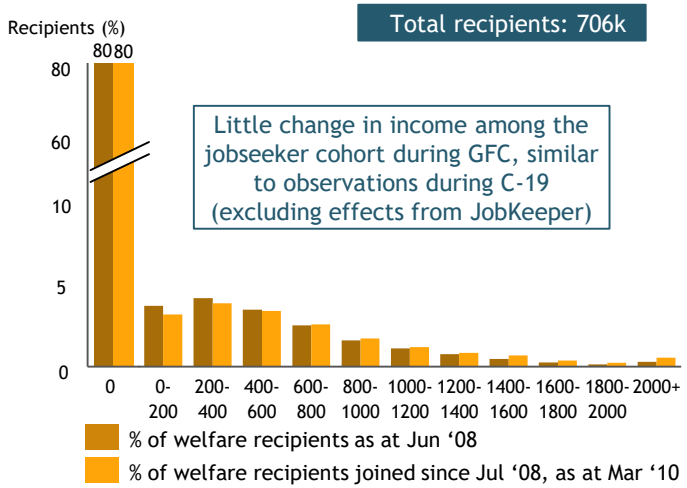
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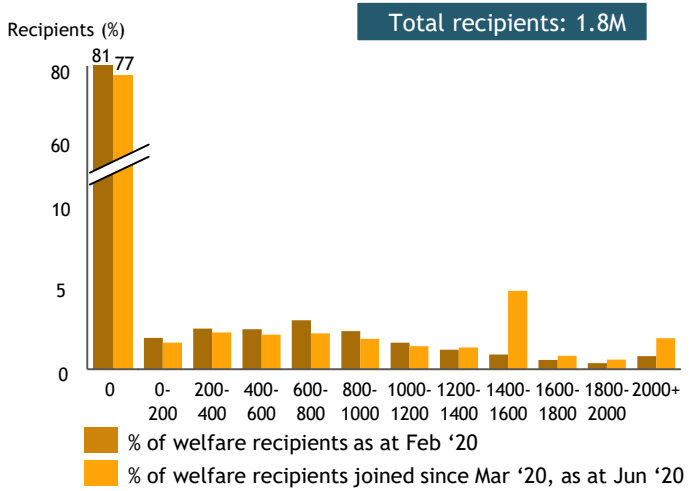
C-19 vs GFC: Excluding the effects of JobKeeper, the changes in income distribution are similar during COVID-19 as during the GFC

Jobseekers

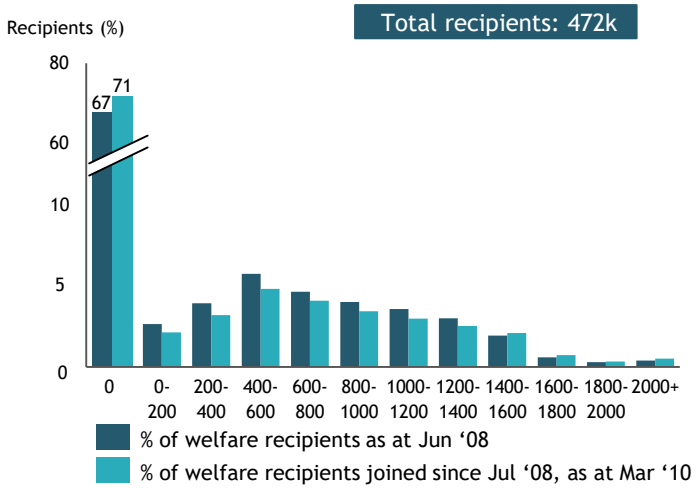
GFC (Jul '08 vs Mar '10)

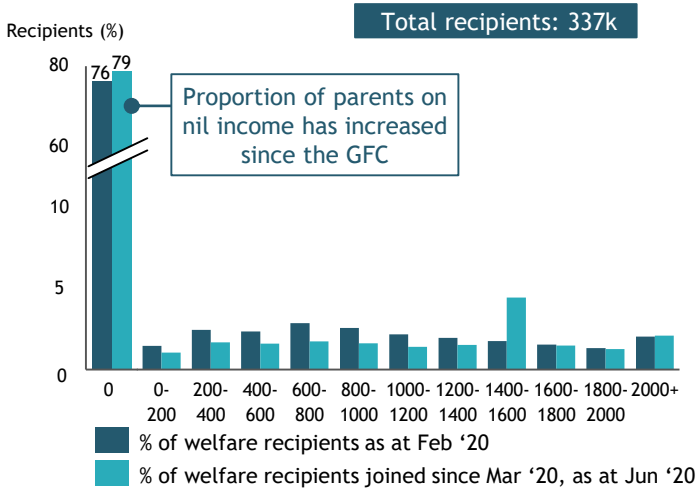


C-19 (Feb '20 vs Jun '20)

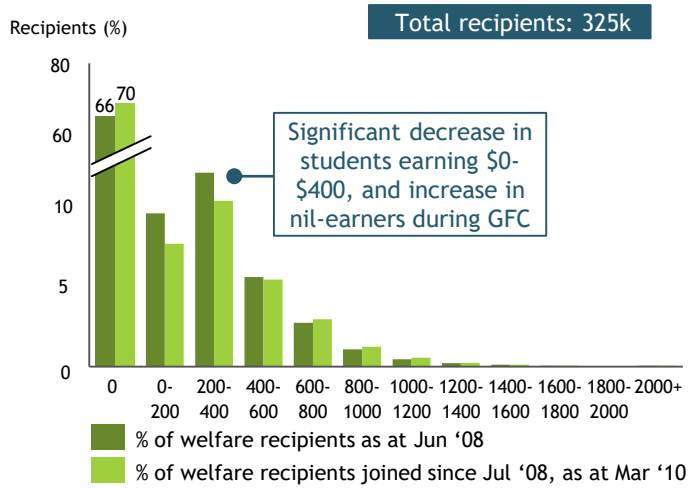


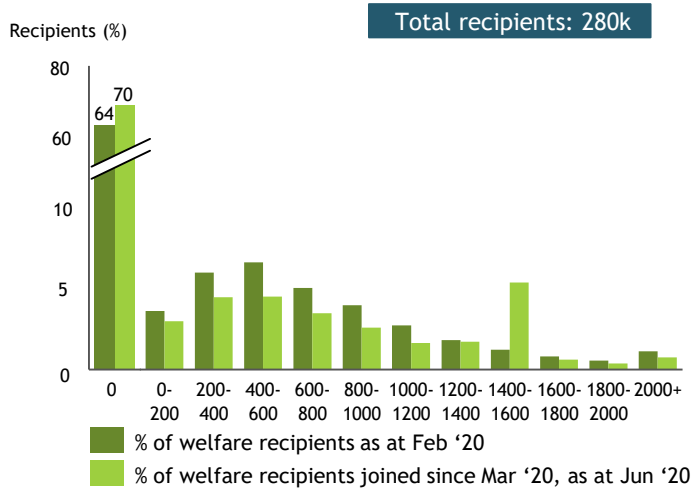
Parents of young children





Students





Source: DSS Data as at 27 June 2008, 26 March 2010, 28 February 2020, 26 June 2020; Project analysis

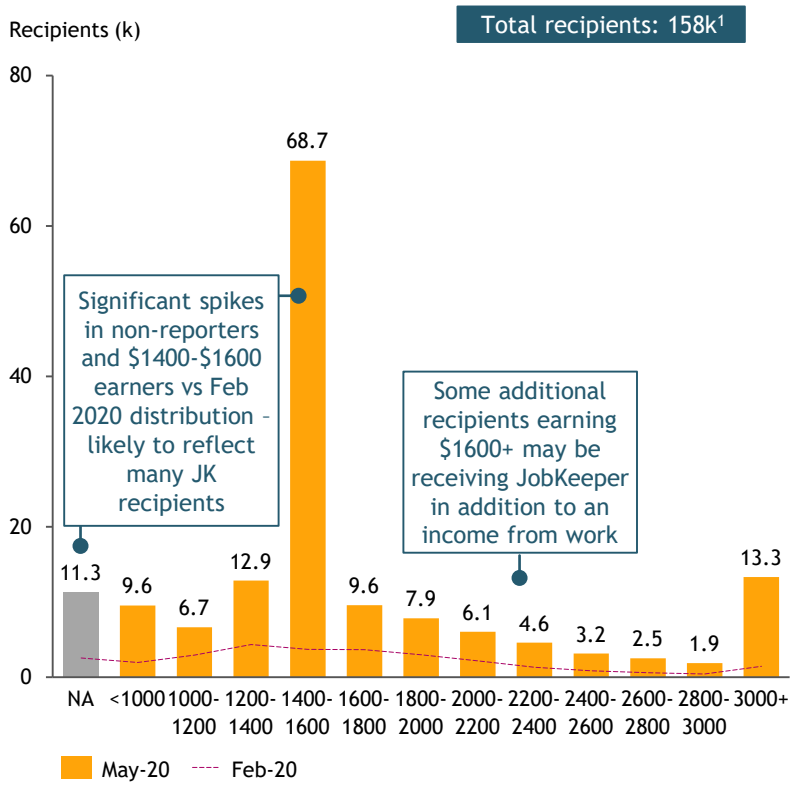
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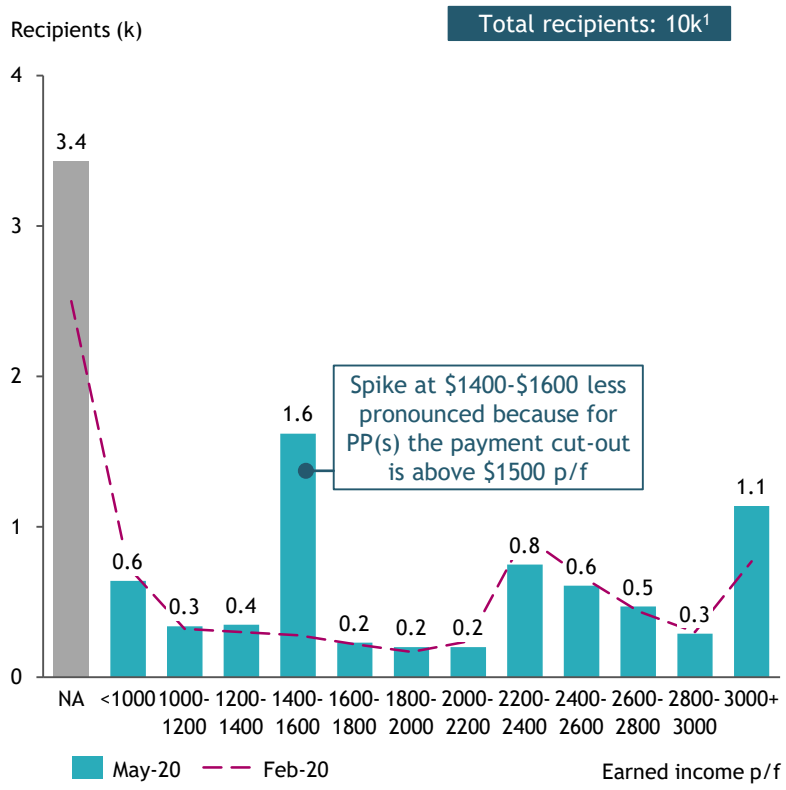
187k recipients are currently on nil-rates, with ~75k likely to return to income support following JobKeeper phase out

Jobseekers



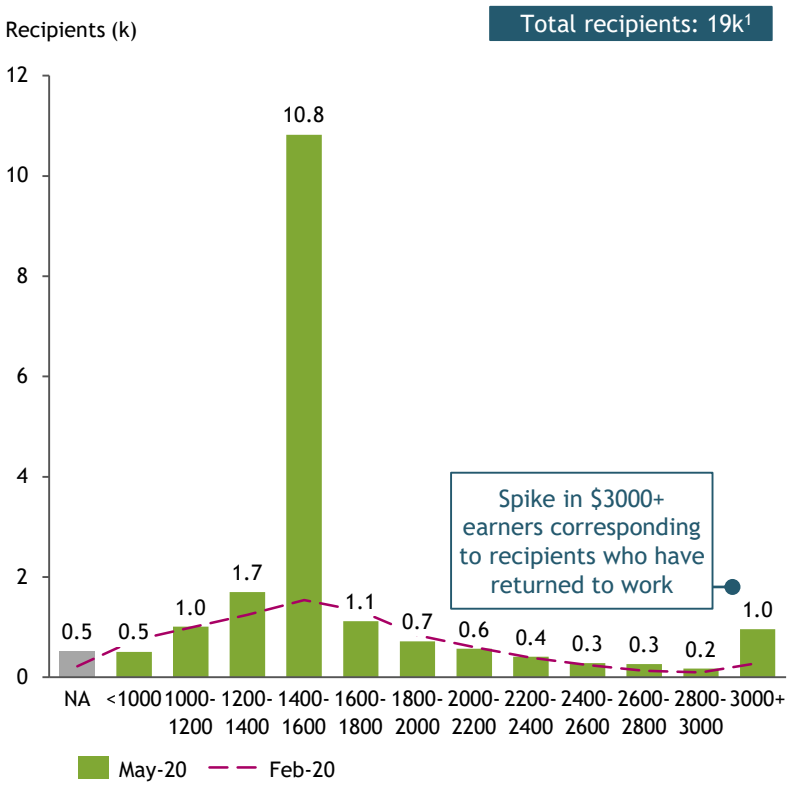
~59k 'extra' recipients earning $1500-1600[3]
~2.5k 'extra' recipients ceased reporting[4]

Parents of young children



~1.4k 'extra' recipients earning $1500-1600[3]
~0.4k 'extra' recipients ceased reporting[4]

Students[2]



~10k 'extra' recipients earning $1500-1600[3]
~0.3k 'extra' recipients ceased reporting[4]

1. Total recipients includes those who did not report income 2. Less than 5 ABSTUDY recipients on nil rates as at 29 May 2020 3. 'Extra' recipients in the $1500-$1600 income band means the additional number of recipients beyond what the shape of the distribution would suggest 4. 'Extra' recipients who ceased reporting means the additional recipients beyond what would be expected by extrapolating Feb 2020 figures upward in line with the growth in working age recipient numbers since Feb 2020
Source: DSS Data as at 28 February 2020, 29 May 2020; Project analysis

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Changes to Mutual obligations in response to COVID-19

Pre-COVID

20 job searches per month, regular appointments

For job seekers (in JobActive):

- Job searches (up to 20 job searches per month)
- Appointments with employment service provider (usually monthly)
- If referred, participation in other activities such as education and training or activities designed to improve job seekers' employability.
- After 12 months in jobactive, an Annual Activity Requirement for six months each year, in addition to their regular requirements (usually 50 hours p/f for those under 50).
- Hours of required participation vary according to age and circumstance (generally 50 hours per fortnight for those aged under 50 years)

March to June 2020

Mutual obligations lessened, then lifted altogether

On 20 March the Government announced:

- Changes to eliminate the need for face-to-face contact
- Job Plans adjusted to default of four job searches per month
- Work for the Dole and other group activities suspended
- Job Fairs & other events postponed
- Job service providers were required to perform new risk assessments for a range of activities

From 24 March mutual obligation requirements lifted entirely for job seekers

Jobseekers not penalised for being unable to attend or report

On 22 April the Government announced bringing forward the Employment Fund credit for the most job-ready job seekers to be available immediately

June to Aug 2020

Adjusting requirements reflecting ongoing impact

From 9 June 2020 requirements have been:

- Voluntary job searches
- At least one appointment with an employment services provider (can be online or phone)
- Voluntary participation in activities (online activities and in-person where safe)
- Job seekers in digital services (without providers) to consider their employment and training goals
- Those exempt from mutual obligation requirements include:
  - Sole traders
  - Self-employed
  - Individuals with other exemptions
- Payment suspensions and penalties don't apply

August to Sep 2020

Gradual reintroduction of requirements

From 4 August job seekers with providers will be required to:

- Undertake appointments with their employment services provider
- Agree to a Job Plan
- Undertake up to four job searches a month
- Participate in training or other activities, either online or in person where safe
- Special circumstances exemptions will continue

Job seekers will not be subject to payment suspensions or penalties for not meeting the above requirements.

However they must be willing to accept any offer of suitable paid work and penalties apply if a job seeker refuses a job without a reasonable excuse

As announced 2 August, mutual obligation requirements are voluntary and without financial penalty until further notice for Victorians

Sep 2020 onwards

Progressive return to pre-COVID arrangements

On 21 July, the Prime Minister indicated that at the end of September 2020 there will be a move to a higher rate of job search

Subject to health advice, return to normal servicing arrangements including appointments and activities

Normal compliance arrangements to resume in future

Note: Likely to be an ongoing need for a gradual return to normal, which also responds to emerging COVID hot-spots (e.g. Victoria in July/August)

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3. As the economy improves what is the likely recovery pathway for employment and the welfare system?

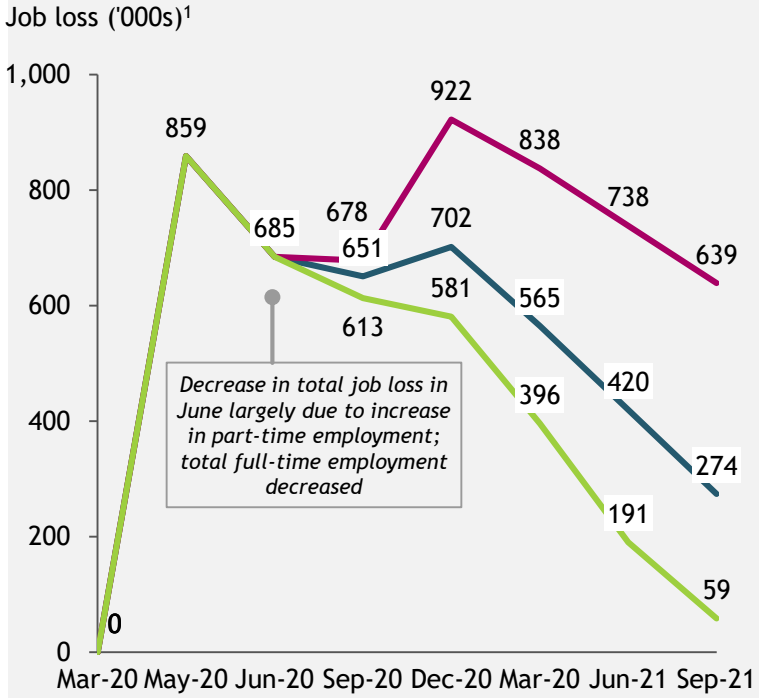
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FY21 macroeconomic scenarios tied to Treasury and RBA job loss forecasts, and updated to reflect partial JobKeeper extension

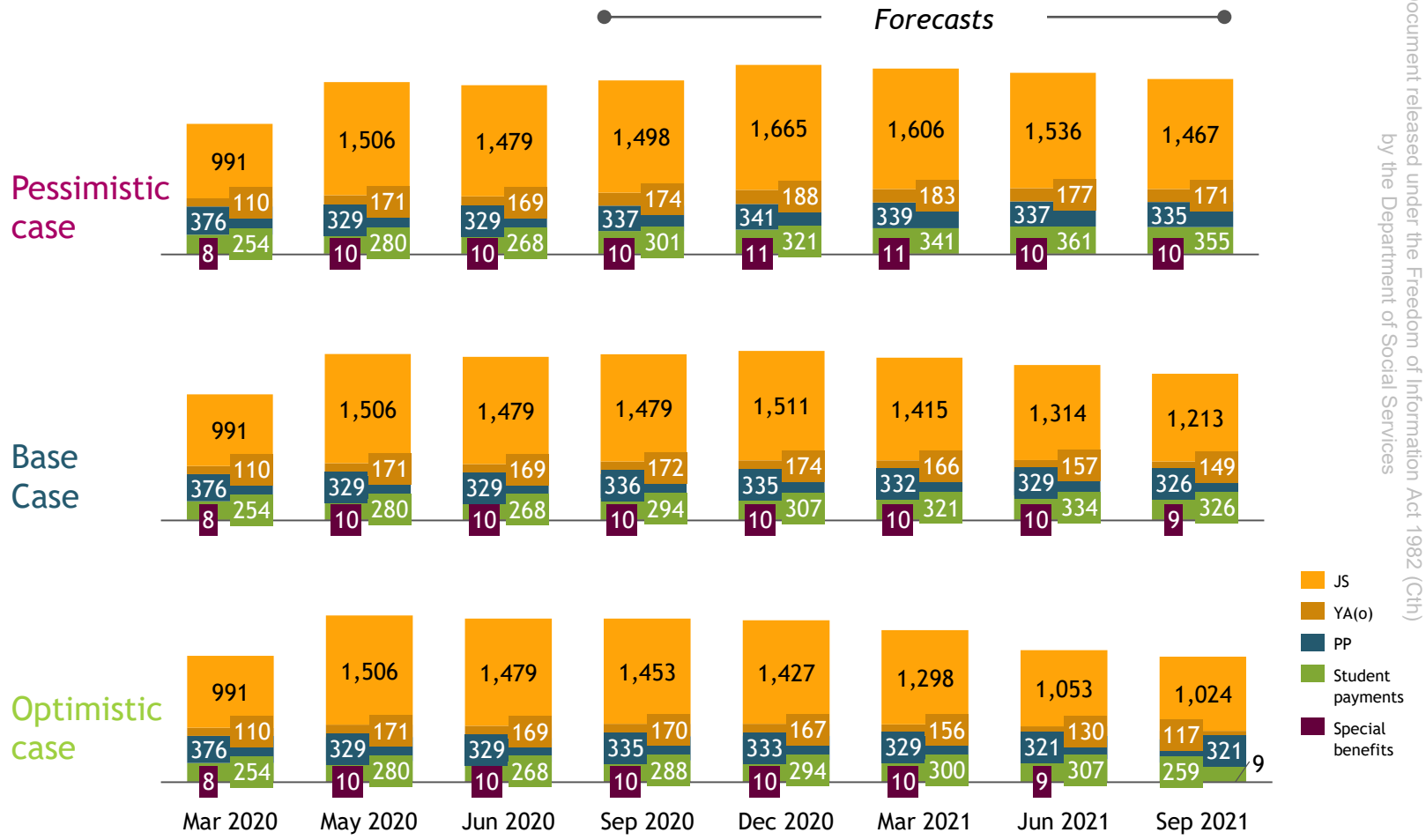
Three scenarios for job recovery…



Key assumptions:

- Pessimistic case: ~300k recipients flow into welfare system post-JK
- Base case: ~150k recipients
- Optimistic case: ~75k recipients

…leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID)
Note: Figures include suspended recipients, and pending claims multiplied with average acceptance rate. Figures exclude recipients receiving nil rates.
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

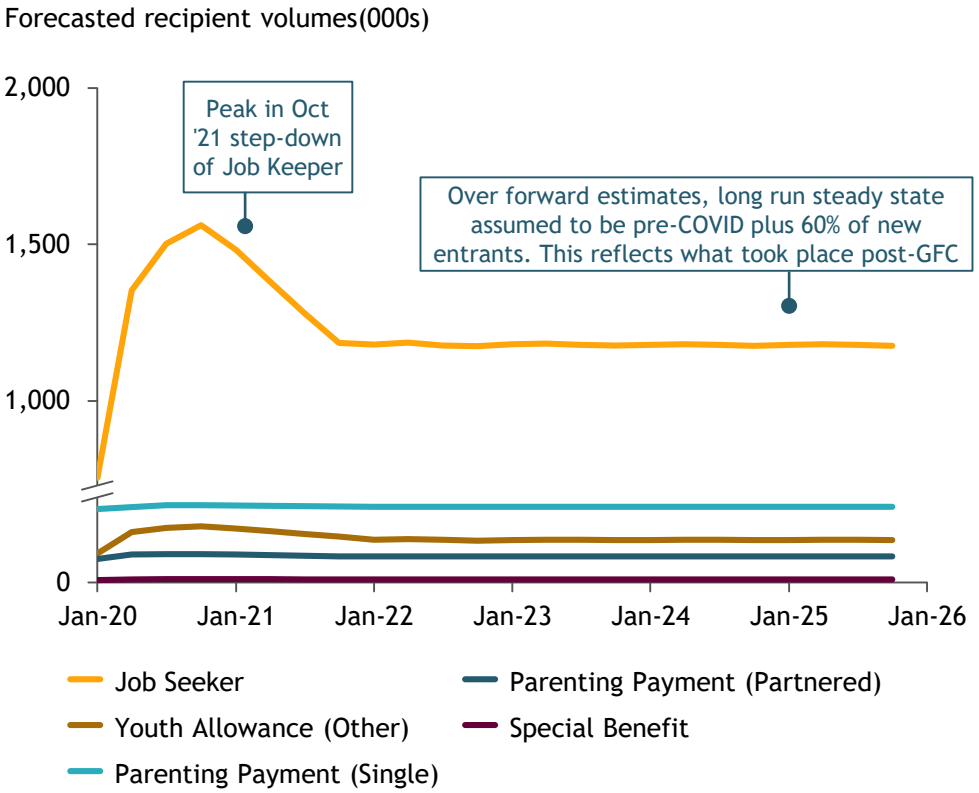
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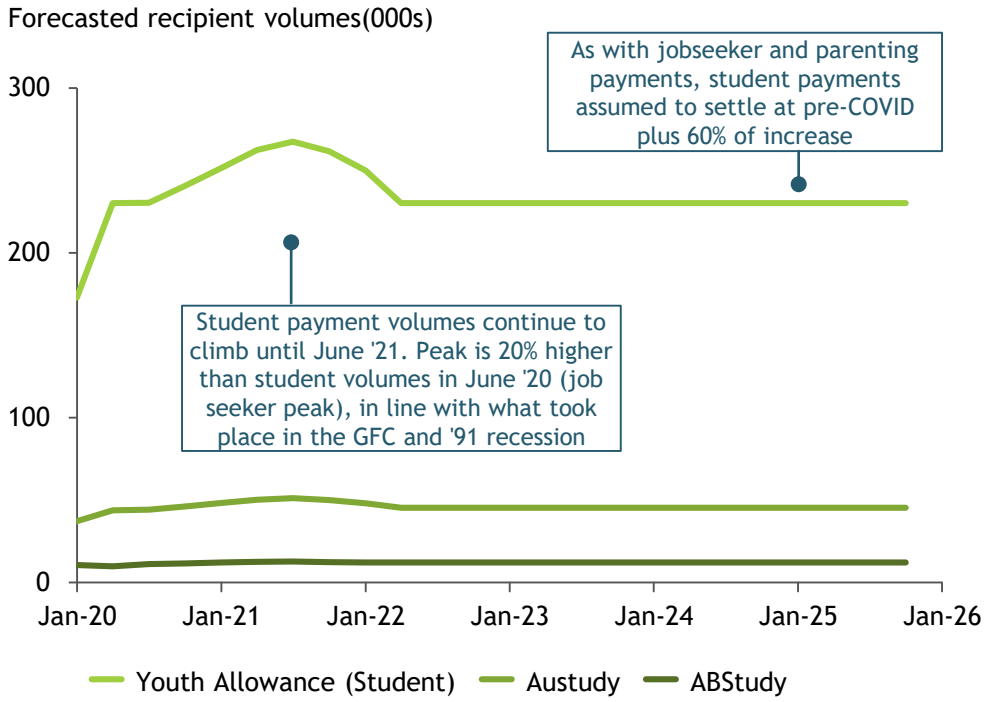
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Over forward estimates, these scenarios assume 60% of new entrants remaining in system, and student volumes still grow for 1 year after jobseekers peak

Jobseeker payments peak in June '20, jump in Oct '20 (due to JK), reach steady state assuming 60% of new entrants remain



Student payments peak in June '21, climbing 20% beyond June '20 levels (job seeker peak) in line with '91 and GFC



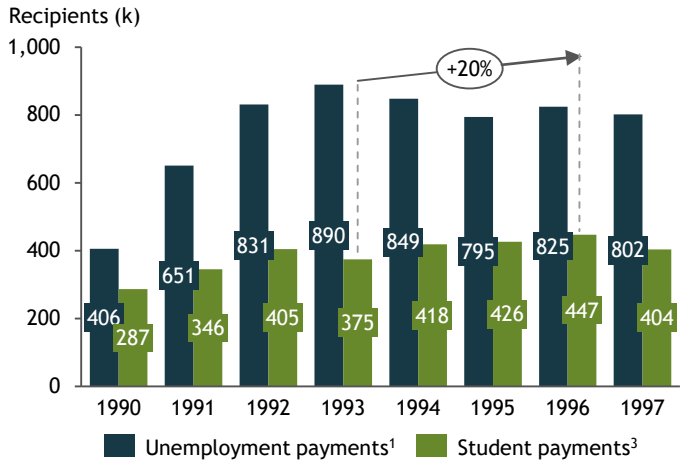
Note: Figures include suspended recipients, and pending claims multiplied with average acceptance rate. Figures exclude recipients receiving nil rates.
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

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Takeaways from previous downturns: 60-80% of new entrants remain on payment over medium term; student peak lags adult payments by 1-3 years

'91 recession: longer-term increase in student payment volumes post-recession



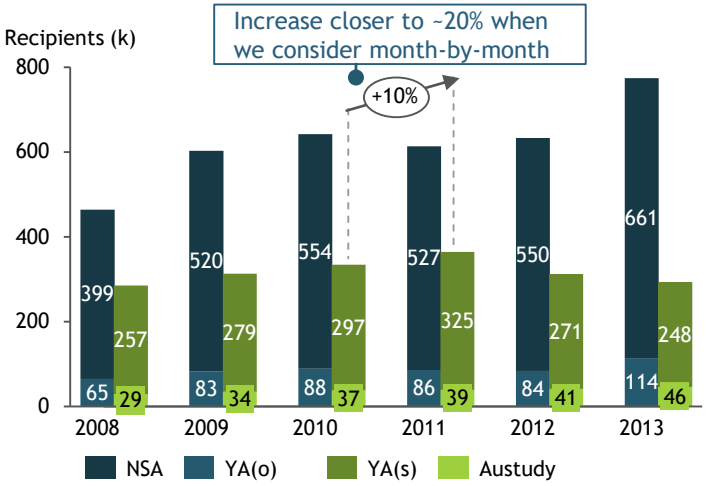
Student payment volumes continues to climb by ~20% over 3 years beyond level in '93 (job seeker peak):

- Despite youth unempl. rate peaking in 1992, # of student payment recipients remained high till 1996

~80% of new volume in the welfare system from '91 recession remained in system 5+ years

- For job seekers, we take '93 as the peak and use '95 as the long-term steady state (80%)
- For students, we take '96 as the peak and use '97 as the long-term steady state (74%)

GFC: longer term increase in unempl. and student payment volumes post-GFC



Increases in welfare volumes were smaller than in '91; less comparable to COVID

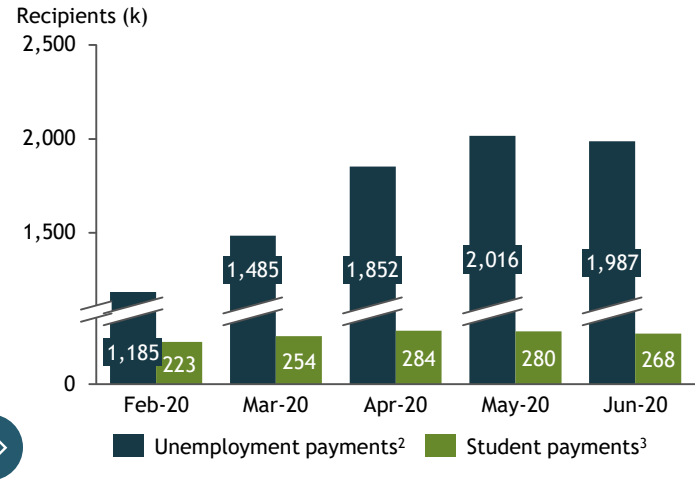
- Only ~15% increase from Sept '08 to March '10 (peak), vs ~85% for '91

However, sequential relationship between student and job seeker volumes similar to '91

- Student peak lagged job seeker by over a year
- Peak was ~20% greater than volumes in March '10

~60% of new entrants into welfare system from GFC remained in system 5+ years

C-19: steep increase in student and unempl. payments resembling '91 recession



~65% increase in total working age recipient volumes from Feb '20 to May '20, with further bump expected

- Increase driven by job seeker cohorts. Students expected to lag by 1-2 years

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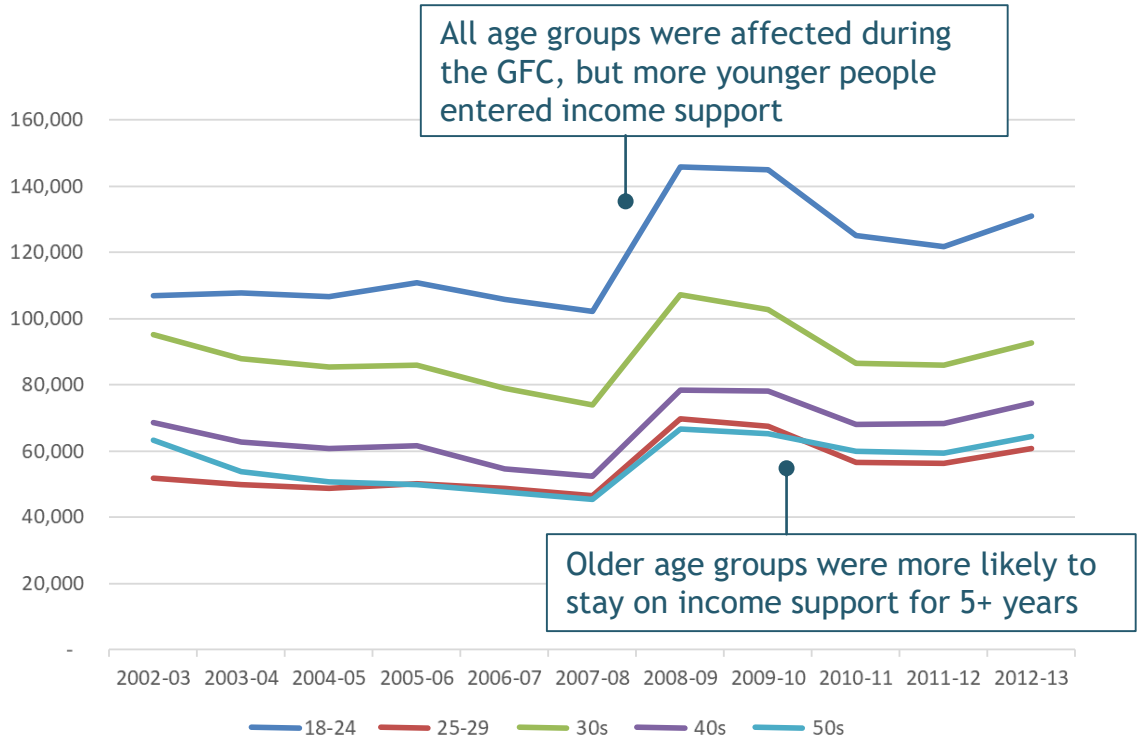
1. Consists of Unemployment Benefit, Job Search Allowance, Newstart Allowance 2. Consists of Newstart Allowance, Jobseeker, YA(o) 4. Consists of YA(s), Austudy, ABSTUDY
Note: Figures for '91 recession and GFC as at June of year referenced
Source: Department of Social Services data; Department of Family and Community Services paper (2001); ABS research

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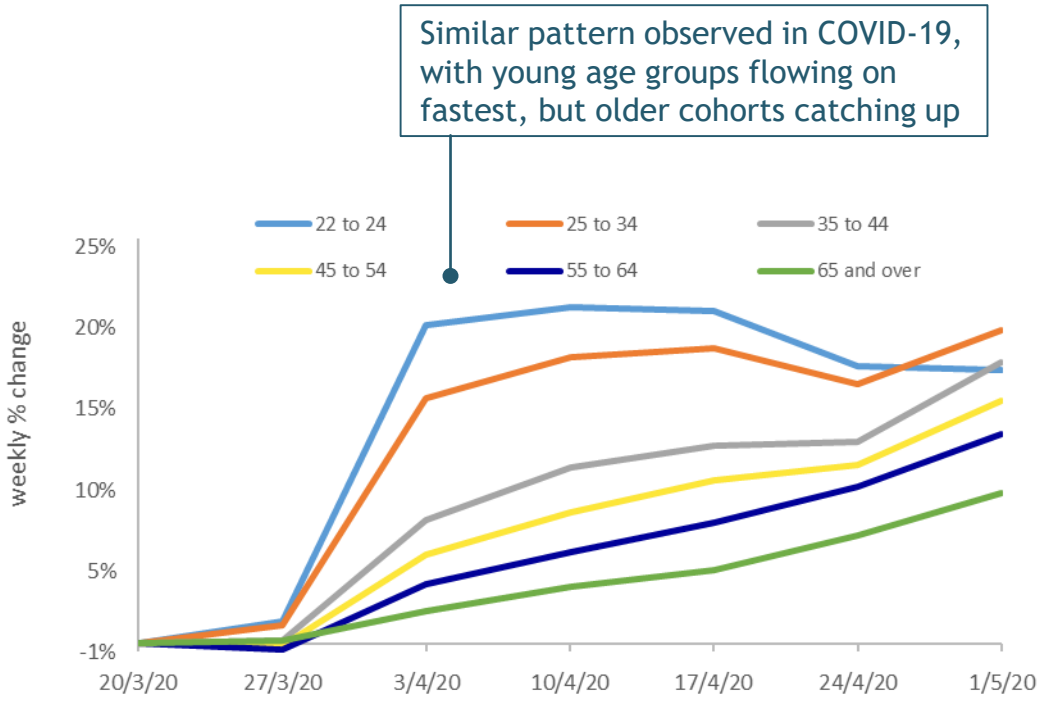
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 followed a similar pattern in early months

GFC: New entrants to income support, by age group



C-19: Entrants to Jobseeker Payment, by age group



Source: DSS data

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Canoe: Stage 2 Illustrative Options

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Stage 2: Three illustrative reform packages

Payment types
Rates
Incentives
Service delivery

Minimal Reform

- Lift Allowance payment rates by $150 pf, and abolish 11 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES — $7.2b p.a[2]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.

Alternative approach to rate lift: *Increase of $150 p/f for singles and $130 for couples in most categories, smaller increases for those on highest tier rates (e.g. lift of $25 p/f for PPS) and youth at home rates ($80 p/f)*

This option is adopted in Mid-level Reform and Broad Reform packages

Deep dive in this pack

Mid-level Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers
  And abolish 11 supplements for allowance recipients (as shown under Minimal Reform) — $6.4b p.a[2]
- Broaden existing mid-tier JSP rate for >60 year olds, by removing 9 mth on payment requirement[3] — $20m p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Broad Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers, and:
  - Abolish the 11 supplements for allowance recipients
  - Merge under 18 rates into broader youth rates
  - Abolish higher student rates for long term ISP recipients — $6.4b p.a[2]
- Broaden existing mid-tier rate in JSP to all aged >60, and all PCW assessed at <15 hrs/week by a GCD[6] — $275m p.a.
- Move all single parents onto a single (mid tier) rate of payment, regardless of child's age[4] — ($395m) p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Note 1: All outlays figures are modelled based on FY22 delta to Current Path.
Note 2: Of the 11 supplements proposed for removal, we have not modelled costs for Essential Medical, Fares, Training, Education Entry
Note 3: Removing 9 month requirement results in ~2.5% transfer of JSP single, no child. Broadening to include PCW <15 hours results in ~30%
Note 4: Current recipients of PPS would be grandfathered. Delta calculated assuming base rate increase
Note 5: No outlays costed for shift to PBLCI under the budget rules. In actual cash terms, expect add'l $55m p.a. in FY22
Note 6: Government Contracted Doctor (GCD)
Source: DSS Data, Project analysis

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Stage 2: Financial impact

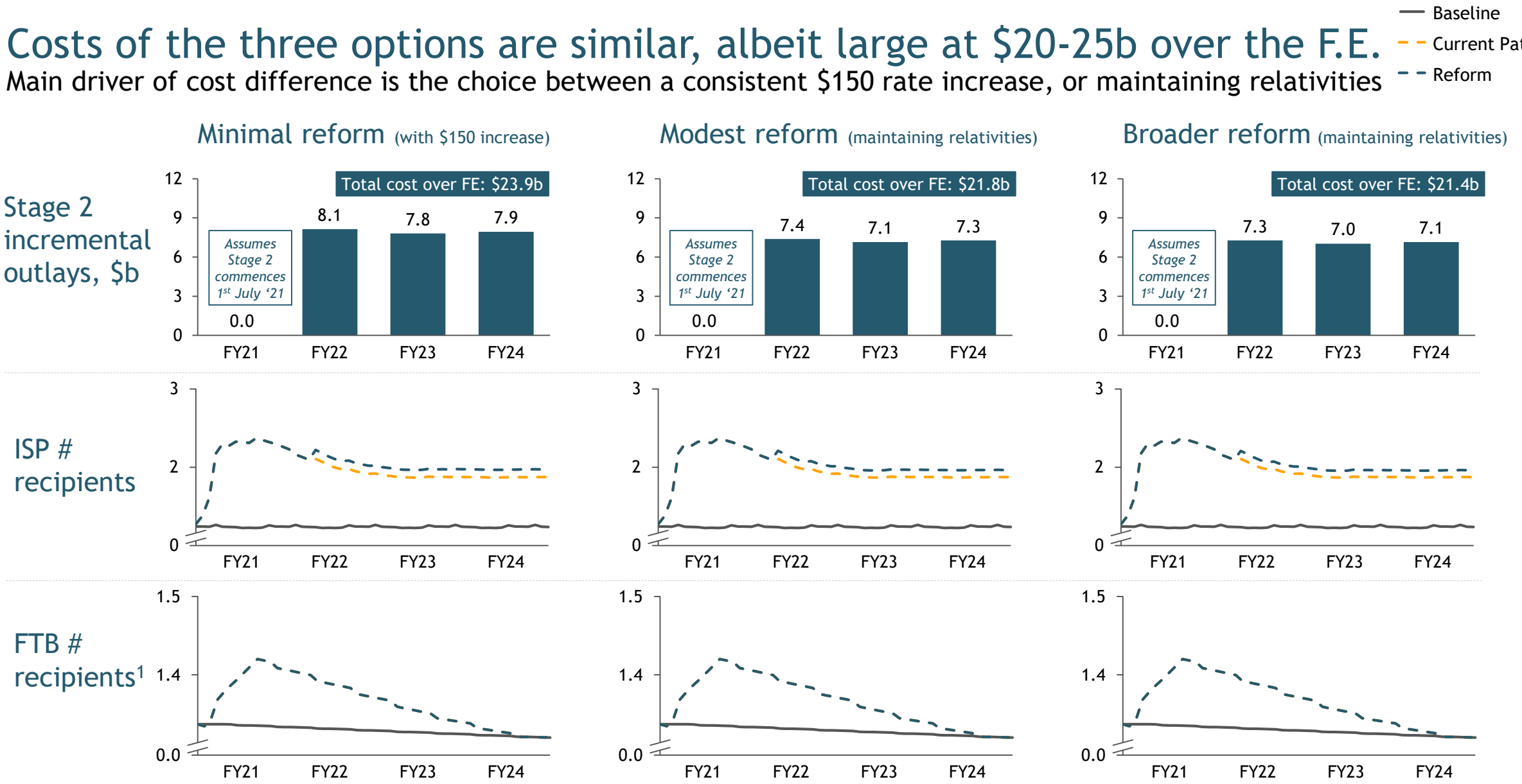
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Costs of the three options are similar, albeit large at $20-25b over the F.E.

Main driver of cost difference is the choice between a consistent $150 rate increase, or maintaining relativities



1. Adjusts for recipients receiving both FTB-A and FTB-B to avoid double counting.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single), PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B); Outlays calculated as incremental to Current Path

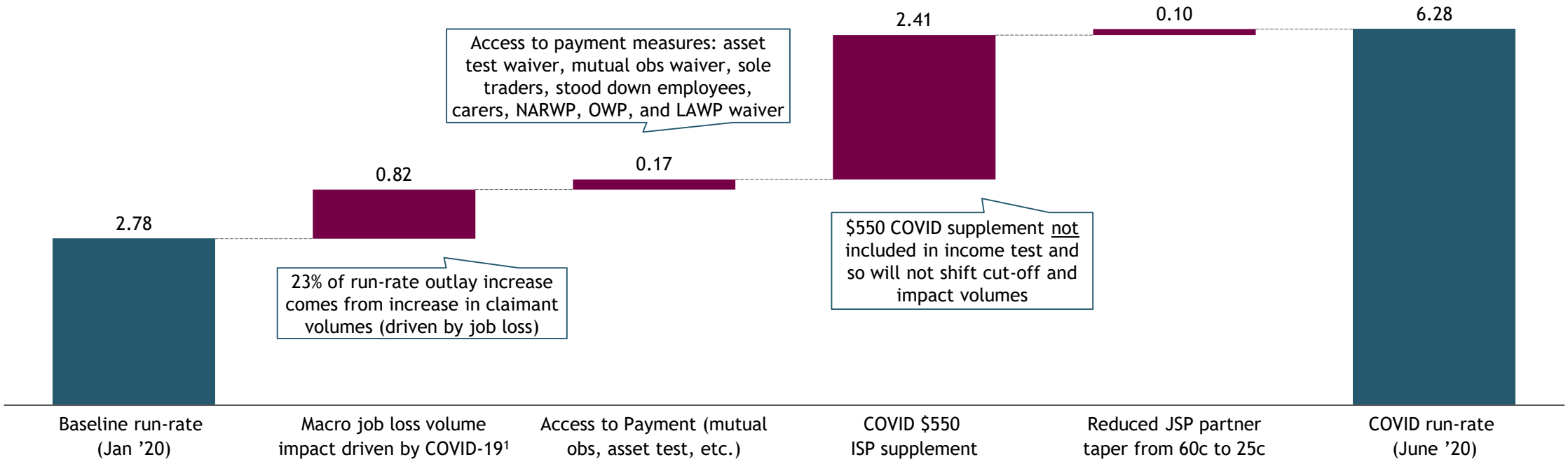
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Financial implications: Current State run-rate build-up (June ’20)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	1.3m	+800k	+165k	-	+35k	2.3m
No. FTB recipients	1.3m	+50k	-	-	-	1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

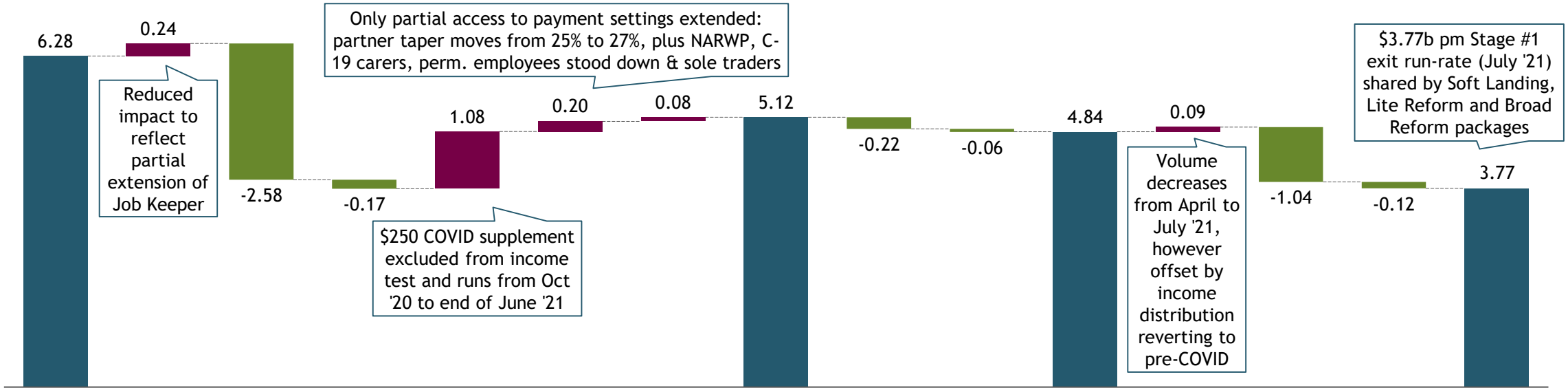
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Financial implications: Current Path run-rate build-up (Stage 1 only)

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job losses (includes JobKeeper)[1]	Remove $550 COVID supplement	Remove access to payment measures	Add back $250 COVID supplement	Add access to payment measures	Job seeker IFA $300, 60% taper	Stage 1a run-rate (Oct '20)	Macro job growth volume impact[1]	Remove access to payment measures	Stage 1b run-rate (April '21)	Macro job growth volume impact[1]	Remove $250 COVID supplement	Remove Job Seeker IFA $300, 60% taper	Current Path run-rate (July '21)
No. ISP recipients[2]	2.3m	+110k	-	-115k	-	+65k	+40k	2.4m	-170k	-35k	2.2m	+25k	-	-50k	2.1m
No. FTB recipients	1.4m	+35k	-	-	-	-	-	1.4m	-15k	-	1.4m	-10k	-	-	1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

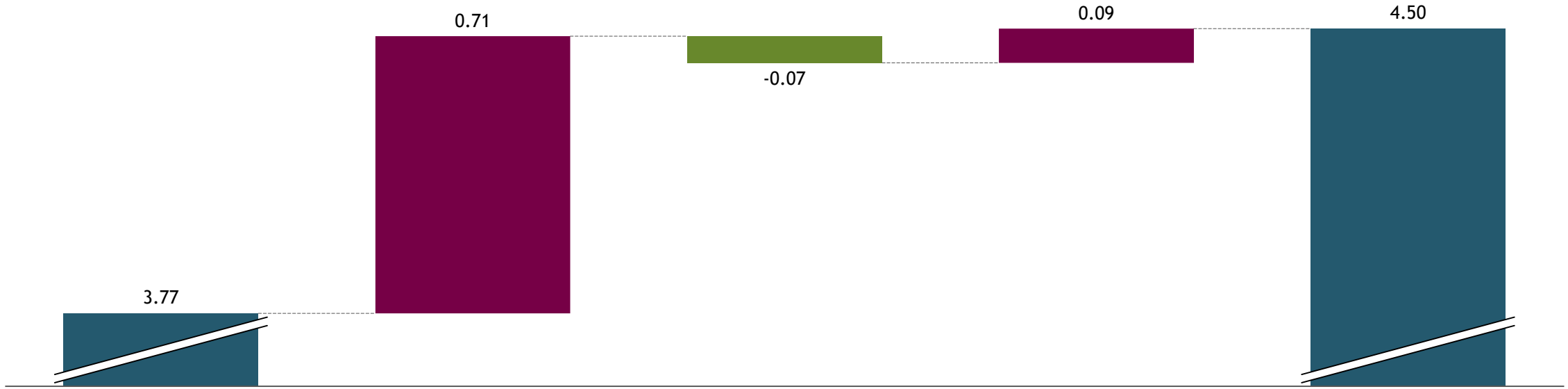
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Financial implications: Minimal Reform run-rate build-up (Stage 2 only)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.1m	+80k	-10k	+40k	2.2m
No. FTB recipients	1.4m	-	-	-	1.4m

1. $25 increase modelled for recipients on $790 rates. 2. Numbers do not add due to rounding. 3. No change modelled for student payments.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

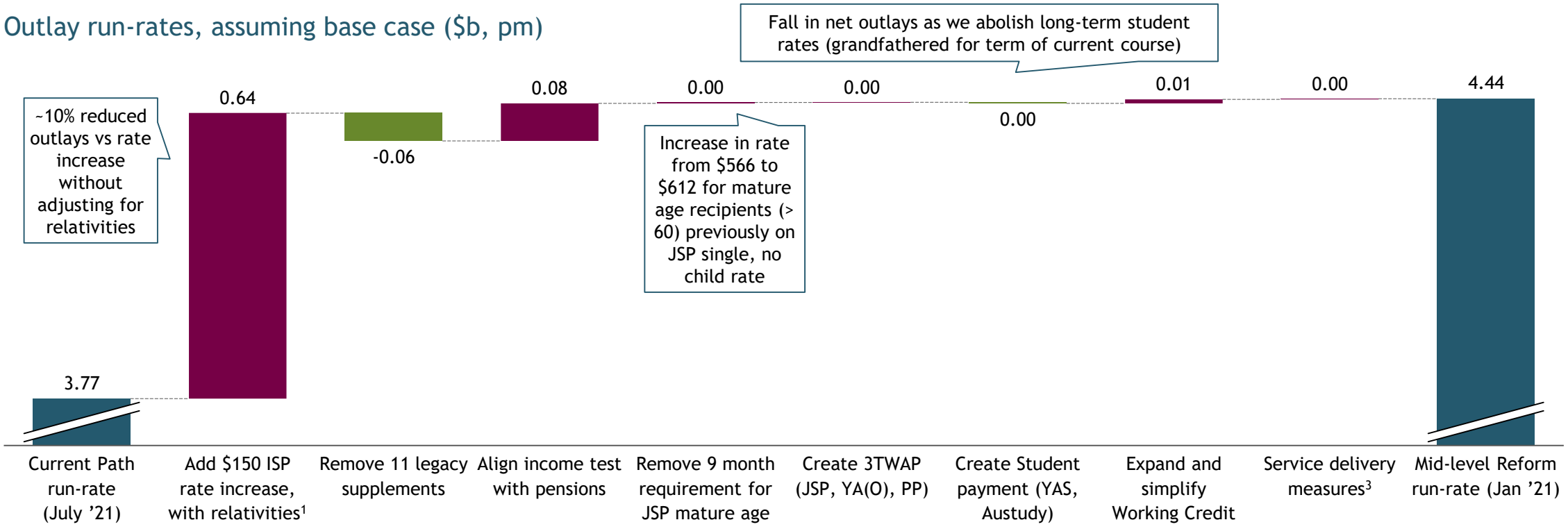
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Financial implications: Mid-level Reform run-rate build-up (Stage 2 only)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.1m	+70k	-10k	+40k	<5k	<5k	<5k	-	<5k	2.2m
No. FTB recipients	1.4m	-	-	-	-	-	-	-	-	1.4m

1. $25 increase modelled for recipients on $790 rates, $80 increase for youth at home, $130 increase for partnered. 2. Numbers do not add due to rounding. 3. Only abolishing SWPP modelled so far.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

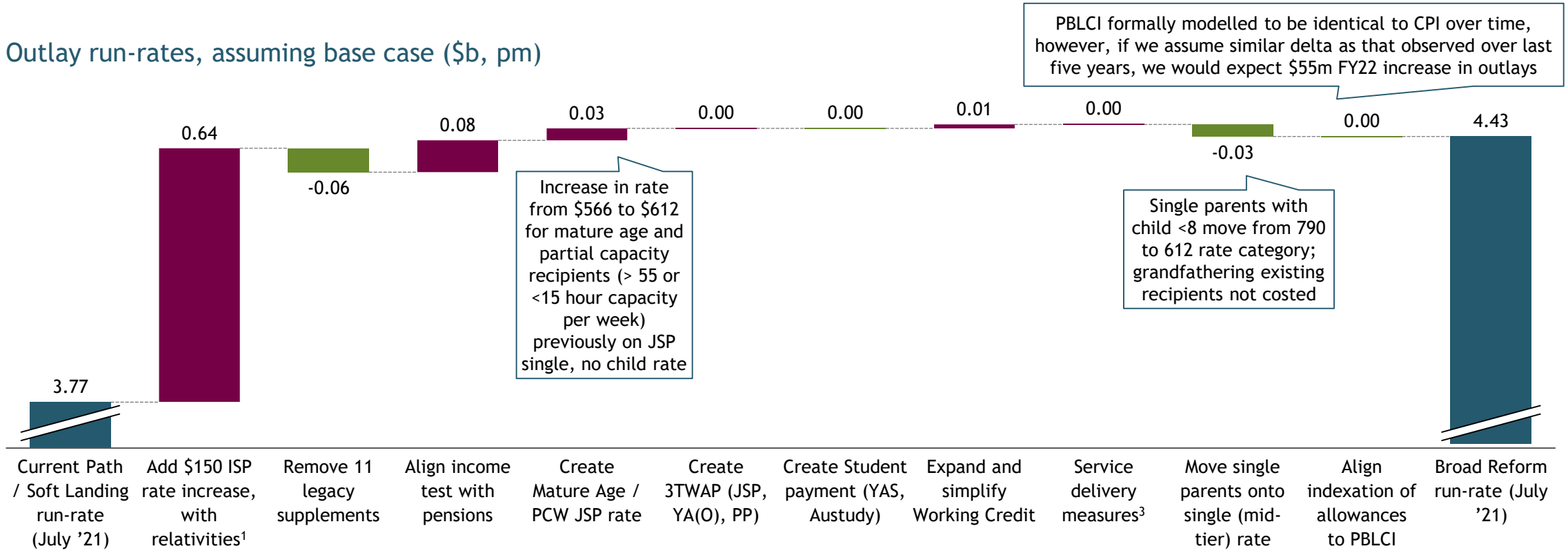
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Financial implications: Broad Reform run-rate build-up (Stage 2 only)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.1m	+70k	-10k	+40k	<5k	<5k	<5k	-	<5k	-5k	-	2.2m
No. FTB recipients	1.4m	-	-	-	-	-	-	-	-	-	-	1.4m

1. $25 increase modelled for recipients on $790 rates, $80 increase for youth at home, $130 increase for partnered. 2. Numbers do not add due to rounding. 3. Only abolishing SWPP modelled so far.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Stage 2: Detailed view of policy options explored

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Introduction to this section

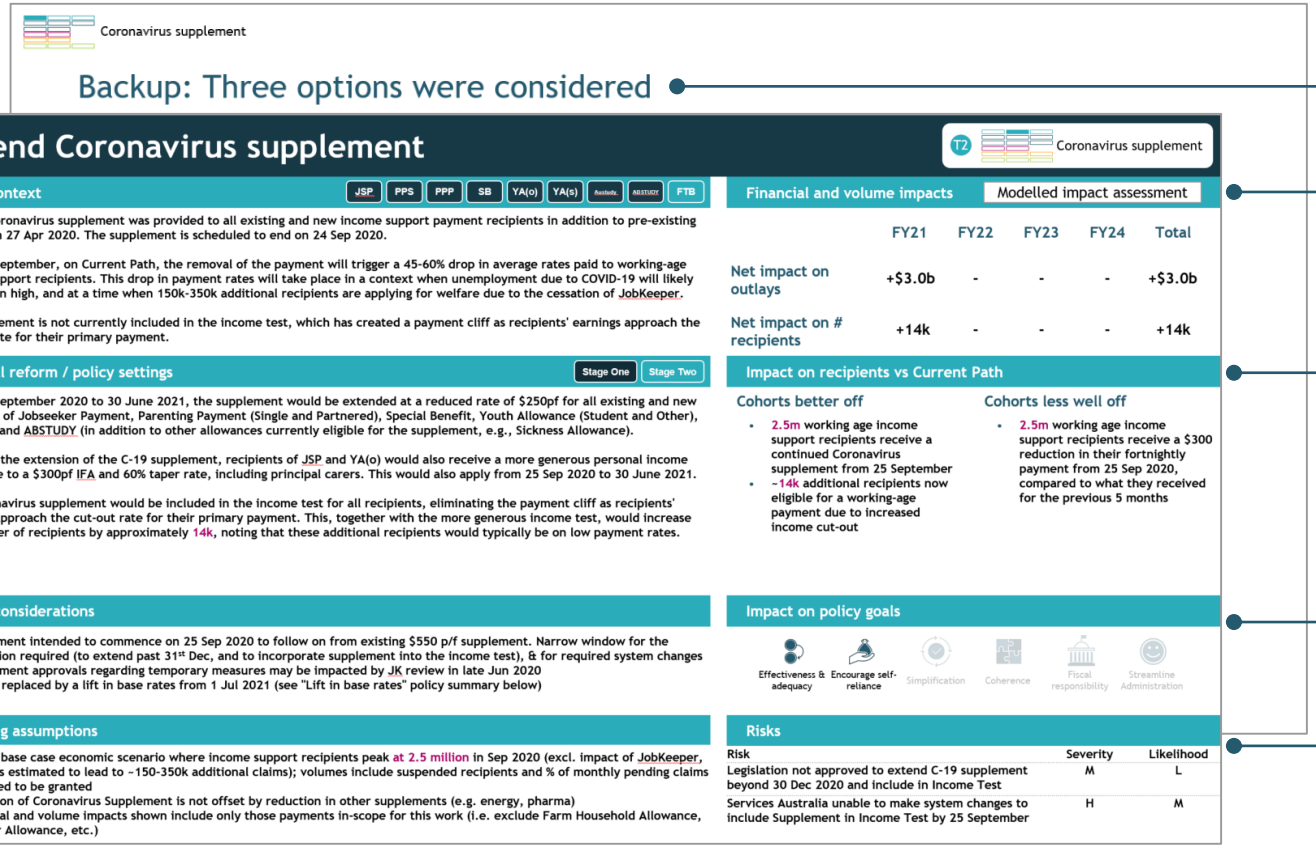
Policy Summaries used for each policy option explored

Context and key considerations for this policy topic

Key changes under this policy options

Issues to consider on implementation and timing

Assumptions underpinning the modelled impacts



Backup slides, laying out the options that were considered, and further analysis/detail

Impact of policy on Gov't outlays and recipient volumes

Impact of policy option on specific recipient sub-cohorts

High level assessment of which policy goals are supported by the option

Key risks to consider

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Recap: Policy options under consideration

Consolidate into JSP: PP(P), PP(S), and YA(o)	P1
Consolidate Austudy and YA(s)	P2
Lift Allowance payment rates, and abolish 11 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES, and: • Abolish the 11 supplements for allowance recipients • Merge under 18 rates into broader youth rates • Abolish higher student rates for long term ISP recipients	R1
Broaden existing mid-tier rate in JSP to all aged >60, and all PCW assessed at <15 hrs/week by a GCD[5]	R2
Move all single parents onto a single (mid tier) rate of payment, regardless of child's age[4]	R3
Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year	R4
Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests)	I1
Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits)	I2
Abolition of SWPP	S1
Expansion of nil rate periods for Allowances and DSP	S2

Payment types
Rates
Incentives
Service delivery

Source: DSS Data, Project analysis

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Merge PPS, PPP, and YA(O) into JSP

P1 Merge PPP, PPS, & YA(o) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Having distinct Parenting Payments alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- Payment transitions, requiring additional administration – for PP recipients once children turn 6 (if partnered), or 8 (if single), and for YA(o) recipients when they turn 22 years old
- The ongoing "identity focus" of Parenting Payment and Youth Allowance vs the "activity focus" of Jobseeker Payment

Merging Parenting Payment and Youth Allowance (other) into Jobseeker will simplify the welfare system, reduce administrative overhead, and better orient parents of young children toward seeking work and taking up employment opportunities

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, roll over PPS, PPP, and YA(o) recipients onto JSP; retain existing rates and expand eligibility of JSP to include parents regardless of age, who are main carers of children aged 6 (if partnered), or 8 (if single). Retain youth payment rates for people under the age of 22, but merge <18yo rates with 18-21 rates to achieve greater simplification. Retain mutual obligation exemptions for principal carers.

PPS recipients could retain their preferential Income Free Areas and Taper Rates, in the absence of the dedicated policy measure to align Allowance IFAs and taper rates to those used for pensions. YA(o) recipients could retain their preferential IFA of $143 pf in the absence of other changes to income tests (Note: If features of PPS and YA(o) are retained for some recipients consider whether amalgamating payments will actually result in simplification and administrative savings.)

Provides an opportunity to also consider phasing in mutual obligations earlier for parents of young children; e.g., provide exemptions for very young children, followed by Parents Next, then part-time mutual obligations once children reach primary school age.

Timing considerations

- Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~250k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Changes in income distributions as a result of C-19 remain until June 2021; pre-COVID income distributions assumed from July 2021

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.1m	$0.1m	$0.1m	$0.3m
Net impact on # recipients	-	~2,030k moved PPS/PPP/YA(o) into JSP			

Aligning single, with child youth rate to JSP mid-tier ($606 to $612)

Impact on recipients vs Current Path

Cohorts better off

- PPS, PPP, and YA(o) recipients no longer required to transition to JSP once children turn 6/8 years old – reduced administrative burden

Cohorts less well off

- ~50k PPS recipients who have earnings face lower IFA and higher taper rate (if no grandfathering, or other policy changes are made)
- YA(o) recipients who have earnings face a lower IFA in the absence of grandfathering or other changes to income tests being made

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M

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Merge YA(s) into Austudy

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Policy context

JSP | PPS | PPP | SB | YA(o) | **YA(s)** | **Austudy** | ABSTUDY | FTB

There is an opportunity to consolidate YA(s) and Austudy into a single student payment to simplify and improve student payment policy. ABSTUDY is not included as it offers highly targeted support, with complex and bespoke rules in place.

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would simplify the welfare system, reduce administrative overhead, and more clearly align payment types with policy intent

Potential reform / policy settings

Stage One | **Stage Two**

From 20 Mar 2021, abolish lower age limit for Austudy, and roll YA(s) recipients onto Austudy at current rates. Resulting set of rates is simpler than those in force today.

Retain youth payment rates within the consolidated payment, for <25s and <18s.

Non-age requirements between YA(s) and AUSTUDY would also be aligned, incl. "full-time study" requirement, allowable time requirements, and temporary incapacity exemptions. Note that for Austudy today, allowable time limits are stricter than for YA(s) and include time spent studying in the previous 10 years while not receiving payment. Existing recipients will be grandfathered for the duration of their current course.

In conjunction with a lift to base rates (see option R1), this consolidation could provide an opportunity to simplify student payments by:

- Absorbing <18yo rates into the broader youth rates
- Ending high student rates for long term income support recipients (with grandfathering as required)

Timing considerations

- Changes to student payments typically best take place on 1 January. Therefore next opportunity to implement this change would be 1 January 2022

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper being stepped down, which is estimated to lead to ~75-300k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Changes in income distributions as a result of C-19 remain until June 2021
- Grandfathered long-term income support recipients not included in modelling

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($30m)	($25m)	($25m)	($80m)
Net impact on # recipients	-	~310k moved from YA(s) into Austudy			

Small saving from abolishing higher long-term student rates

Impact on recipients vs Current Path

Cohorts better off

- ~10k Students aged 25+ receiving YA(s) payment
- ~700 YA(s) recipients partnered with children receive higher rates
- YA(s) recipients single with children above 8 years old receive higher rates
- Austudy students have access to temporary incapacity exemptions on Austudy, rather than needing to transition to and from JSP

Cohorts less well off

- ~3.5k long-term income support recipients (if not grandfathered or compensated)
- Austudy students will no longer receive payments when allowable time limits are exceeded (several will be removed from payment if not grandfathered)

Impact on policy goals



Risks

Risk	Severity	Likelihood
Potential for complex transition arrangements due to micro-policy differences between YA(s) and Austudy	L	M

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Lift in base rates, absorb supplements

R1 Lift in base rates

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

As a result of the Coronavirus Supplement and temporary measures, recipients received a $550 per fortnight lift in payments from 27 April 2020 to 24 September 2020. The supplement will continue to be paid from 25 September 2020 to 31 December 2020 at a lower rate of $250 per fortnight.

At the cessation of the Coronavirus supplement, a decision to raise base rates for working age welfare payments would reduce the "shock" of the Coronavirus supplement cessation, help address adequacy concerns about the lower-tier payment rates, and also creates an opportunity to absorb/abolish 11 supplements for allowance recipients, including Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, and the Pensioner Education Supplement (the payment of these supplements to pension recipients would not need to be impacted). This would substantially simplify working age income support.

Potential reform / policy settings

Stage One | **Stage Two**

From 1 July 2021, introduce changes to base rates of payment for allowances. There are 7 specific decisions to consider:

1. Lift basic rates for allowances by $150 pf, and $25 pf for PPS and JSP PCs
2. Lift partnered and youth-at-home by lesser amounts, namely $130 pf and $80 pf respectively
3. Absorb the 11 supplements into the rate lift
4. Include minor adjustments to youth and student rates to align them with their JSP equivalents
5. Absorb jobseeker and student <18yo rates into <22yo youth rates
6. Cease offering higher student rates for long-term recipients
7. Grandfather/compensate the up to 19k recipients that would be worse off under these changes

Each of these decisions is explored further in the following slides.

Note: Youth DSP rates will also need to be raised, to avoid falling below their equivalent working age allowance youth rates.

Timing considerations

- A sufficient lead time would be required to consider and legislate these changes, and therefore propose that the earliest feasible date for these changes to be introduced would be 1 July 2021. In the event that the coronavirus supplement is extended to 30 June 2021, these changes would provide a smooth transition away from that supplement

Modelling assumptions

- Volume impact of increase in base rates (will be modest, <1% increase in recipient numbers, <0.3% impact on outlays)
- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150k additional claims); volumes include suspended recipients, and a % of monthly pending claims
- Changes in income distributions as a result of C-19 remain until June 2021; pre-COVID income distributions assumed from July 2021

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$6.4b	$6.2b	$6.3b	$18.9b
Net impact on # recipients	-	+60k	+55k	+55k	n/a

Modelled assuming relativities maintained for single vs partnered and youth at home

Impact on recipients vs Current Path

Cohorts better off

- Allowance recipients on lower and mid-tier rates typically $110-$140 better off per fortnight
- Allowance recipients on the higher tier ($790.10) rate, typically $1-$5 better off

Cohorts less well off

- Cohort of ~19k PPS and JSP PCP recipients who receive multiple large supplements may be worse off as their payment is insufficient to compensate for loss of all the relevant supplements. May require grandfathering or compensation

Impact on policy goals



Risks

Risk	Severity	Likelihood
Abolition of supplements may be controversial as it reduces targeting of welfare, may lead to leg. delays	M	M
The quantum of rate increase may be controversial with some seeing it as insufficient, leading to leg. delays	M	M

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Seven decisions within the option to lift base rates

	1 Lift basic rates by $150 pf, and $25 pf for PPS and JSP PCs	2 Lift partnered and youth-at-home by lesser amounts?	3 Absorb supplements into the rate lift?	4 Include minor adjustments to align similar rates?	5 Absorb <18yo rates into <22yo youth rates?	6 Cease higher student rates for long-term recips?	7 Grandfather recipients that would be worse off
Description	Lift payment rates for all allowances by $150 pf, except PPS and JSP Principal Carers, who receive $25 pf	Provide lesser increases for partnered recipients ($130 pf), and youth living at home ($80 pf)	Absorb 11 specific supplement types into the rate lift, reducing the net increase for some recipients[1]	Lift specific youth and student rates by slightly more than $150 in order to align them with their JSP equivalent: • Single w. child (+$6 extra) • Partnered w. child (+$3)	Absorb <18 year old rates into <22 year old rates for JSP and Youth Allowance	Currently long-term ISP recipients receive a higher student rate, effectively set as what they would receive if they remained on JSP/YA(o). This would end that feature	Grandfather all recipients who are worse off. Depending on the broader policy options chosen, this could include some/all PPS and JSP PCP recipients[2]
Policy rationale	• Modest step-down from $250 C-19 supplement • Smaller rise for PPS & JSP PCs appropriate given current higher rate • Closes gap that has grown between allowances & pensions	• Maintains relativities between single vs partnered rates • Maintains relativities between youth-at-home and other rates	• Captures opportunity to simplify the welfare system afforded by the broad rate lift • Many of the supplements now outmoded (e.g. telephone allowance)	• Simplifies the overall rate structure by aligning these youth and student rates with their jobseeker counterparts • Helps ensure people in similar circumstances receive same support	• Simplifies the rate structure for allowances, by having fewer different rates	• Current approach is the wrong way to encourage long-term ISP recipients to invest in their education (and may encourage taking up low-value courses)	• Grandfathering recipients that are worse off is appropriate/ equitable and supports balance in the reform package • Ensures no one has an immediate reduction in income support
Drawbacks, sensitivities	• Delivers a further step-down in payment levels, following the $550 supplement, then the $250 supplement • Base rate lift will increase cut-out under personal income test	• Different levels of rate lift makes it harder to communicate the package, and makes the significant lift in welfare support less clear	• Reduces extent to which welfare is targeted according to need • Approx. 19k recipients would be worse off (Some PPS and JSP PCs, given they receive only a $25 p/f rate increase)	• A (relatively modest) increase in outlays to achieve this simplification objective	• Reduces the extent to which welfare support is targeted according to need • Would deliver a particularly large one-off rate increase for <18s	• Without a parallel measure that encourages further education among long term ISP recipients, recipients may remain on unemployment benefits for longer	• Increases complexity of the welfare system during the transition phase

1. Supplements explored for absorption into the rate increase include: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES 2. In Broad Reform, all PPS recipients would move to a slightly lower rate of payment unless grandfathered. In other reform packages only the PPS recipients who receive more than $25 p/f in supplements would be worse off and benefit from grandfathering

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Four example rate cards included

Rate Cards	1 Lift basic rates by $150 pf, $25 pf for PPS & PCs	2 Lift partnered & youth-at-home by lesser amounts?	3 Absorb supplements into the rate lift?	4 Include minor adjustments to align similar rates?	5 Absorb <18yo rates into <22yo youth rates?	6 Cease higher student rates for long-term recips?	7 Grandfather recipients worse off
Minimal reform, consistent $150 p/f increase JSP YA(o) PPP PPS YA(o) ASY	✓		✓	✓			✓
Minimal reform, maintaining relativities JSP YA(o) PPP PPS YA(o) ASY	✓	✓	✓	✓			✓
Mid-level reform, maintaining relativities JSP ASY	✓	✓	✓	✓			✓
Broad reform, maintaining relativities JSP ASY	✓	✓	✓	✓	✓	✓	✓

1. Supplements explored for absorption into the rate increase include: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES 2. In Broad Reform, all PPS recipients would move to a slightly lower rate of payment unless grandfathered. In other reform packages only the PPS recipients who receive more than $25 p/f in supplements would be worse off and benefit from grandfathering

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Rate Card: Minimal Reform, consistent $150 (Jobseekers and Parents)

1 3 4 7

Current

Payment	Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10
	Single, with dependent child	160,000	$612.00
	Single, aged 60 or over, after 9 months	73,000	$612.00
	Single, no children	909,000	$565.70
	Partnered, with or without children	497,000	$510.80
Parenting Payment	Single, with child <8	242,000	$790.10
	Partnered with child <6, sep. by illness/prison	90,000	$612.00
	Partnered, with child <6	500	$510.80
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10
	Single, with dependent child	500	$606.00
	Partnered, with child	1,500	$507.90
	Partnered, no children	5,500	$462.50
	Single, over 18 years, away from home	52,000	$462.50
	Single, over 18 years, at home	101,000	$304.60
	Single, under 18 years, away from home	4,500	$462.50
	Single, under 18 years, at home	7,000	$253.20

Proposed

	Rate	Vol	Amt	
JSP	Single principal carer with exemption	4,000	$815.10	+$25
	Single, with dependent child	160,000	$762.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$762.00	+$150
	Single, no children	909,000	$715.70	+$150
	Partnered, with or without children	497,000	$660.80	+$150
PP	Single, with child <8	242,000	$815.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$762.00	+$150
	Partnered, with child <6	500	$660.80	+$150
YA(o)	Single, principal carer with exemption	5	$815.10	+$25
	Single, with dependent child	500	$762.00	+$156
	Partnered, with child	1,500	$660.80	+$153
	Partnered, no children	5,500	$612.50	+$150
	Single, over 18 years, away from home	52,000	$612.50	+$150
	Single, over 18 years, at home	101,000	$454.60	+$150
	Single, under 18 years, away from home	4,500	$612.50	+$150
	Single, under 18 years, at home	7,000	$403.20	+$150

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Rate Card: Minimal Reform, consistent $150 (Students)

1 3 4 7

Current

Payment	Rate	Vol	Amt
Austudy	Single, with dependent children	3,500	$606.00
	Single, no children	25,000	$462.50
	Partnered, no children	3,000	$462.50
	Partnered, with children	5,000	$507.90
	Single, no dependent children, long-term[1]	6,500	$561.90
	Partnered, no children, long-term[1]	500	$507.90
Youth Allowance (student)	Single, with dependent children	200	$606.00
	Single, under 18 years, at home	2,500	$253.20
	Single, over 18 years, at home	129,000	$304.60
	Single, under 18 years, away from home	5,000	$462.50
	Single, over 18 years, away from home	84,000	$462.50
	Partnered, no children	5,500	$462.50
	Partnered, with children	500	$507.90
	Single, over 18 years, at home, long-term[1]	1,000	$373.70
	Single, living away from home, long-term[1]	2,000	$561.90
	Partnered, no children, long-term[1]	200	$507.90

Proposed

	Rate	Vol	Amt	
AUS	Single, with dependent children	3,500	$756.00	+$156
	Single, no children	25,000	$612.50	+$150
	Partnered, no children	3,000	$612.50	+$150
	Partnered, with children	5,000	$660.80	+$153
	Single, no dependent children, long-term[1]	6,500	$612.50	+$150
	Partnered, no children, long-term[1]	500	$612.50	+$150
YA(s)	Single, with dependent children	200	$756.00	+$156
	Single, under 18 years, at home	2,500	$403.20	+$150
	Single, over 18 years, at home	129,000	$454.60	+$150
	Single, under 18 years, away from home	5,000	$612.50	+$150
	Single, over 18 years, away from home	84,000	$612.50	+$150
	Partnered, no children	5,500	$612.50	+$150
	Partnered, with children	500	$660.80	+$153
	Single, over 18 years, at home, long-term[1]	1,000	$454.60	+$150
	Single, living away from home, long-term[1]	2,000	$612.50	+$150
	Partnered, no children, long-term[1]	200	$612.50	+$150

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Rate Card: Minimal Reform, maintain relativities (Jobseekers and Parents)

1 2 3 4 7

Current					Proposed			
Payment	**Rate**	**Vol**	**Amt**			**Rate**	**Vol**	**Amt**
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25	JSP	Single principal carer with exemption	4,000	$815.10
	Single, with dependent child	160,000	$612.00	+$150		Single, with dependent child	160,000	$762.00
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150		Single, aged 60 or over, after 9 months	73,000	$762.00
	Single, no children	909,000	$565.70	+$150		Single, no children	909,000	$715.70
	Partnered, with or without children	497,000	$510.80	+$130		Partnered, with or without children	497,000	$640.80
Parenting Payment	Single, with child <8	242,000	$790.10	+$25	PP	Single, with child <8	242,000	$815.10
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150		Partnered with child <6, sep. by illness/prison	90,000	$762.00
	Partnered, with child <6	500	$510.80	+$130		Partnered, with child <6	500	$640.80
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25	YA(o)	Single, principal carer with exemption	5	$815.10
	Single, with dependent child	500	$606.00	+$156		Single, with dependent child	500	$762.00
	Partnered, with child	1,500	$507.90	+$133		Partnered, with child	1,500	$640.80
	Partnered, no children	5,500	$462.50	+$130		Partnered, no children	5,500	$592.50
	Single, over 18 years, away from home	52,000	$462.50	+$150		Single, over 18 years, away from home	52,000	$612.50
	Single, over 18 years, at home	101,000	$304.60	+$80		Single, over 18 years, at home	101,000	$384.60
	Single, under 18 years, away from home	4,500	$462.50	+$150		Single, under 18 years, away from home	4,500	$612.50
	Single, under 18 years, at home	7,000	$253.20	+$80		Single, under 18 years, at home	7,000	$333.20

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Rate Card: Minimal Reform, maintain relativities (Students)

1 2 3 4 7

Current

Payment	Rate	Vol	Amt
Austudy	Single, with dependent children	3,500	$606.00
	Single, no children	25,000	$462.50
	Partnered, no children	3,000	$462.50
	Partnered, with children	5,000	$507.90
	Single, no dependent children, long-term[1]	6,500	$561.90
	Partnered, no children, long-term[1]	500	$507.90
Youth Allowance (student)	Single, with dependent children	200	$606.00
	Single, under 18 years, at home	2,500	$253.20
	Single, over 18 years, at home	129,000	$304.60
	Single, under 18 years, away from home	5,000	$462.50
	Single, over 18 years, away from home	84,000	$462.50
	Partnered, no children	5,500	$462.50
	Partnered, with children	500	$507.90
	Single, over 18 years, at home, long-term[1]	1,000	$373.70
	Single, living away from home, long-term[1]	2,000	$561.90
	Partnered, no children, long-term[1]	200	$507.90

Proposed

	Rate	Vol	Amt	
AUS	Single, with dependent children	3,500	$756.00	+$156
	Single, no children	25,000	$612.50	+$150
	Partnered, no children	3,000	$592.50	+$130
	Partnered, with children	5,000	$637.90	+$133
	Single, no dependent children, long-term[1]	6,500	$711.90	+$150
	Partnered, no children, long-term[1]	500	$637.90	+$130
YA(s)	Single, with dependent children	200	$756.00	+$156
	Single, under 18 years, at home	2,500	$333.20	+$80
	Single, over 18 years, at home	129,000	$384.60	+$80
	Single, under 18 years, away from home	5,000	$612.50	+$150
	Single, over 18 years, away from home	84,000	$612.50	+$150
	Partnered, no children	5,500	$592.50	+$130
	Partnered, with children	500	$637.90	+$133
	Single, over 18 years, at home, long-term[1]	1,000	453.70	+$80
	Single, living away from home, long-term[1]	2,000	$711.90	+$150
	Partnered, no children, long-term[1]	200	$637.90	+$130

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rate Card: Mid-level Reform, maintain relativities (Jobseekers and Parents)

1 2 3 4 7

Current

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25
	Single, with dependent child	160,000	$612.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150
	Single, no children	909,000	$565.70	+$150
	Partnered, with or without children	497,000	$510.80	+$130
Parenting Payment	Single, with child <8	242,000	$790.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150
	Partnered, with child <6	500	$510.80	+$130
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25
	Single, with dependent child	500	$606.00	+$156
	Partnered, with child	1,500	$507.90	+$133
	Partnered, no children	5,500	$462.50	+$130
	Single, over 18 years, away from home	52,000	$462.50	+$150
	Single, over 18 years, at home	101,000	$304.60	+$80
	Single, under 18 years, away from home	4,500	$462.50	+$150
	Single, under 18 years, at home	7,000	$253.20	+$80

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$815.10
Single, with child <8	242,000	$815.10
Mid Tier Rates		
Single, dependent child aged 8+	160,500	$762.00
Single, aged >60	119,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	863,000	$715.70
Partnered, with or without children	497,500	$640.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$640.80
Partnered, no children	5,500	$592.50
Single, no children, away from home	56,500	$612.50
Single, no children, at home, over 18 years	101,000	$384.60
Single, no children, at home, under 18 years	7,000	$333.20

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rate Card: Mid-level Reform, maintain relativities (Students)

1 2 3 4 7

Current

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$606.00	+$156
	Single, no children	25,000	$462.50	+$150
	Partnered, no children	3,000	$462.50	+$130
	Partnered, with children	5,000	$507.90	+$133
	Single, no dependent children, long-term[1]	6,500	$561.90	+$150
	Partnered, no children, long-term[1]	500	$507.90	+$130
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156
	Single, under 18 years, at home	2,500	$253.20	+$131
	Single, over 18 years, at home	129,000	$304.60	+$80
	Single, under 18 years, away from home	5,000	$462.50	+$150
	Single, over 18 years, away from home	84,000	$462.50	+$150
	Partnered, no children	5,500	$462.50	+$130
	Partnered, with children	500	$507.90	+$133
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$80
	Single, living away from home, long-term[1]	2,000	$561.90	+$150
	Partnered, no children, long-term[1]	200	$507.90	+$130

Proposed

Rate	Vol	Amt
Top Tier Rates		
Mid Tier Rates		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates		
Partnered, with children	5,500	$640.80
Partnered, no children	8,500	$592.50
Single, aged 25+, no children	25,000	$612.50
Single, aged 16-24, no ch'n, away from home	89,000	$612.50
Single, aged 18-24, no children, at home	129,000	$384.60
Single, aged 16-17, no children, at home	2,500	$333.20
Single, over 18 years, at home, long-term[1]	1,000	$453.70
Single, living away from home, long-term[1]	8,500	$711.90
Partnered, no children, long-term[1]	700	$637.90

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rate Card: Broad Reform, maintain relativities (Jobseekers and Parents)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25
	Single, with dependent child	160,000	$612.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150
	Single, no children	909,000	$565.70	+$150
	Partnered, with or without children	497,000	$510.80	+$130
Parenting Payment	Single, with child <8	242,000	$790.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150
	Partnered, with child <6	500	$510.80	+$130
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25
	Single, with dependent child	500	$606.00	+$156
	Partnered, with child	1,500	$507.90	+$133
	Partnered, no children	5,500	$462.50	+$130
	Single, over 18 years, away from home	52,000	$462.50	+$150
	Single, over 18 years, at home	101,000	$304.60	+$80
	Single, under 18 years, away from home	4,500	$462.50	+$150
	Single, under 18 years, at home	7,000	$253.20	+$131

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$815.10
Mid Tier Rates		
Single, dependent child	400,500	$762.00
Single, aged >60, or with a partial capacity to work (14 hrs or less)	137,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	845,000	$715.70
Partnered, with or without children	497,500	$640.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$640.80
Partnered, no children	5,500	$592.50
Single, no children, away from home	56,500	$612.50
Single, no children, at home	108,000	$384.60

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rate Card: Broad Reform, maintain relativities (Students)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$606.00	+$156
	Single, no children	25,000	$462.50	+$150
	Partnered, no children	3,000	$462.50	+$130
	Partnered, with children	5,000	$507.90	+$133
	Single, no dependent children, long-term[1]	6,500	$561.90	+$51
	Partnered, no children, long-term[1]	500	$507.90	+$85
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156
	Single, under 18 years, at home	2,500	$253.20	+$131
	Single, over 18 years, at home	129,000	$304.60	+$80
	Single, under 18 years, away from home	5,000	$462.50	+$150
	Single, over 18 years, away from home	84,000	$462.50	+$150
	Partnered, no children	5,500	$462.50	+$130
	Partnered, with children	500	$507.90	+$133
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$10
	Single, living away from home, long-term[1]	2,000	$561.90	+$51
	Partnered, no children, long-term[1]	200	$507.90	+$85

Proposed

Rate	Vol	Amt
Top Tier Rates		
Mid Tier Rates		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates		
Partnered, with children	5,500	$640.80
Partnered, no children	9,200	$592.50
Single, aged 25+, no children	31,500	$612.50
Single, aged 16-24, no ch'n, away from home	91,000	$612.50
Single, aged 16-24, no children, at home	132,500	$384.60

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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11 supplements in-scope for absorption into rate increase

Payment proposed for consolidation
Supplement proposed for absorption
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Income Support Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (S)	229k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements and other payments

Worth up to $146 p/f[2]

Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1] ($62 pf)	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k

Potential for further simplification by rolling some of these into Pension Supplement

To: Potential end-state

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k

Allowances

Special Benefit	7k
Jobseeker Payment	1110k

4 payment types potentially merged into others, as part of other policy options

Austudy	162k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements and other payments

Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supple	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	10k

11 supplements absorbed into rate increase, for allowance recipients

Mobility Allowance	14k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k

1. Pensioner Education Supplement able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

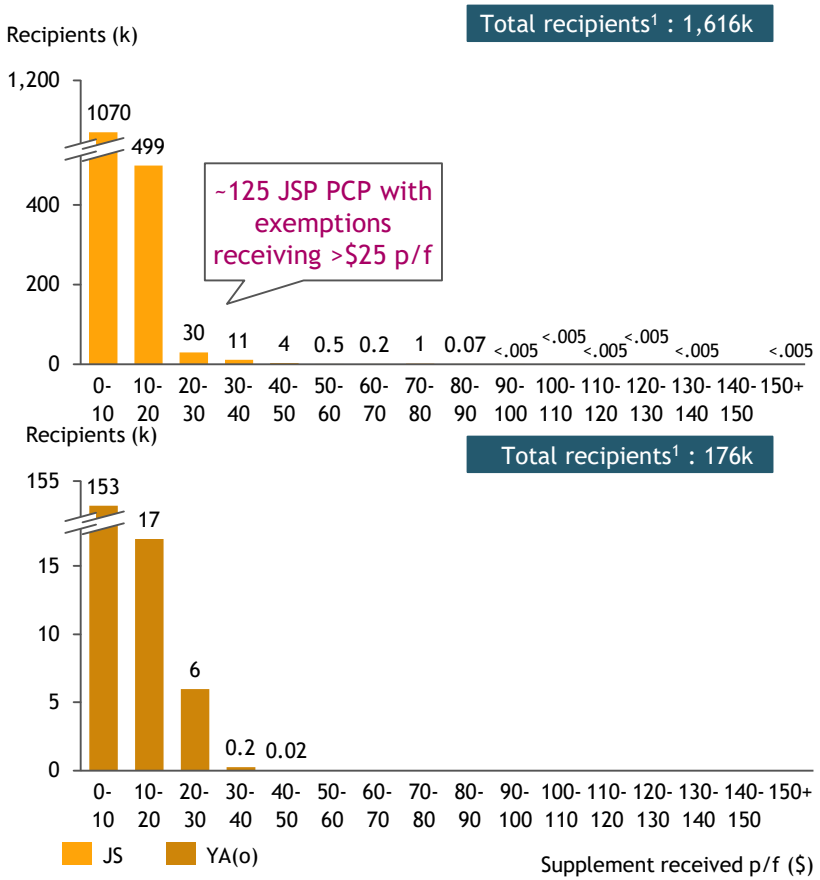
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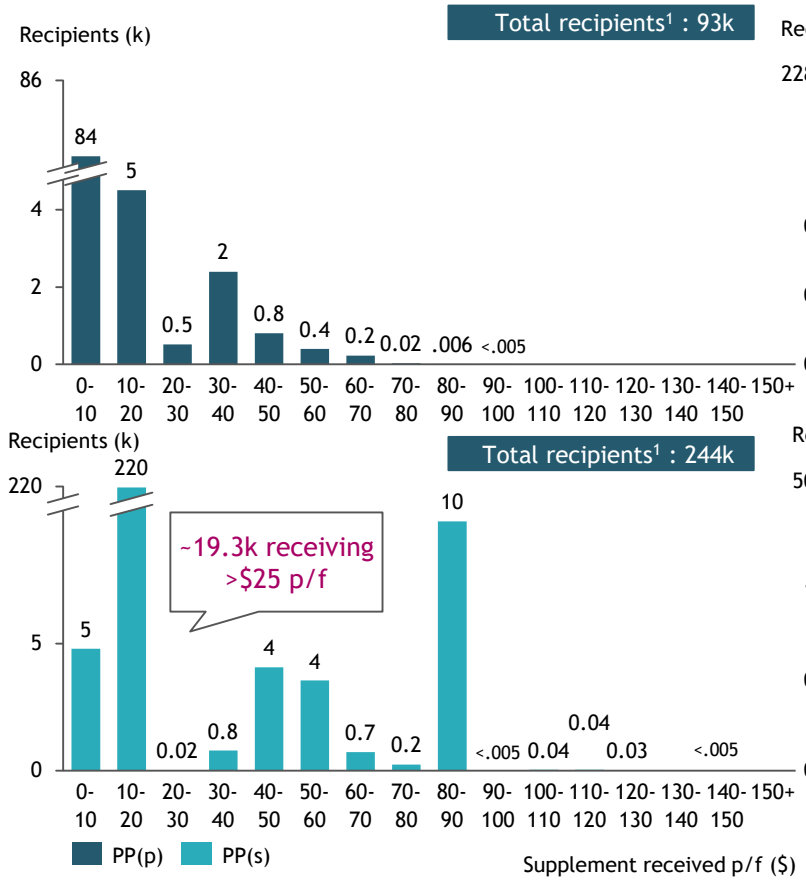
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19k recipients to be worse off after rate lift + absorption of 11 supplements, largely on PP(s) payment

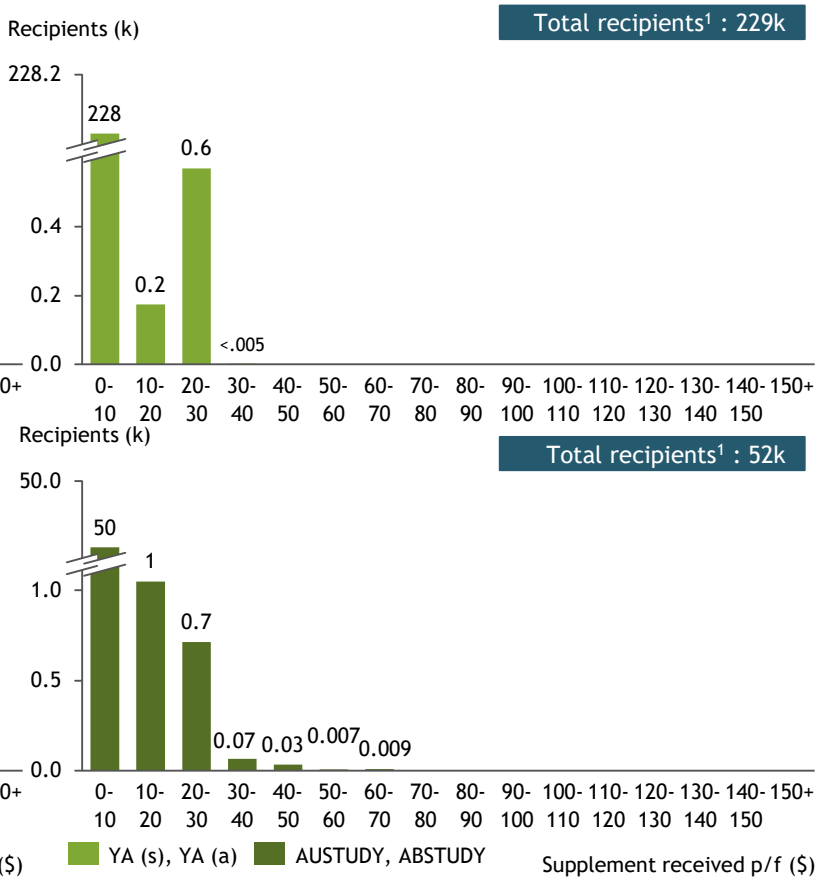
Jobseekers



Parents of young children



Students



1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Charts exclude Telephone Allowance, Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed; Figures include recipients currently on suspended payments; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data as at 26 June 2020, Project analysis

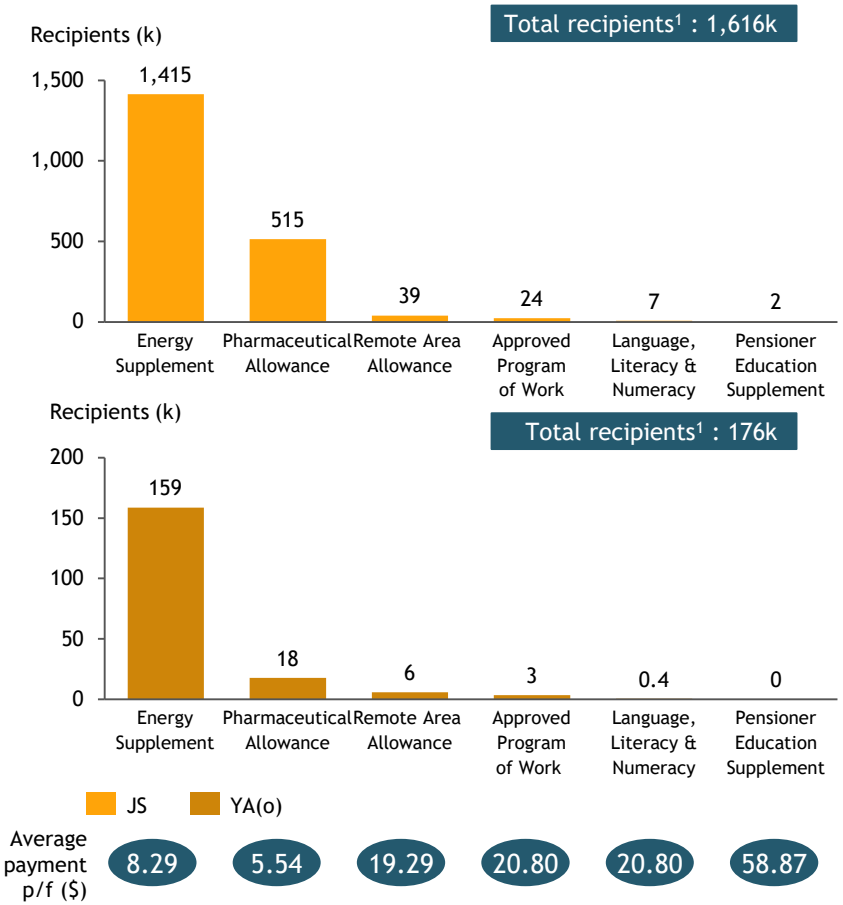
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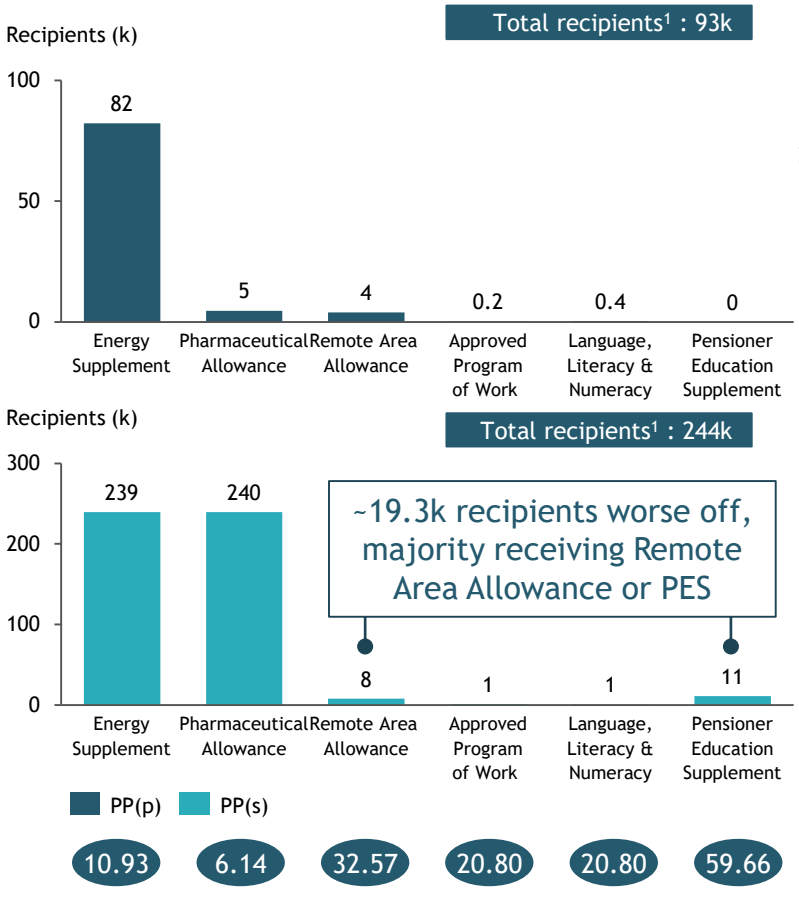
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: Breakdown of how many recipients receive each supplement

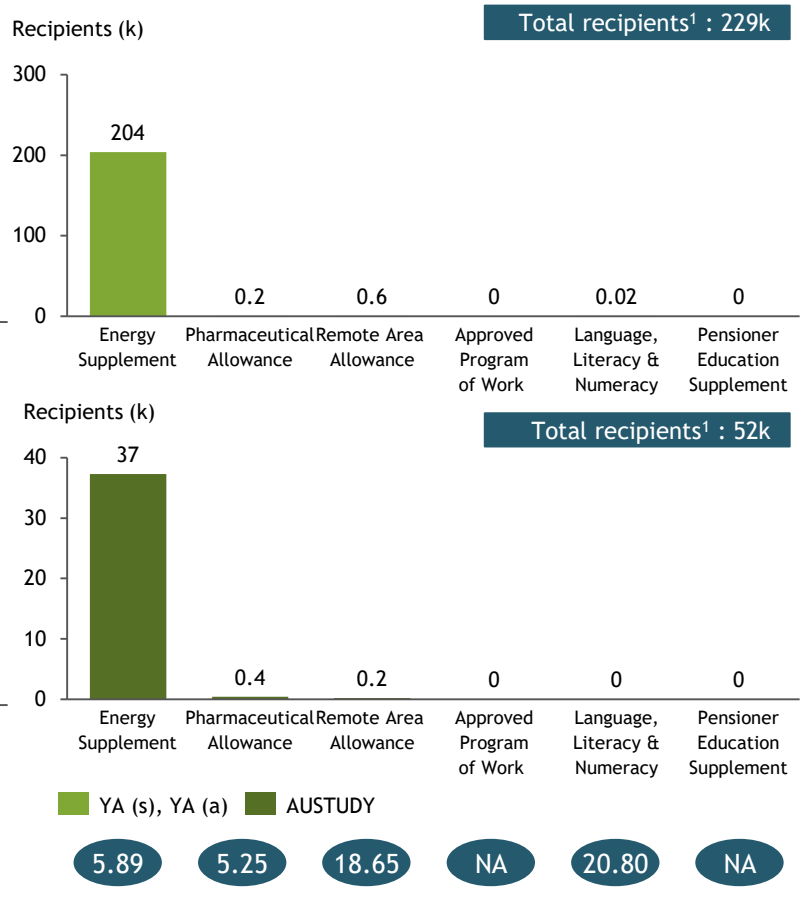
Jobseekers



Parents of young children



Students



Average payment p/f ($)						
JS	8.29	5.54	19.29	20.80	20.80	58.87
PP(p)	10.93	6.14	32.57	20.80	20.80	59.66
YA (s), YA (a)	5.89	5.25	18.65	NA	20.80	NA

1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Charts exclude Telephone Allowance, Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed; Figures include recipients currently on suspended payments; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data as at 26 June 2020, Project analysis

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Backup: Policy rationale for consolidation of each supplement (I/II)

Supplement	Policy intent	Eligibility criteria	Rate[1] ($ p/f)	Volume[2] (000)	Rationale for consolidation
Energy Supplement	To assist with energy costs	Receive income support payment	14.10 (single) 10.60 (couple)	1,250	No current targeting as all welfare recipients receive supplement
Pharmaceutical Allowance	To assist with medicine costs	Receive DSP, receive PP(s), receive income support payment & >60 yrs or reduced capacity to work	6.20 (single) 3.10 (couple)	698	Significant support for pharmaceutical costs already provided through PBS and Concession Cards
Telephone Allowance	To assist with costs of maintaining a telephone service	Receive income support payment & >60 yrs or not employed full-time due to reduced capacity	4.65 (basic) 6.86 (full)	556	Archaic supplement, not representative of current costs
Approved Program of Work Supplement	To assist with costs of participating in an approved program of work	Receive income support payment and participate in Work for the Dole or National Work Experience Programme (NWEP)	20.80	41	All current ISP recipients should be applying for jobs or training and thus would incur similar costs
Language, Literacy & Numeracy Supplement	To assist with costs of participating in SEE program	In Skills for Education and Employment (SEE) Program & receive income support payment	20.80	8	All current ISP recipients should be applying for jobs or training and thus would incur the same costs
Essential Medical Equipment Payment	To help with energy costs for medical equipment or medical heating/cooling	Required heating, cooling or certain equipment for medical needs, have a Commonwealth Concession Card & pay for the energy running costs	6.27 (each piece)	TBD	Arguably covered by other concessions for some groups; should be State based support

1. Quarterly and annual payments converted into fortnight equivalent 2. Volume of income support payment recipients receiving supplement; does not include age pension or family tax benefit recipients
Source: DSS data; Project analysis

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Backup: Policy rationale for consolidation of each supplement (II/II)

Supplement	Policy intent	Eligibility criteria	Rate[1] ($ p/f)	Volume[2] (000)	Rationale for consolidation
Remote Area Allowance	To help with the higher costs of living in remote areas	Receive an income support payment and live in a remote area (as per tax zones determined by the Tax Office)	18.20 (single) 15.60 (couple) +7.30 for each dependent	45	Increase in base rate will remove need to compensate for nil tax paying recipients
Education Entry Payment	To assist with up-front costs of education and training	Receive income support payment, have started an approved course (must be in job plan) & not had Education Entry Payment in last 12 months	8.00	119	All current ISP recipients should be applying for jobs or training and thus would incur the same costs
Fare Allowance	To help with travel costs between home and place of study	Tertiary student living away from home receiving income support payment, or need to travel to meet a course requirement	11.54[3]	1	May not provide the right incentives, increase in base rate will cover fares
Training Allowance	NA	Not applicable	NA	0.02	Decommission but not yet removed from payments system
Pensioner Education Supplement	To assist with ongoing costs associated with study and improve employment prospects	Receive income support payment and study an approved course	62.40 or 31.20	12	Could merge with JSP and be covered by increase in base rate; further analysis required

1. Quarterly and annual payments converted into fortnight equivalent 2. Volume of income support payment recipients receiving supplement; does not include age pension or family tax benefit recipients 3. Average per student; value is reimbursement of travel via public transport to/from place of study
Source: DSS data; Project analysis

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Pensions Sense Check: Broad $150 p/f rate increase would see JSP exceed DSP Pension Rates for young people aged <21 (I/II)

New Allowance Rate higher than Pension equivalent

Proposed rate structure for JSP

Rate	Vol	Current Amt	Example Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt incl. supp.[3]	Gap between Pension Amt and Proposed Amt
Top Tier Rates						
Single principal carer with exemption	4,005	$790.10	$815.10	$815.10	$944.30	$129.20
Single, with child <8	242,000	$790.10	$815.10	$815.10	$944.30	$129.20
Mid Tier Rates						
Single, dependent child aged 8+	160,500	$612.00	$712.00	$762.00	$944.30	$182.30
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$612.00	$712.00	$762.00	$944.30	$182.30
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00	$712.00	$762.00	$944.30	$182.30
Foundation Tier Rates - Aged 22+						
Single, no dependent children	909,000	$565.70	$665.70	$715.70	$944.30	$228.60
Single, sharer, no dependent children	TBD	N/A	$647.40	$697.40		
Partnered, with or without children	497,500	$510.80	$610.80	$660.80	$711.80	$51.00
Foundation Tier Rates - Aged 16-21						
Partnered, with children	1,500	$507.90	$610.80	$660.80	$944.30	$283.50
Partnered, no children	5,500	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, no children, away from home	56,500	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, no children, at home	108,000	$304.60	$404.60	$454.60	$443.10	-$11.50
					Or $391.70 if <18	

1. $25 p/f increase for top tier rates; $100 p/f increase for remaining rates 2. $25 p/f increase for top tier rates; $150 p/f increase for remaining rates 3. Includes Pension Supplement, Youth Disability Supplement, Energy Supplement
Source: DSS Data, Project analysis

Suggest raising these youth DSP rates, since youth DSP rates already linked to Youth Allowance base rates today

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Pensions Sense Check: Broad $150 p/f rate increase would see JSP exceed DSP Pension Rates for young people aged <21 (II/II)

New Allowance Rate higher than Pension equivalent

Proposed rate structure for Austudy

Rate	Vol	Current Amt	Proposed Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt incl. supp.[3]	Current Differential between Pension and Current Amt
Top Tier Rates						
Single principal carer with exemption	0	$790.10	$815.10	$815.10	$944.30	$129.20
Mid Tier Rates						
Single, dependent child	3,700	$606.00	$712.00	$762.00	$944.30	$182.30
Foundation Tier Rates - Aged 22+						
Partnered, with children	5,500	$507.90	$610.80	$660.80	$711.80	$51.00
Partnered, no children	9,200	$462.50	$562.50	$612.50	$711.80	$99.30
Single, aged 25+, no children	31,500	$462.50	$562.50	$612.50	$944.30	$331.80
Single, aged 16-24, no ch'n, away from home	91,000	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, aged 16-24, no children, at home	132,500	$304.60	$404.60	$454.60	$443.10	-$11.50
					Or $391.70 if <18	

Suggest raising these youth DSP rates, since youth DSP rates already linked to Youth Allowance base rates today

1. $25 p/f increase for top tier rates; $100 p/f increase for remaining rates 2. $25 p/f increase for top tier rates; $150 p/f increase for remaining rates 3. Includes Pension Supplement, Youth Disability Supplement, Energy Supplement
Source: DSS Data, Project analysis

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Broaden Mature Aged rate to all >60 year olds and PCW <15 hrs

R2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced job opportunities for mature aged & PCW recipients, with unemployment likely to be elevated during 2020-21

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months creates a perverse incentive against taking further efforts to find a job, in case that job doesn't work out and the person returns to welfare at a lower rate

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, abolish the requirement for people over the age of 60 to spend 9 months on payment before moving to a higher (mid-tier) rate of payment.

Extend eligibility to the mid-tier rate to people of any age who have an assessed partial capacity work of less than 15 hours per week. This assessment would be made initially through the ESAT, but would require confirmation by a Government Contracted Doctor before eligibility for the higher rate is accepted.

Mutual obligations for >60s would be unchanged, with requirements able to be met through various approved combinations of paid work, volunteer work and study. Mutual obligation requirements for jobseekers with a PCW of 14 hours or less would be retained.

This would result in additional ~240k recipients moving up to the mid-tier $612 pf rate and gaining a PCC

NOTE: A lighter touch change could be considered, which just broadens the mid-tier rate to all >60s by removing the 9-month on payment requirement, and makes no other changes.

Timing considerations

- New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150k additional claims); volumes include suspended recipients and % of monthly pending claims
- New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP
- Changes in income distributions as a result of C-19 remain until June 2021; pre-COVID income distributions assumed from July 2021

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$275m	$270m	$270m	$815m
Net impact on # recipients	-	~240k JSP recipients move from single, no child to mid-tier rate			

If we only remove 9 month requirement for mature age JSP, outlays are $60m over FY21-24

Impact on recipients vs Current Path

Cohorts better off

- ~240k additional mature aged / PCW recipients receive a higher rate and a PCC

Cohorts less well off

- None

Impact on policy goals



Risks

Risk	Severity	Likelihood
Creation of the PCW rate may trigger a volume of applications, leading to a spike in cost for government-contracted-doctor reviews	L	M

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Mature aged / PCW rate within Jobseeker

	From		To
	Jobseeker Payment	JSP 60+ on payment for 9 months	JobSeeker Payment Higher Rate
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 60+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $104 60% above $254

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

1 All >50s, plus <15 hr PCWs

Recipients

Age	<8 hours	8-15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	4,282	114,081	127,136	277,742
50-55	967	25,687	16,238	24,193
55-60	1,647	46,116	20,361	34,898
60+	2,088	47,999	14,101	43,210
TOTAL	8,984	233,883	177,836	380,043

Volume impacts

395,868 recipients would receive higher rate

This reflects a 7.5x increase to 64,059 in Feb '20 on mature age rates

2 All >55s, plus <15 hr PCWs

Recipients

Age	<8 hours	8-15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	4,282	114,081	127,136	277,742
50-55	967	25,687	16,238	24,193
55-60	1,647	46,116	20,361	34,898
60+	2,088	47,999	14,101	43,210
TOTAL	8,984	233,883	171,836	380,043

355,437 recipients would receive higher rate

This reflects a 5.5x increase to 64,059 in Feb '20 on mature age rates

Hypothesis

3 All >60s, plus <15 hr PCWs

Recipients

Age	<8 hours	8-15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	4,282	114,081	127,136	277,742
50-55	967	25,687	16,238	24,193
55-60	1,647	46,116	20,361	34,898
60+	2,088	47,999	14,101	43,210
TOTAL	8,984	233,883	171,836	380,043

300,178 recipients would receive higher rate

This reflects a 4.5x increase to 64,059 in Feb '20 on mature age rates

Included in new rate

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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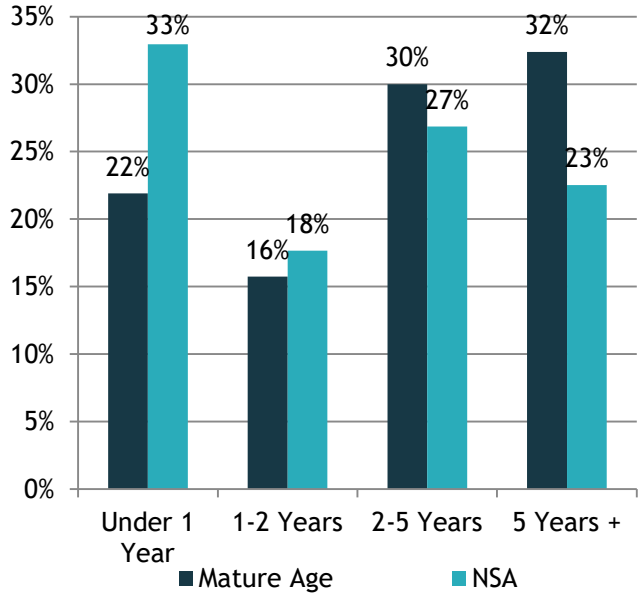
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

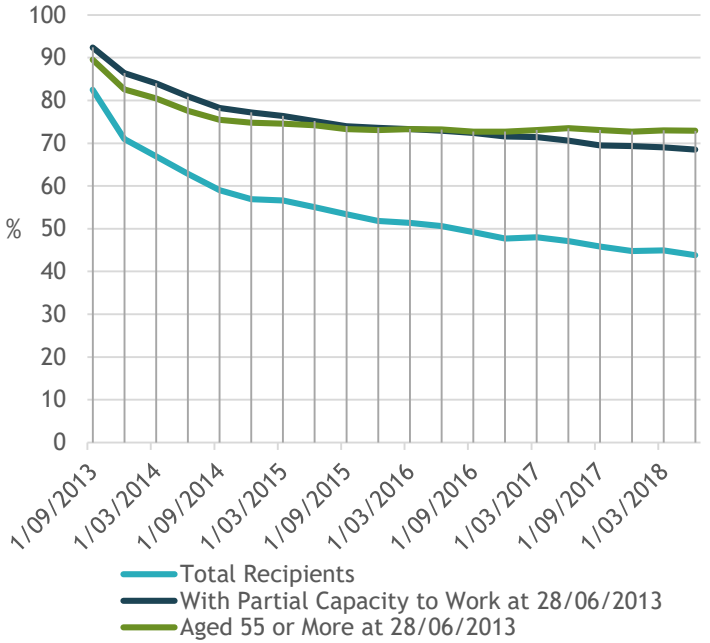
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



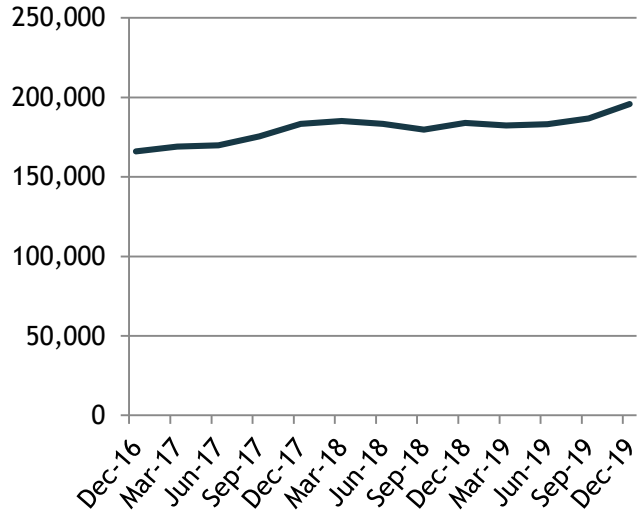
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Move to one rate for all single parents, regardless of age of child

R3 One rate for all single parents

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

There are currently two different rates of payment for single parents with a dependent child, depending on whether the recipient's youngest child is younger or older than 8 years. The different in the rate of payment is substantial, at $178 per fortnight.

This creates a number of friction points:

- It creates a "payment cliff" for many parents when their youngest child turns 8
- It creates perverse incentives around the number and spacing of children in a household
- It contributes to complexity in the welfare system
- It makes it more difficult to consider adjustments to the phasing of mutual obligations for parents of young children

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, alongside the potential rate lift of $150 p/f in Jobseeker base rates:

- Close Parenting Payment Single to new entrants
- Allow existing PPS recipients to continue on the old PPS payment (with supplements) until their current youngest child turns 8
- Future single parents applying for income support would all apply for Jobseeker, and receive the newly increased mid-tier rate of ~$762 p/f (approx. $50 than most PPS recipients receive today inclusive of supplements)

The personal income test IFA and taper rate would be aligned to the standard settings for other Jobseeker recipients (E.g. $178 IFA and a 50% taper (assuming the personal income test changes put forward in option I1 are taken forward) vs today's $192.60 IFA and 40% taper rate for PPS recipients)

This change would also provide an opportunity to consider the ideal timing of the introduction of mutual obligations and activities to prepare for employment for single parents.

Timing considerations

- Implementation alongside the consolidation of payment structures would be desirable, estimated to be on 1 July 2021

Modelling assumptions

- Modelling assumes base rate increase of $150, with relativities maintained, is a prerequisite for this initiative (added to baseline)
- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150k additional claims); volumes include suspended recipients and % of monthly pending claims
- Changes in income distributions as a result of C-19 remain until June 2021; pre-COVID income distributions assumed from July 2021

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($395m)	($400m)	($405m)	($1.2b)
Net impact on # recipients	-	~380k PPS recipients move from $790 rate to $612 mid-tier rate			

Assumes base rate increase of $150, with relativities maintained, is a prerequisite

Impact on recipients vs Current Path

Cohorts better off

- N/A

Cohorts less well off

- Future single parents with children under the age of 8

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
A reduction in payment for future single-parent welfare recipients may be controversial, and delay the progress of the broader reform agenda	M	H
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M

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Indexing Allowances to PBLCI rather than CPI and indexing Youth Allowance and student payments twice a year

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R4 Indexation to PBLCI

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Allowances are indexed to CPI with the aim of ensuring that the real value of the payment is maintained over time. By contrast, pension indexation is determined by the higher of the CPI and PBLCI and this then benchmarked to MTAWE to link the payment to community living standards.

- These arrangements have led to a growing gap between pensions and allowances in recent decades, creating an incentive for some people to try and qualify for more generous pension rather than build their capacity to undertake employment.
- The growth in the gap between pensions and allowances has slowed in recent years, however, as the MTAWE benchmark has not been high enough to apply since 2013. This has reduced concerns in the short-term, although there is still a need for a long-term solution.

Most income support payments are indexed twice a year, while Youth Allowance and broader student income support payments are only indexed once per year.

- This has created inconsistencies between individuals in similar circumstances but on different payments and the support they receive.

Potential reform / policy settings

Stage One | Stage Two

Indexing allowance payments by PBLCI would be conceptually superior to the current indexation by CPI as a means of ensuring that they maintain their real purchasing power over time

- The CPI does not necessarily reflect expenditure patterns of allowance recipients, particularly housing costs which are generally the largest component of household expenditure.
- By contrast, PBLCI is specifically designed to assess whether the disposable incomes of income support recipients have kept pace with price changes.

Indexing youth and student payments twice a year

- **Effective dates of indexation are 20 March and 20 September each year for most payments. It is proposed that youth and student payment indexation be brought in line with these dates.**
- This would help ensure that student payments better reflect the costs of living faced by recipients over time
- This would also simplify the income support system by putting the frequency of indexation on a consistent basis with other income support payments.

Timing considerations

- Given the timeline required for legislation, which would likely occur in-line with a broader package of reforms, implementation would not be possible until after 1 July 2021
- In that context, the best approach may be for the last indexation under the CPI method to occur on 20 September 2021. Youth and student payments would be indexed on a pro-rata basis back to 1 January 2021; other allowances would receive their normal 6-monthly indexation. On 20 March 2022, all allowances would receive a 6-monthly indexation under PBLCI

Modelling assumptions

- Convention is to assume no difference in cost between PBLCI and CPI. However, historical analysis indicates PBLCI has risen by an annual average of 2% pa over the past 5 years compared to an annual average growth rate of 1.8% for CPI. Worth noting that in the recent quarter where both PBLCI and CPI were negative, CPI was more negative than PBLCI

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$20m	$15m	$15m	$50m
Net impact on # recipients	-	-	-	-	-

Only outlays related to increasing frequency of youth indexation reflected above

Impact on recipients vs Current Path

Cohorts better off

- Historical analysis of CPI and PBLCI indicate that allowance recipients would likely be better off in the long-run with a change to PBLCI indexation.
- Those on youth and student payments will benefit from twice yearly indexation that will help ensure payments better reflect their living costs.

Cohorts less well off

- Based on historical analysis, likely to be none

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
There is some uncertainty around the impact of COVID-19 on the historical wedge between CPI and PBLCI, meaning it is theoretically possible that a move towards PBLCI would be disadvantageous to allowance recipients.	L	L

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Potential opportunity to move all Allowances to PBLCI indexation

Key indices and benchmarks

Consumer Price Index (CPI) - measure of the average change over time in the prices paid by households for a fixed basket of goods and services.

Pensioner and Beneficiary Living Cost Index (PBLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by age pensioner households and other government transfer recipient households.

Male Total Average Weekly Earnings (MTAWE) - published in the Average Weekly Earnings survey by the ABS.

Age Pensioner Living Cost Index (APLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by age or veterans affairs pensioner households.

Other Government Transfer Recipient Households (OGTRLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by households whose principal source of income is a government pension or benefit other than the age pension of veterans affairs pension.

Policy context

Pension indexation is determined by the higher of CPI and PBLCI and is then benchmarked to MTAWE to link the payment to broader community living standards. Allowances are indexed to CPI only, reflecting the objective of ensuring people can meet their basic needs and maintaining the real value of the payment over time.

Differences in indexation rules between pensions and allowances reflect differences in their policy objectives.

These differences in indexation have led to an increase in the disparity between pensions and allowances over time, which both the Henry and McClure Mark II reports raised as a significant problem. The growing gap raised concerns that this created an incentive for people to try and qualify for a more generous pension rather than build their capacity to undertake employment.

However, two factors may have somewhat reduced these concerns for the short-term. Slow wage growth has led to the MTAWE benchmark not binding since 2013, meaning that growth in the allowance-pension gap has been driven only by indexation differences since this time, with the result that the growth of the gap between payments has slowed. In addition, significantly tighter eligibility for the DSP has reduced the opportunity for people to receive a pension rather than an allowance.

Opportunities

The CPI measures the change in prices of a fixed basket of goods and services based on average household expenditure by capital city households. As such, **CPI does not necessarily reflect expenditure patterns of allowance recipients.** One concern is whether CPI indexation adequately reflects allowance recipients housing costs, which are generally the largest component of household expenditure.

By contrast, PBLCI measures the effect of changes in prices on out-of-pocket living expenses by pensioner households and other government transfer recipient households. It is a conceptually better measure of assessing whether the disposable incomes of households have kept pace with price changes. For this reason, **PBLCI could be proposed as an alternative indexation measure for allowances.**

A move to PBLCI, while worthwhile, would not provide a long-term solution to the problem of a growing gap between pensions and allowances, however.

Any change in indexation policy would need to consider:

- How best to reflect cost of living increases faced by households.
- Impact on incentives to work.
- Future fiscal costs.
- Relativities with other payments and broader equity.
- Community expectations.

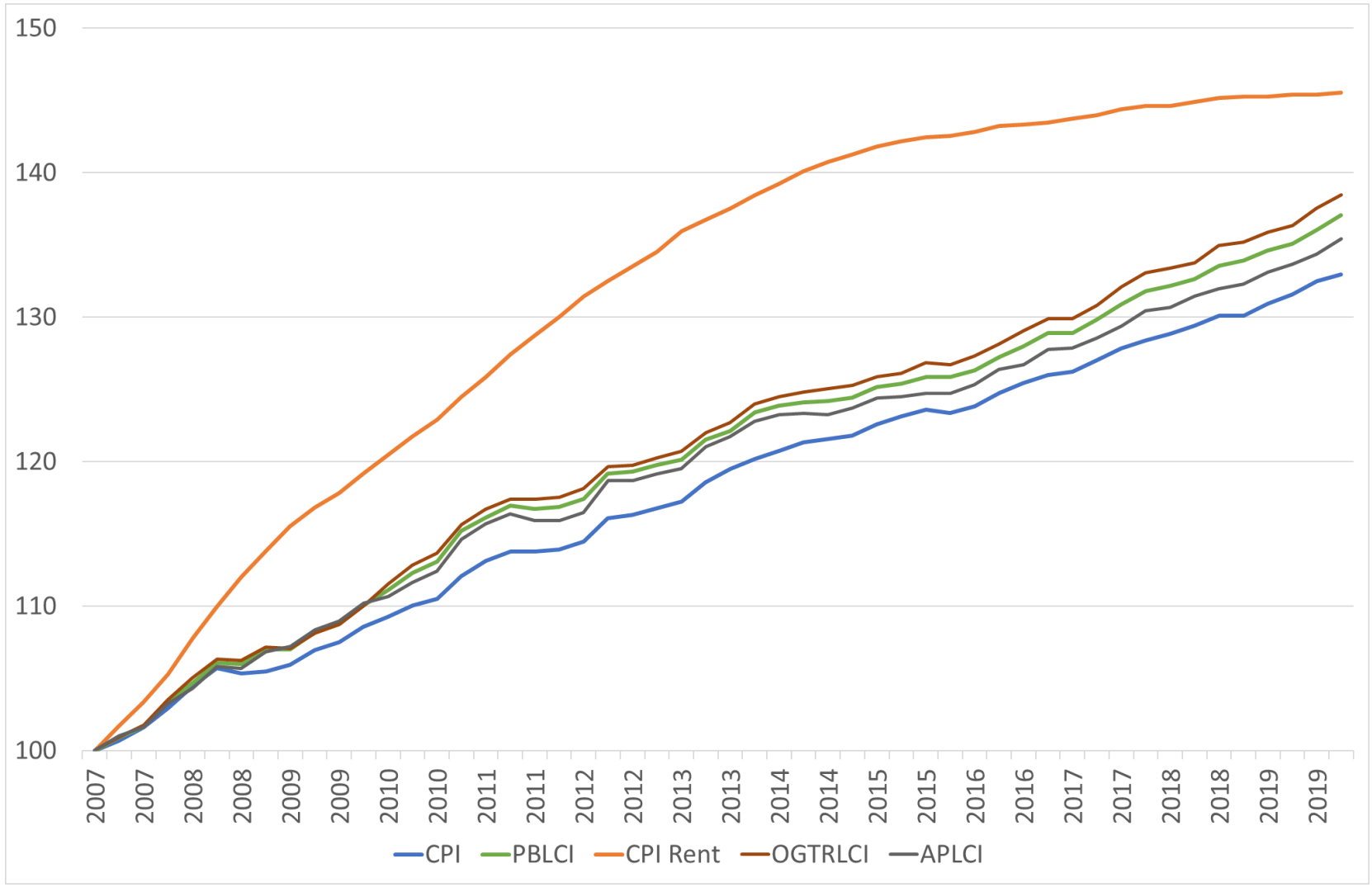
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Backup: Comparison of indices over time

Index comparisons



Growth of indices

The chart on the left shows growth in indices only and is not a comparison of the growth of actual pensions and allowances.

PBLCI measures the effect of changes in prices on the out-of-pocket living expenses experienced by age pensioner households (APLCI) and other government transfer recipient households (OGTRLCI). It can be seen that the APLCI has grown more slowly than the OGTRLCI, meaning that pensioners have benefitted from indexation representing the higher costs of living faced by allowees (and other working age IS recipients, including non-age pensioners) that allowees themselves have not received.

It can also be seen that PBLCI has risen faster than CPI. Hence, a move towards PBLCI indexation of allowances would be expected to lead to more generous indexation arrangements.

The rental component of CPI has also clearly grown significantly faster than the general CPI that allowances are currently indexed to. The proportional size of rents to overall household costs indicate that this will likely have had a significant impact of the purchasing power of allowances over time, notwithstanding the impact of CRA which is also indexed by CPI. More generally, the 2010 Henry Review noted that the composition of the CPI basket means that it is a poor reflection of the housing costs of low income renters. For example, in 2017-18, 7 per cent of the basket was rent while around 43 per cent of low income renters paid above 30 per cent of their income on housing costs.

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Indexation of youth and student payments twice a year

Policy context

Youth and student payments are indexed once a year in January, in contrast to twice yearly in March and September for most other payments (see table).

Small differences in payment rates due to different indexation dates and frequency create complexity in the social security system beyond what is necessary for targeting or sustainability purposes.

These small differences mean two individuals in similar situations can receive different payment rates with different indexation arrangements. One individual will receive a payment rate that is indexed twice a year whilst the other individual will receive a similar but not equivalent payment rate that is only indexed once a year.

The way in which youth and student payments are currently indexed means there can be a delay of up to 18 months before indexation reflects the cost of living increase borne by payment recipients. This is because the indexation factor applied every January is based on the CPI index from the preceding June, and no further indexation is then applied for the following 12 months).

Current indexation schedule

	Frequency	Mechanism
Pensions - adult rates Age Pension, Carer's Payment, Disability Support Pension	**Twice a year** - March and Sep	Indexed to CPI or PBLCI, benchmarked to MTAWE
Parenting Payment - Single	**Twice a year** - March and Sep	Indexed to increase in CPI, and benchmarked to MTAWE.
Adult Allowances - JobSeeker Payment, Sickness Allowance, Partner Allowance, Widow Allowance, Special Benefit, Parenting Payment - Partnered, Abstudy 22+	**Twice a year** - March and Sep	Indexed to CPI
Youth and Student Payments - Youth Allowance, Abstudy <22, Austudy, Disability Support Pension <21, Double Orphan Pension, Assistance for Isolated Children	**Once a year** - January	Indexed to increase in the CPI for the 12 months to the preceding June.
Family Payments - FTB A and B	**Once a year** - July	Indexed to CPI

Proposal

Indexing youth and student payments twice a year to bring them in line with other income support payments would improve equity in the income support system by ensuring that changes in recipients living costs would be reflected by indexation changes in a more timely manner.

The proposal would also improve the simplicity and consistency of the income support system.

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Align Income Free Areas with pensions, max 50% taper rates

I1 IFAs and taper rates

Policy context

JSP PPS PPP SB YA(o) YA(s) Austudy ABSTUDY FTB

Income free areas and low taper rates are currently used to incentivise the uptake of employment, with higher income free areas for student payments recognising higher levels of seasonal, and part-time/casual work amongst students.

There are three key issues with the current working-age payment income tests:

1. Income tests are complex and varied; each typically apply two different taper rates at different income levels. This can make it challenging for recipients to have confidence they will always be better off for every dollar earned
2. High taper rates of 60% are common, which may reduce the incentive to work at these income levels
3. High taper rate of 60% for partners stacks with tax rates, producing high EMTRs at the household level for low-middle income families

Streamlining IFAs and taper rates can simplify the welfare system, improve incentives for work and engagement in the labour force.

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, recipients of JSP, PP(s), PP(p), YA(o), and Special Benefit would move to a consistent individual income test and partner income test, aligned to Pension income tests:

- Individual income test: Income Free Area of $178pf, a single taper rate of 50% (vs $106 and 50-60% for most recipients pre-COVID)
- Partner income test: Income Free Area of $1215pf, a single taper rate of 50% (vs $996 and 60% for most recipients pre-COVID)

From 1 Jul 2021, recipients of YA(s), Austudy, and ABSTUDY would move to a consistent income test and a higher partner income test:

- Individual income test: Income Free Area of $437pf, a single taper rate of 50% (vs $437 and 50-60% for most recipients today)
- Partner income test: $1,215pf for partnered recipients; a single taper rate of 50% (vs $996 and 50-60% for most recipients today)

Note: In the absence of a broader change, PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously (IFA of $192.60 plus $24.60 for each additional child & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $106 to $178, their taper rate increases from 40% to 50%.

Timing considerations

- Permanent changes for all ISPs to be in place from 1 Jul 2021, alongside other changes to payment types and payment rates
- As a result, tight timeframes are imposed to pass legislation and implement the required system changes

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150k additional claims); volumes include suspended recipients and % of monthly pending claims
- Apr 2020 income and partner income distributions used to model impact during COVID period (Apr-Sep 2020)
- Mar/adjusted May 2020 income and partner income distributions used to model impact from July 2021 onwards
- Grandfathering of PP(s) recipients not modelled

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$745m	$710m	$720m	$2.2b
Net impact on # recipients	-	+45k	+43k	+43k	n/a

Impact on recipients vs Current Path

Cohorts better off

- ~450k+ ISP recipients with individual earnings benefit from more generous individual income test
- ISP recipients with partners earning above the IFA benefit from more generous Partner Income Test
- ~15-30k ISP recipients become eligible for welfare who were previously ineligible as a result of changes to individual and partner income tests (although would likely be on low payment rates)

Cohorts less well off

- ~250k PP(s) recipients face reduced IFA and higher taper rate - suggest compensating via a lump sum or grandfathering
- ~4k JS (Prin. Carer) face higher taper rate (from 40% to 50%) - suggest compensating via a lump sum or grandfathering

Impact on policy goals



Risks

Risk	Severity	Likelihood
Sensitivity regarding tighter income test for PP(s) and JS (Prin. Carer) recips may affect legislative timeframe	M	M
Sensitivity re moving the cut-out for a single jobseeker slightly above the min wage impacts timelines	M	Very low

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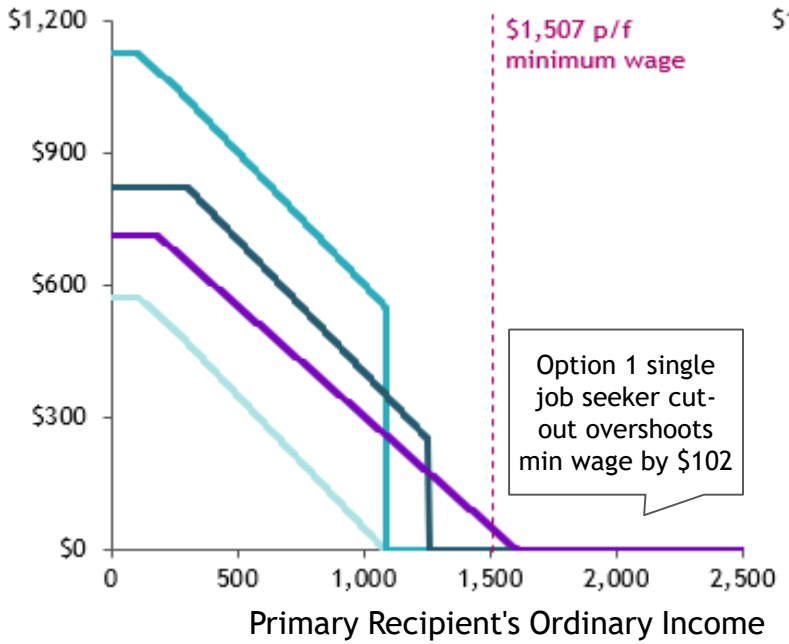
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Three options considered for Personal Income Test in Stage 2

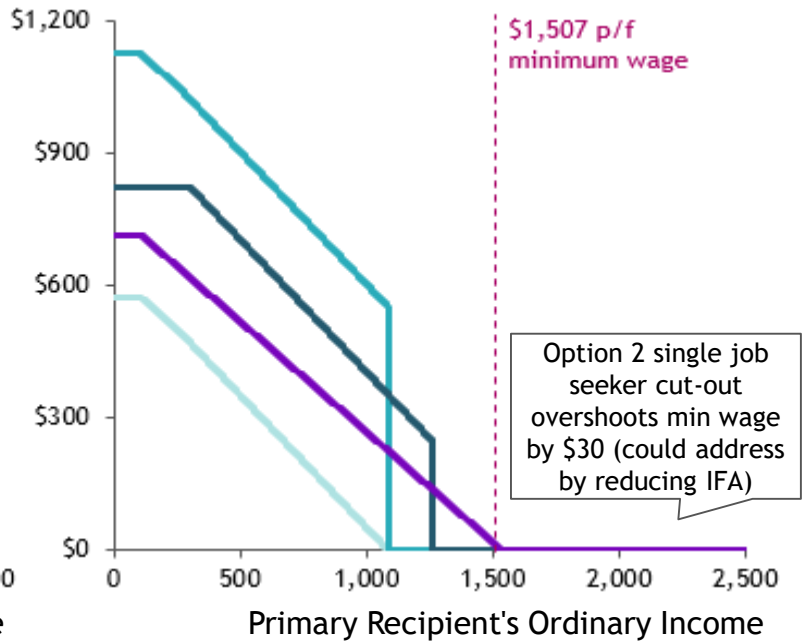
Preferred

1 Align with pensions: $178 IFA, 50% taper



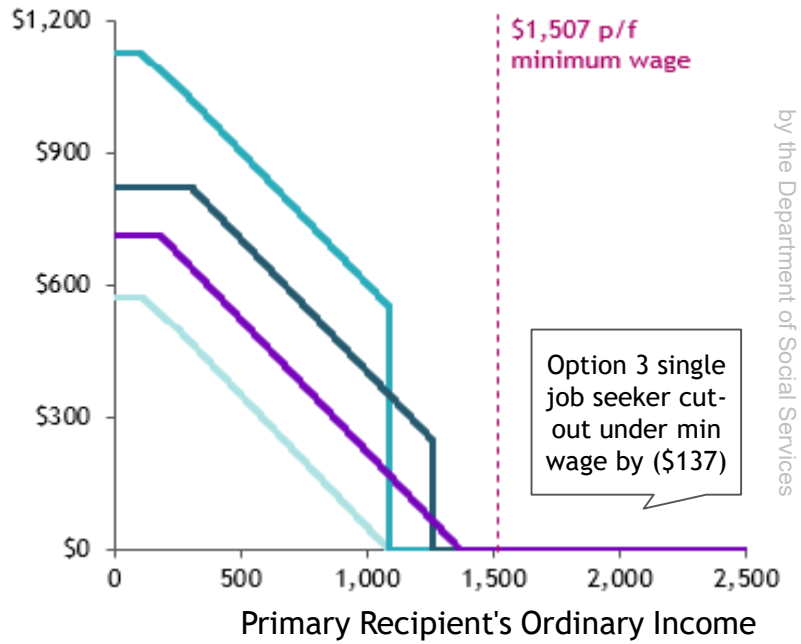
- ✓ Simplifies welfare system
- ✓ Strengthens reward for work
- ✗ Cut-out for single jobseeker doesn't overshoot minimum wage

2 Reduced taper only: $106 IFA, 50% taper



- ✓ Simplifies welfare system
- ✓ Strengthens reward for work
- ✓ Cut-out for single jobseeker doesn't overshoot minimum wage

3 Increased IFA only: $178 IFA, 60% taper



- ✓ Simplifies welfare system
- ✗ Strengthens reward for work
- ✓ Cut-out for single jobseeker doesn't overshoot minimum wage

Note: All scenarios shown assume no supplements being received

- Pre-COVID payment rate and income test
- From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1165 & 27% taper
- Post 30 June 2020, rate increase of $150, $178 IFA, 50% taper, 50% partner taper

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Backup: Worked examples for three types of households

Assumes Option 1 from previous slide adopted



Note: All scenarios assume no supplements being received

- Pre-COVID payment rate and income test
- From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1165 & 27% taper
- Post 30 June 2020, rate increase of $150, $178 IFA, 50% taper, 50% partner taper

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Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Pre-covid IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $178 free area • 50c per $1 over free area	**Increased free area** • $178 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $178 free area • 50c per $1 over free area	**One taper rate & increased free area** • $178 free area • 50c per $1 over free area	**One taper rate & increased free area** • $178 free area • 50c per $1 over free area	**One taper rate & increased free area** • $178 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,215 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	70,880 (10.6%[1])	6,331 (10.6%[1])	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

1. Same income distribution used for all Job Seeker cohorts. To be updated. Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices**: $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,215 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,215 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Expand and simplify working credit

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I2 Simplify and expand working credit

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

While job losses during COVID-19 have been well publicised, underemployment has also risen; the ABS reported a rise in underemployment from 8.8% in mid-March 2020 to 13.7% in mid Apr 2020.

The Working Credits scheme rewards recipients for testing themselves in the labour market by helping recipients keep more of their initial payments in a new job. This is important to encourage self-reliance, particularly during a period where employment levels are lower than normal. However today the working credit scheme is not seen as particularly effective:

- Credits accrue slowly (just 48 per fortnight for JobSeeker recipients), and have a low cap of $1,000 for most recipients
- The scheme is complex and therefore poorly understood, which directly limits its effectiveness
- Working Credit differs to Income Banks for students on an ISP, and Work Bonus available to pensioners – creating complexity

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2020, Working Credit would be expanded, and more closely aligned to the student payment Income Bank to better incentivise employment and assist in broader economic recovery:

- Rate of accrual would increase from $48 p/f to be the entire Income Free Area each fortnight
- The cap on the maximum number of accrued Working Credits would be expanded to $2,000
- Working Credits would continue to apply only to employment income (as opposed to unearned income)
- For Apprentices on YA(S), their Income Bank arrangements would remain the same, but with an increase in the accrual cap to $2,000
- Students Income Bank policy settings would remain unchanged (accrue all of $437 IFA, max credit balance of 10,900)

Note that YA(o) recipients today have a Working Credit cap of $3,500. These recipients would also have a cap of $2,000 credits moving forward, but with a much faster rate of accrual (maximum credit limit reached after 12 fortnights instead of 21).

To improve recipients' understanding of Working Credits, front-end system changes are recommended to allow recipients to see in their reporting tools how Working Credits will improve their total earnings + income support payment.

Timing considerations

- Changes to working credit ideally in place by 1 Jul 2021 when temporary changes to IFAs and taper rates cease
- Longer implementation timeframe is required due to the complexity of the system and operational changes required. This is particularly so for the front-end system changes to provide new digital tools for recipients to see how Working Credit could impact their payments

Modelling assumptions

- Changes in income distributions as a result of C-19 remain until June 2021; pre-COVID income distributions assumed from July 2021
- Modelled as a change in outlays = depletions * weighted taper rate. Assumes piecewise linear approximation of sigmoid relationship between % of cap and fortnights required to reach cap. We use this to adjust average depletions as we change accrual rate or the working credit cap

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$90m	$85m	$85m	$260m
Net impact on # recipients	-	-	-	-	-

Impact on recipients vs Current Path

Cohorts better off

- JSP, PP(p), PP(s) recipients experiencing intermittent employment, due to faster accrual and higher maximum cap
- Some YA(o) recipients, due to faster accrual of working credits
- YA(s) Apprentices, due to higher Income Bank cap

Cohorts less well off

- Some YA(o) recipients who would have accrued working credits up to their previously higher 3,500 cap (but they do receive a faster accrual instead)

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk that the additional outlays have minimal impact on recipient behaviours in seeking employment	L	L
Risk that new digital tools for recipients to assess impact on their payments are not well used	L	M

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Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $90m million p.a.

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $90 million p.a. in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Streamline waiting periods: Abolish SWPP

S1 Abolish the SWPP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support.

Key areas of friction associated with the SWPP today include:

1. The SWPP may act as a disincentive for income support recipients and lower income earners to take up periodic/seasonal work, in high-priority industries such as agriculture, fishing, and construction
2. The SWPP is rarely applied in practice; in FY2018/19, a total of 521 SWPPs were applied. Removing the waiting period would contribute to simplifying the welfare system and save administrative effort during the claims process

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$10m	$10m	$10m	$30m
Net impact on # recipients	-	<5k	<5k	<5k	<5k

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, the SWPP would be abolished for all income support recipients and future claimants. The Liquid Assets Waiting Period would remain in place to provide a waiting period for recipients that have significant liquid assets from recent seasonal work.

This would remove the disincentive for ISP recipients and lower income earners to take up periodic/seasonal work. This would be a modest assistance for the industries which rely on a seasonal workforce: agriculture, fishing, arts, entertainment, and construction.

Note that today a small number of the applied SWPPs are long in duration - e.g. some instances of SWPPs of 2 years for claimants of Carer Payment.

Impact on recipients vs Current Path

Cohorts better off

- ~500 recipients per year that currently have the SWPP applied when they apply for an income support payment

Cohorts less well off

- None

Timing considerations

- Preferred path would be to abolish the SWPP when extended Coronavirus temporary measures cease - expected to be at 1 July 2021

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions

- Modelled as a change in volumes from today's settings. For example, if we were to abolish the SWPP, recipients currently serving this waiting period would enter system (currently excluded from volume numbers in line with standard reporting) and start receiving payment. As a baseline, we assume proportion of claimants thjat served waiting periods in FY18/19 is reflective of what proportion would be going forward if we were to not change policy settings

Risks

Risk	Severity	Likelihood
Risk that some recipients become eligible for welfare payments soon after receiving large amounts of income for seasonal work, and disposing of the funds	L	M

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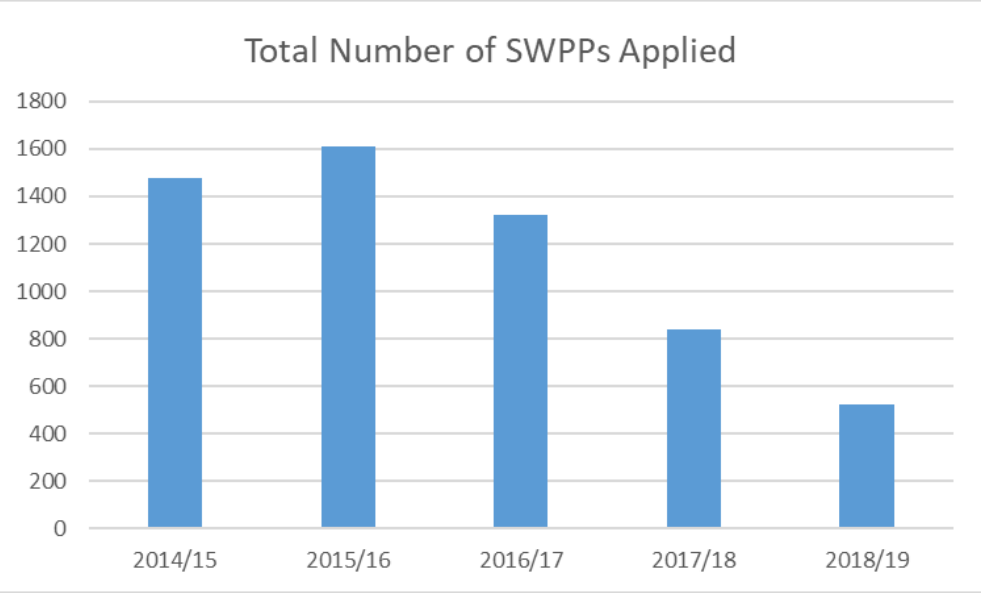
Streamline waiting periods: Abolishing the SWPP

Description:

- The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual & the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in 2018/19 a total of 521 SWPPs were applied



Potential changes

Proposal:

- Abolish the SWPP and instead rely on the LAWP to target support

Rationale for proposal:

- Abolishing the SWPP would remove a disincentive for individuals to take up contract work, and work in the arts and agricultural sector
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work
- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs and Outcomes

- Cost of abolishing the SWPP is less than $10m p.a.
- Removal would simplify administration and significantly benefit a small cohort of individuals

Additional Considerations

- Although rarely applied, SWPPs are often applied for long periods. For example, in 2018/19 the ten SWPPs applied to Carer Payment recipients had an average duration of 581 days (i.e. over $32,000 in income support)
- Consideration could be given to including a seasonal work component in the Income Maintenance Period calculation, however this would risk shifting, rather than reducing, complexity

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Make changes to nil rate periods permanent

S2 Nil rates

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The nil rate period incentivises the uptake of work, particularly part-time and irregular casual work, and reduces administrative effort in ceasing and reinstating recipients on welfare as their income fluctuates. The nil rate period acknowledges that recipient incomes may increase and decrease over different fortnights for example through casual or shift work, and enables recipients to come back onto payment easily after a period of higher earnings.

The increase in part-time/casual employment, and threat of job insecurity, is increasingly relevant given the current C-19 environment as restrictions ease. An increase in the number of recipients flowing to and from payment within a 6+ fortnightly period is likely, which brings added stress on service delivery.

Potential reform / policy settings

Stage One | **Stage Two**

From 1 July 2021, the nil rate period associated with personal income would be permanently set at 12 fortnights (from 6 fortnights) for all existing and new recipients. Existing conditions applied to the nil rate period remain.

The nil rate period would also be permanently extended to Special Benefit recipients, who currently are not eligible for a nil rate period.

DSP recipients would also be granted a nil rate period in respect of partner income above the cut-out (making permanent the temporary measure put in place during the COVID crisis).

This will provide existing recipients with the assurance that they can easily get back onto payment if their income falls, and provides greater continuity of access to health care and concession cards – further encouraging recipients to accept work when it is available

Timing considerations

- **Change to take effect on 1 July 2021**

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.2 million in Sep/Oct 2020 (excl. impact of JobKeeper, which is estimated at 75-300k additional claims); volumes include suspended recipients and monthly pending claims x % granted
- Changes to nil rate periods will not incentivise greater uptake of paid temporary work; currently observed income distributions apply

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	To be costed separately				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- Recipients that earn income beyond their respective cut-outs

Cohorts less well off

- None

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
-	-	-

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Model and interactive dashboard

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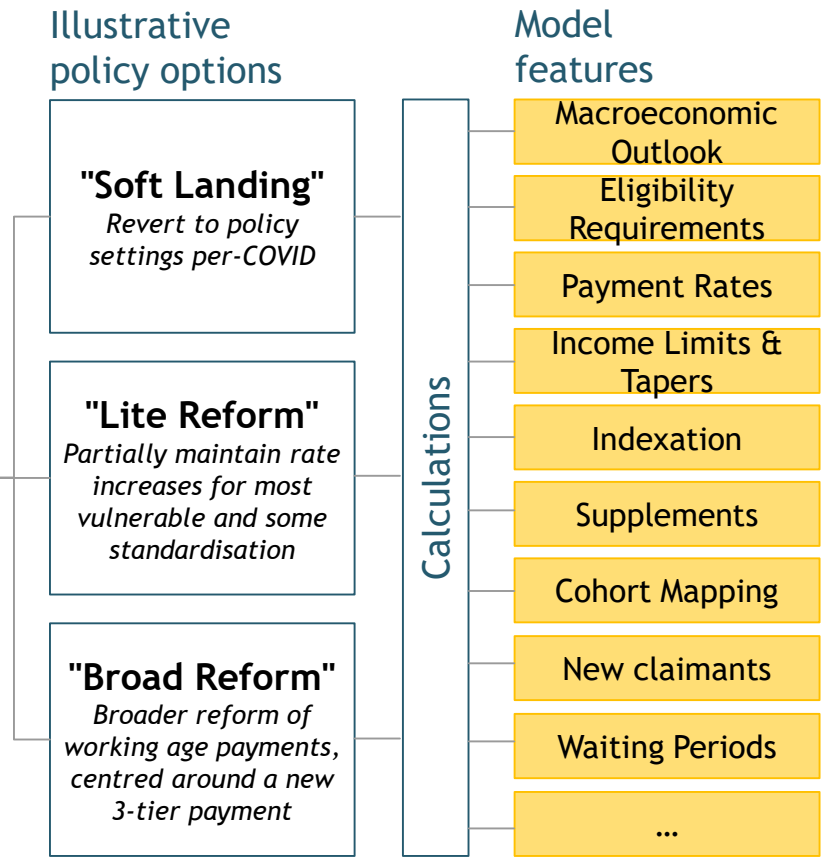
Modelling approach: Policy options were developed iteratively by progressing and testing one 'model feature' at a time

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- RBA job loss forecast
- Social Security Guide
- Social Security Guide
- Social Security Guide
- ABS / Social Security Guide
- Social Security Guide
- Project team analysis
- Dingo extracts
- Dingo extracts
- tbd

Next steps

Refer to detailed model backlog in next steps section below

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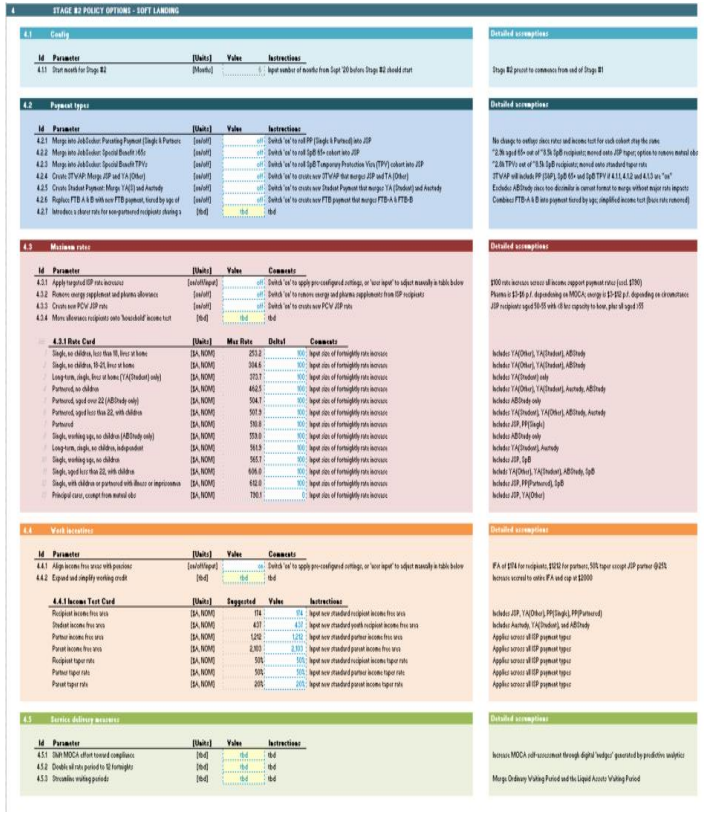
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Interactive dashboard: Structured around modular menu options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease 11 supplements — $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $30m pm
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	
Service delivery measures	Streamline waiting periods: Abolish SWPP — <$2m pm	Double the nil rate period to 12 fortnights — tbd	

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Interactive dashboard: Additional configuration available for 4 menu options with largest impact on outlays

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table



Parameters available for each

Extend C-19 supplement

- Size of supplement
- Income test treatment

Extend C-19 eligibility supports

- Inclusion of asset test relaxation
- Inclusion of partner income taper @40%
- Inclusion of sole traders & self-employed
- Inclusion of carers for infected and isolated
- Inclusion of permanent employee stood down due to COVID

Lift ISP payment rates

- Size of rate increase for each level across ISP payment types

Align income test

- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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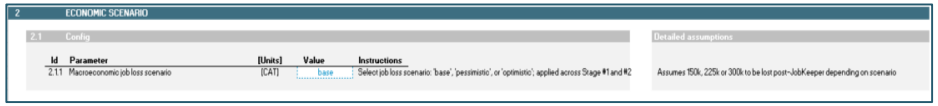
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Interactive dashboard: Step-by-step instructions for how to use

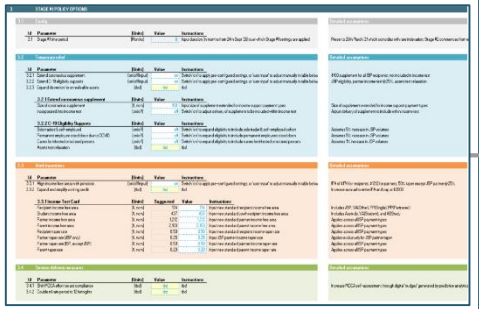
Step 1: Set macroeconomic scenario

- Choose from **'base', 'pessimistic', or 'optimistic'** macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



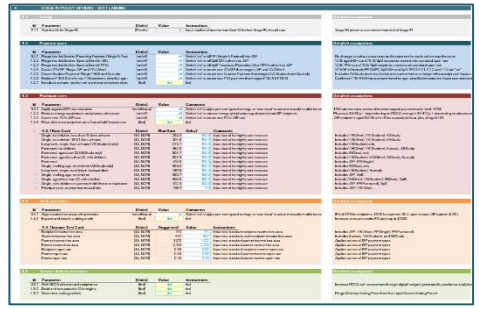
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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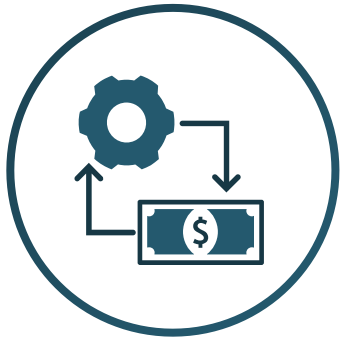
Predictive-analytics approach to compliance

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Choice of compliance model for each area of risk must balance several considerations



Processing cost per intervention

- Staff time
- Technology infrastructure
- Third party costs
- Enforcement costs



Outlays saved per intervention

- Welfare outlays recouped
- Future welfare outlays avoided
- Potentially, systemic/cultural effects through encouraging compliance



Service delivery and experience for recipients

- Time required for recipients to participate in compliance actions, and perceived 'reasonableness' of requests
- Number and proportion of unsuccessful interventions



Transparency and integrity of welfare system

- Sufficient coverage and rigour of compliance program to meet required standards (including Auditor-General)

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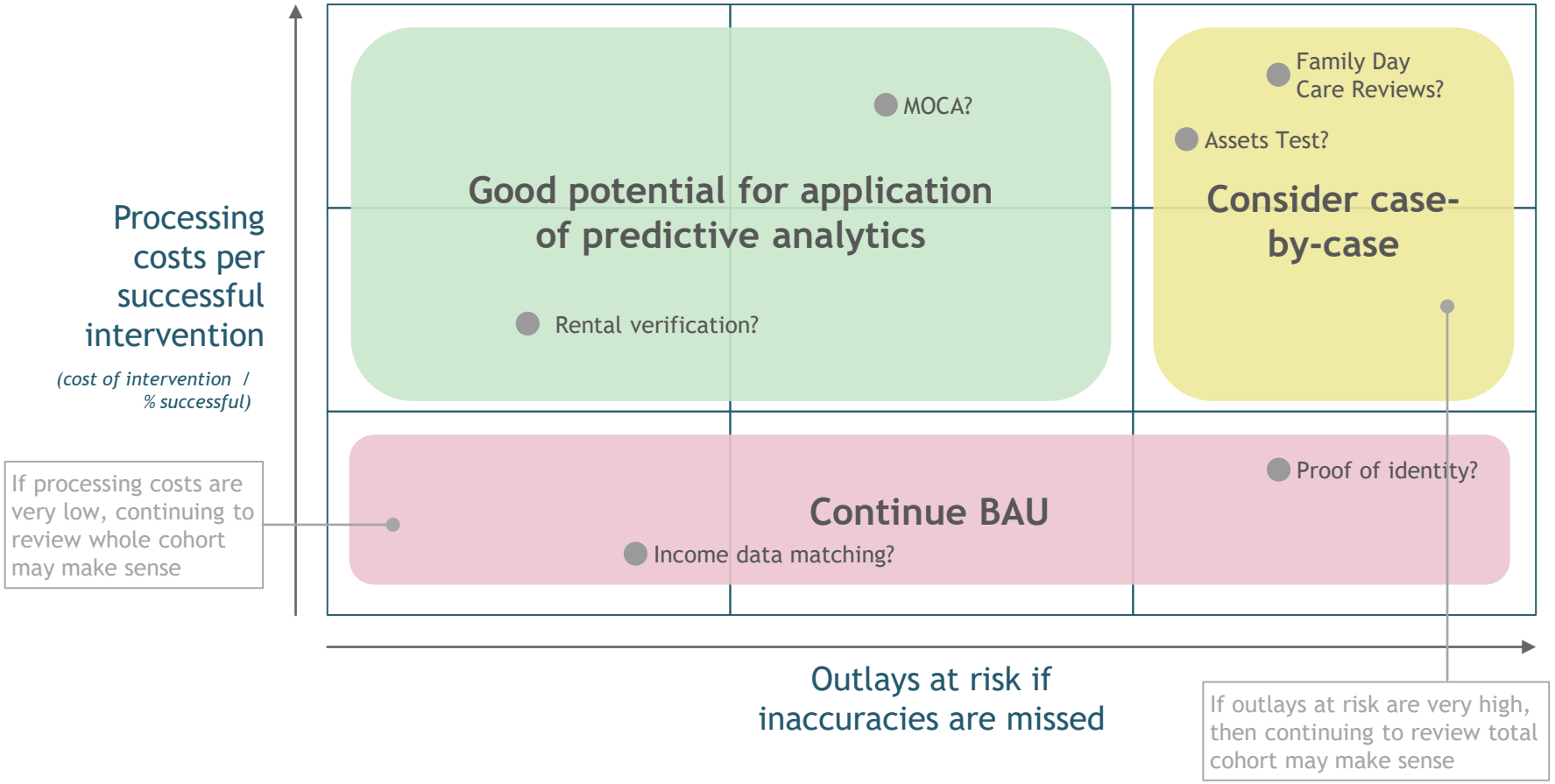
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Predictive analytics most relevant where intervention costs are high, and outlay savings are lower

Illustrative

Rules-of-thumb for selecting applications for predictive analytics



Initial views on applications to consider

Member of a Couple Assessment

- Current review triggers are broad, not predictive of inaccurate r'ship status
- Result is large volume of reviews, with low "success" rate (so high processing cost)

Rental verifications

- Large volume of manual reviews, driving cost
- And with 70% of CRA recipients already at CRA cap, outlays impact may be smaller

Assets test

- Reviews often complex, low success rates (?), driving higher processing cost
- Nature of cut-off means outlay savings likely to be large

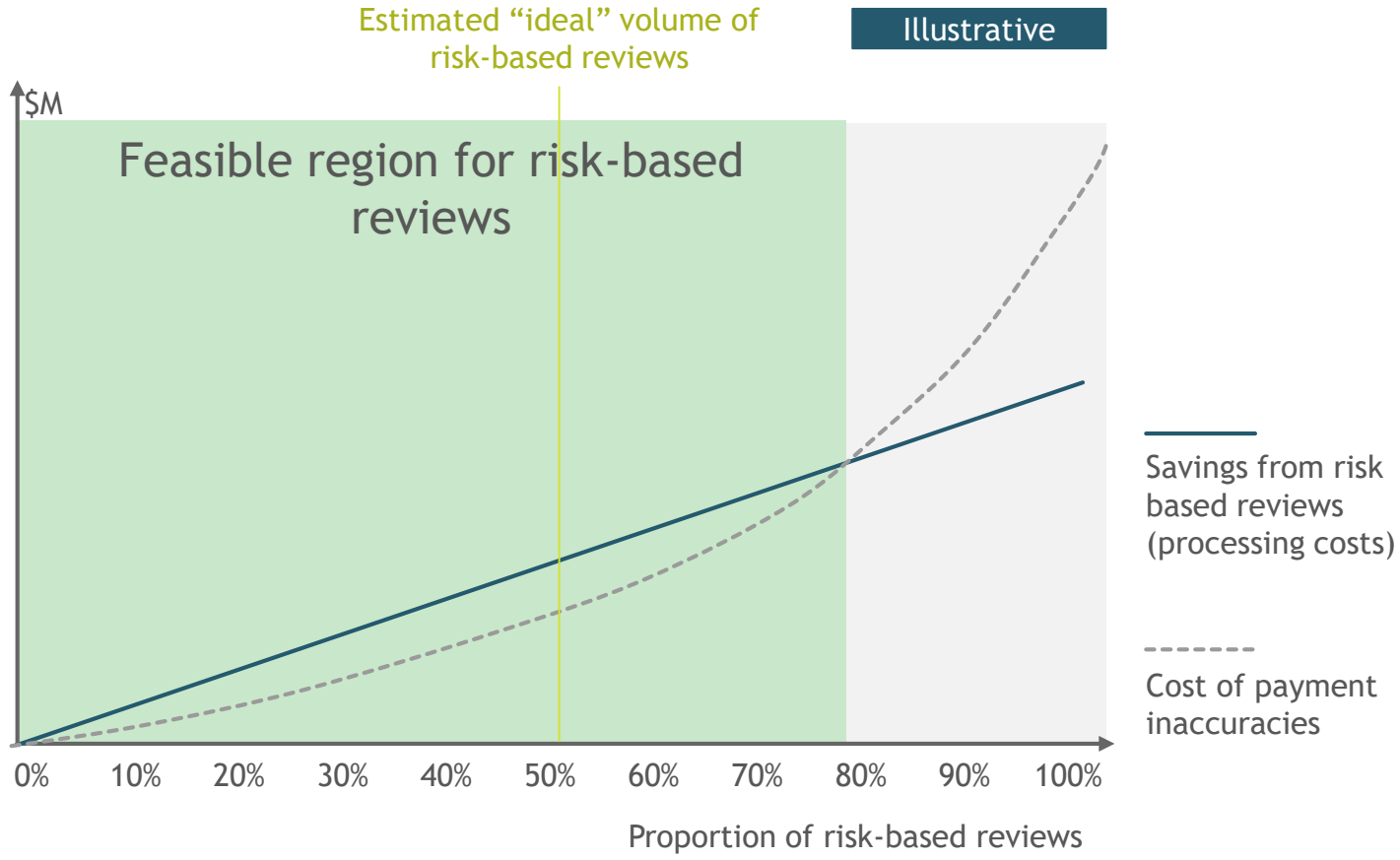
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Initial steps would be to quantify whether predictive analytics approach is feasible for MOCA, Rental Verifications and Assets Test

1. **Baseline processing costs of interventions today**
   - Rapid process mapping
   - Align with finance team on cost of each step
2. **Baseline outlay savings from interventions today**
   - Review outcomes data on existing interventions
   - Align on view of outlay savings
3. **Quantify likely model predictive power, with "strong" and "weak" case**
   - Review available data depth and quality
   - Diagnostics on predictive value of data
   - Compare against best-practice predictive models in similar applications to benchmark likely model efficacy and predictive power
4. **Quantify potential volume of reviews that could be set aside if model built, and potential savings generated**



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We recommend structuring the delivery of this work into three phases, with a go/no-go decision after the second phase

go/no-go

Data and diagnostic

2 weeks

- Data collection and access requests
- Rapid diagnostics for early view of predictive value of data
- Identify highest value payment-compliance combinations

Quantify feasibility, prepare model build

4 weeks

- Baseline costs and savings for the selected compliance intervention types
- Benchmarks to estimate predictive power of model
- Quantify likely net savings from model build and deployment
- Data processing and feature engineering for initial model build

Build model, trial and deploy

8 weeks

- Build first draft prediction model, test and refine
- Trial performance of model and program on random sample
- Design predictive compliance pilot (best use of model)
- Simplify/rationalise model for ongoing operational use

Expand and scale

- Expand predictive approach to additional types of compliance intervention
- Industrialise prediction model, embed into BAU processes, build ongoing capabilities

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Case study: Creating a risk function in a government welfare agency

Situation

Government department responsible for all welfare payments using highly manual processes, e.g.,:

- Digital data re-keyed into mainframe
- All communications with recipients hard-coded in mainframe

Core system transformation program under way

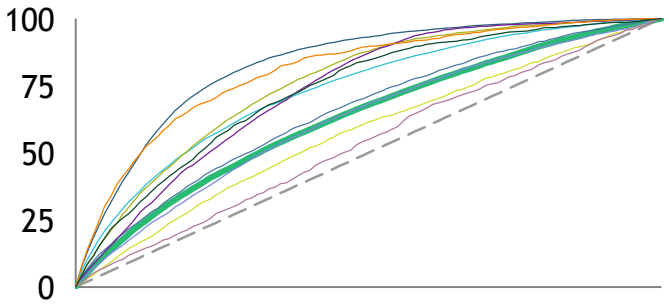
Most human intervention to be removed and information from claimants to be taken at face value

But how to decide which claims need human checking?

What was done

Built proof-of-concept model

- Bayesian logistic regression + Random Forest models



Developed specifications for world-class function – both IT and people/processes

Quantified optimal trade-off between number of human checks and extent of any extra risk likely to be introduced

- Optimised Monte-Carlo model

Outcome

Proved a risk function would be valuable

- Demonstrated that risk is concentrated in identifiable sub-groups of claimants, but that a general risk score (as had been envisaged) would not be effective

Gave confidence to go ahead with automated processing

- Quantified residual risk remaining

Specified system needed

- Developed >500 business requirements for function
- Identified technical needs (e.g., database size and access times, processing speeds)

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Suggested next steps

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Suggested next steps, for those leading this work

1. **Finalise Stage 1a analysis with input from senior stakeholders, and circulate "Discussion Paper" as appropriate**
   - Progress segmentation analysis of the ~400k entrants who are new to the welfare system (commenced, with DSS data team to progress)
   - Conduct briefings for other agencies as required

2. **Continue iterating Stage Two policy options and costings in line with feedback from senior stakeholders**
   - For discussion: Helpful to brief the Minister in-person?

3. **Upkeep and further progress the model as a tool for policy teams in DSS**
   - Use to support decision process for Jan-Jun 2021 policy settings
   - Continue adding desired features in line with Backlog, e.g. pensions, family payments, further supplement consolidation, interactions between payments

4. **Monthly check-ins with Project Team, DSS policy team and DSS data/modelling team for Q&A on the model, and coaching as requested**

5. **Consider approach to progressing predictive-analytics enabled compliance capability (e.g. three phase approach to gather data, quantify feasibility, then build and deploy model)**
   - Potential for an initial focus on MOCA and asset test, delivering a proof of concept and investment case, then a deployable capability in ~14 weeks

6. **At the appropriate time, consider building out a separate model for FTB and family payments, to support policy design process on those topics**

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Backup: Model backlog

No.	Category	Task	Blockers	Effort	Status
1	New feature	Member of Couple Assessment – enable [xx]% shift of single claimants to couple rates from Oct '20 onwards	• Policy options defined	0.5-1 days	Not started
2	New feature	Household income test – ability to switch on new income test construct that treats household as single unit	• Policy options defined	0.5-1 days	Not started
3	New feature	Interactions between payments – estimate flow on volume impacts of policy setting changes to any given payment (e.g. FTB, JSP to PPP)	• Bluebook extract: historical flows	2-3 days	Not started
4	New feature	Family Tax Benefit – rebuild existing FTB payment feature to handle more detailed policy setting adjustments (e.g. differentiate single parents) (Note: Could structure as a separate model build, to handle full range of family payments and interactions)	• Policy options defined	2-3 days	Not started
5	Update	July recipient volumes – update recipient volume forecasts to reflect July actuals for job loss and recipients by payment (as part of handover)	• Blue Book July extract	<0.5 days	Not started
6	Update	Independence – add test for Youth Allowance payments (live away from home, partnered currently used as proxy)	• Data on split by YA cohort	0.5-1 days	Not started
7	Update	Partner income test – tie partner income free area to the recipient cohort cut-off; the IFA is in practice calculated separately for each recipient		0.5-1 days	Not started
8	Update	Payment consolidation to avoid major rate shifts – for example, long-term student rates abolished as part of JSP and YAO merge option rather than modelled as a rate change		0.5-1 days	Not started

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Single Parents Addendum

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Four key decisions regarding Parenting Payment Single

These decisions build off the packages already outlined as Minimal Reform or Mid-Level Reform

	1 Lift Basic Rates by $50 rather than $25?	2 Exclude Pensioner Education Supplement from absorption?	3 Restrict eligibility for PPS to single parents of a child <6 years old	4 Grandfather recipients that would still be worse off?
Description	Lift payment rates for PPS by $50 p/f, rather than the $25 p/f costed as part of the three illustrative packages Note: Would also likely need to apply to JSP Principal Carers, but volume of these recipients is small (~4k)	Remove the Pensioner Education Supplement from the group of 11 being absorbed into the rate lift for allowance recipients. Would affect 11k PPS recipients and 2k JSP recipients Note: Would also likely need to apply to JSP Principal Carers, but volume of these recipients is small (~4k)	From the date of commencement of the measure, new applicants seeking the PPS rate of payment would have to have a child under the age of 6 years old Note: This assumes that existing recipients would be grandfathered, for their current youngest child (but not for new children not yet born by the commencement date	Grandfather the entitlements and payment rates of recipients who might be worse off under the decisions considered on this slide
Policy rationale	• Reduces the number of PPS recipients who would be worse off, after accounting for absorption of the 11 supplements, from 19k to 14.5k (assuming PES is still absorbed) • Provides a more meaningful rate lift of ~$30 p/f, after absorption of supplements, for most (~90%) of PPS recipients, supporting the narrative of greater support for most ISP recipients	• Substantially reduces the number of PPS recipients worse off as a result of the rate rise & supplement absorption (from 19k to 8.5k if a $25 p/f rate rise given, or from 14.5k to 4.5k if a $50 p/f rate rise given	• Simplifies the welfare system by aligning the eligibility for PPS and PPP style exemptions from mutual obligations • Provides an opportunity to engage single parents with employment services and employment earlier - improving long-term outcomes for families and children	• Ensures predictability for those welfare recipients already in the system • Supports perceptions of balance and equity in the overall reform package
Drawbacks, sensitivities	• Would cost a further $150m-$170m p.a., based on a volume of 244,000 PPS recipients	• Reduces the savings from abolition of the PES supplement by $15m-$25m • Leaves additional complexity in the welfare system	• May attract criticism by reducing the level of welfare payments to future single parents of children aged 6-7 years old • May attract criticism due to the earlier introduction of mutual obligations for single parents	• Increases complexity in the welfare system in the short time • Likely requires additional outlays during the grandfathering period

Proportion of recipients better off under these three decisions further explored on next slide

Source: DSS Data as at 26 June 2020, Project analysis

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High level assessment: Number of PPS recipients better off under different combinations of choices

Assumes no grandfathering – that can be applied subsequently

Indicative analysis, should be further assessed & verified

	$25 rate lift, PES absorbed	$50 rate lift, PES absorbed	$25 rate lift, PES not absorbed	$50 rate lift, PES not absorbed
Eligible if young child <8 years old	Better off: 225k Worse off: 19k *Note: Those better off typically only $5-$10 p/f better off*	Better off: 229.5k Worse off: 14.5k	Better off: 235.5 Worse off: 8.5k *Note: Those better off typically only $5-$10 p/f better off*	Better off: 239.5k Worse off: 4.5k
Eligible if young child <6 years old (if no grandfathering)	Better off: 178k Worse off: 66k *Note: Those better off typically only $5-$10 p/f better off*	Better off: 182k Worse off: 62k	Better off: 186k Worse off: 58k *Note: Those better off typically only $5-$10 p/f better off*	Better off: 189.5k Worse off: 54.5k

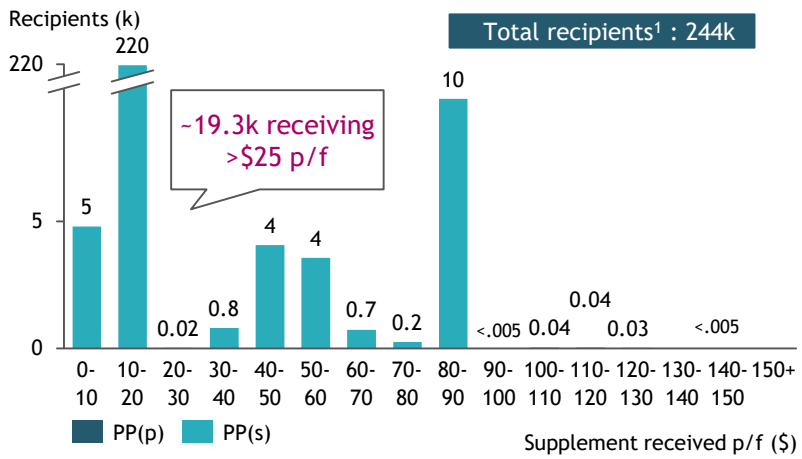
Note: Assumes total of 244k PPS recipients, as was the case in June 2020; Assessment of those better/worse off excludes Telephone Allowance (typically worth $5 p/f for PPS recipients), Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed
Source: DSS Data as at 26 June 2020, Project analysis

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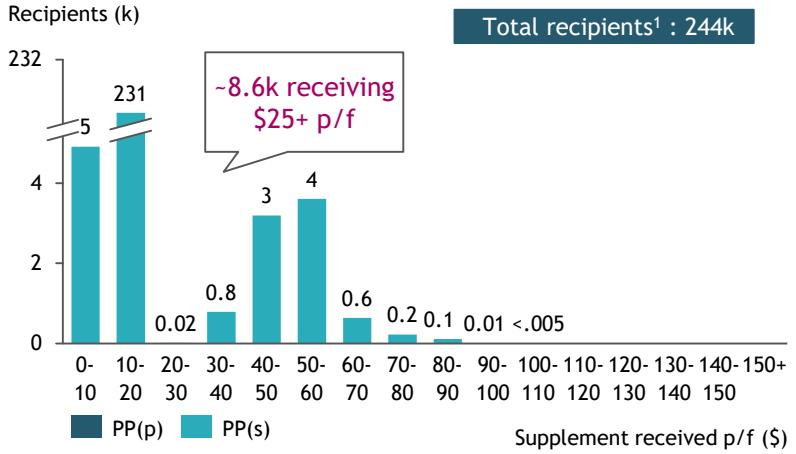
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Backup: PPS Supplement distributions

PPS supplement distribution including PES



PPS supplement distribution excluding PES



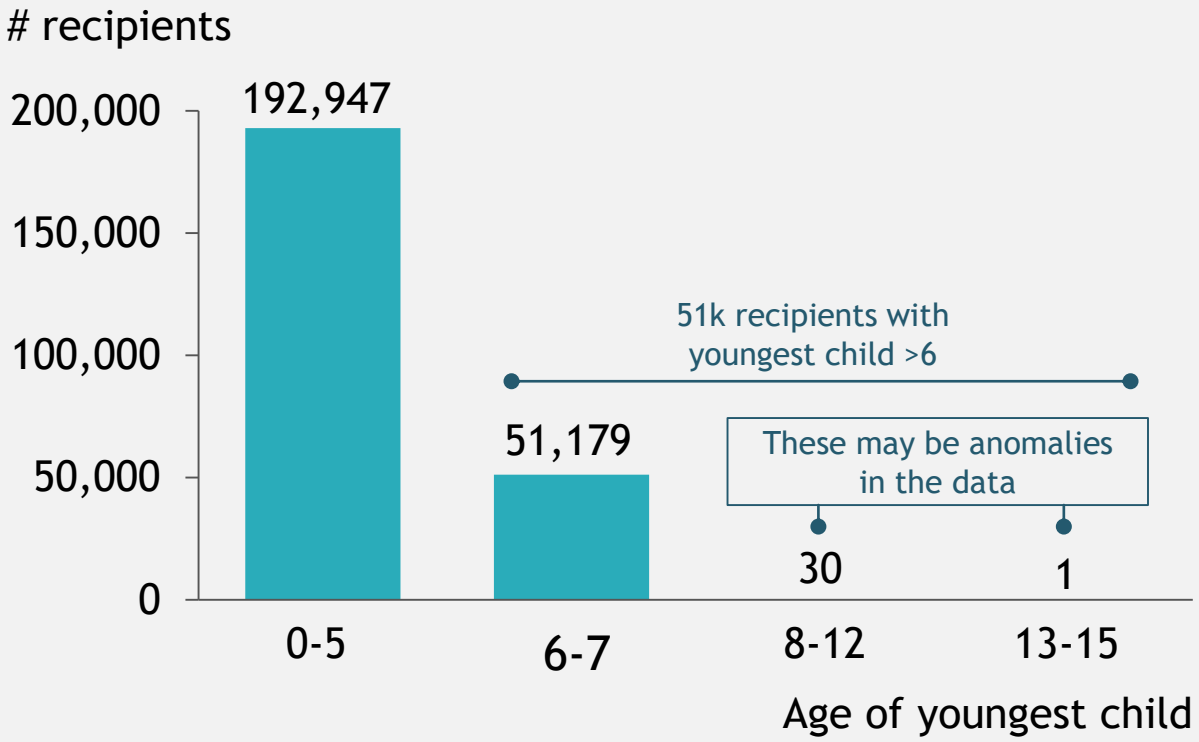
1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Charts exclude Telephone Allowance, Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed; Figures include recipients currently on suspended payments; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data as at 26 June 2020, Project analysis

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Backup: 51k current PPS recipients would be ineligible if maximum child age was reduced to 6

Age of youngest child of Parenting Payment (single) recipients today



Note: 31 recipients on PPS with youngest child >8 represents a possible data issue, but relatively few instances
Source: DSS data as at 26 June 2020; Project analysis

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Sharer rate

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Sharers Rate

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R2 Sharers Rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Single income support recipients without dependents who share rental accommodation receive less Commonwealth Rent Assistance (CRA) than those who do not share under 'sharers provisions'—but receive the same base rate of income support.

- The maximum sharer's amount of CRA is two-thirds of the single, non-sharer's rate ($93.07 per fortnight compared to $139.60).
- At 27 December 2020, 12.4% (160,427) of all income units* receiving CRA were assessed under sharer's provisions.

Base rates of income support do not take into account whether a person shares accommodation or not, despite the potential lower costs of living incurred by sharers.

*Data for CRA counts income units instead of individuals. An income unit refers to a single person or a couple. Single sharers are separate income units.

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$X	$X	$X	$X
Net impact on # recipients	-	X	X	X	X

REQUIRES UPDATE

Potential reform / policy settings

Stage One | Stage Two

Create a new 'sharers rate' of income support for singles who share accommodation and abolish CRA sharers provisions.

- The sharer's rate could be set at the partnered rate, plus two-thirds of the difference between the partnered and single rate.
- This lower base rate for sharers may enhance the targeted nature of the social security system and reflects the 'economies of scale' which sharers typically benefit from
- The sharers rate would apply to all those who share accommodation, not just those who rent privately.

While sharers would receive a lower base rate of ISP, abolishing CRA sharers provisions would mean some recipients would receive a higher overall total payment

- Current JSP sharers would be better off overall if they pay more than $273.09 rent a fortnight
- At 27 December 2020, the median rent paid by all CRA sharers was $304.44 a fortnight and by all JSP recipients was $400 a fortnight

Scenario: JSP sharer's rate of $547.40

- JSP sharers who currently receive maximum rate of CRA would lose $18.30 in base rate JSP a fortnight
- But would gain $46.53 in CRA a fortnight
- Making them overall **$28.23 better off a fortnight**

Impact on recipients vs Current Path

Cohorts better off

- **Current JSP/SB sharers paying more than $273.09 a fortnight rent**
- **Current YA and Austudy sharers paying more than $248.69 a fortnight rent**

(note: only around 12% of CRA income units are currently subject to sharer's provisions)

Cohorts less well off

- **Current JSP/SB sharers paying less than $273.09 a fortnight rent**
- **Homeowners who share**
- **All Age Pension sharers**

Timing considerations

- Announcing a rate reduction for some recipients before any rate increase for JSP recipients would likely be heavily criticised

Impact on policy goals

REQUIRES UPDATE

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions

- Sharer's rate would not apply to partnered recipients or those with dependents
- Sharer's rate would be set at the partnered rate, plus two-thirds of the difference between the partnered and single rate.
- Sharers provisions for CRA would be abolished and current single, non-sharer rate of CRA would remain the same

Risks

Risk	Severity	Likelihood
Legislation may not be supported by Parliament	M	M

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Deep Dive: Potential to add sharer rate category for key allowances, and abolish sharers provisions for Rent Assistance

Policy context

A sharer's rate may **enhance the targeted and needs-based design** of Australia's social security system by better ensuring that rates of support correspond to individual circumstances.

A sharer's rate which falls between the single and coupled base rates would **recognise the limited economies of scale that accompany shared accommodation.**

A sharer's rate would remove the need for existing sharers provisions for Rent Assistance, which could be abolished. Removing sharers provisions for Rent Assistance would likely offset the base rate reduction for sharers in the rental market and assist a cohort known to have an increased likelihood of experiencing housing stress.

Note, xx
Source: DSS data, Project analysis

From: Single rate category only with wide range of living costs

1. Singles paid the same base rate regardless of whether they live alone or share
2. Sharers provisions for Rent Assistance apply only to recipients in the private rental market, not home owners who share, or those in social housing

Pros:
- ✓ Couple/single payment rates a longstanding principle of the system and well understood
- ✓ Payment does not incentivise or disincentivise certain forms of accommodation

Cons:
- × Single rate arguably makes insufficient reference to economies of scale derived through shared accommodation
- × Single rate for those in shared accommodation arguably inconsistent with coupled rates

To: Single and sharer rate categories that reflect large living cost discrepancy

1. Sharer's rate set at the partnered base rate level plus two-thirds of the difference between the coupled and single base rates for each payment
2. Sharers provisions in Rent Assistance abolished, to avoid "double counting" the economies of scale of sharing a home
3. Current CRA exemptions from having the Sharer's provisions applied would now be available for those facing a sharer ISP rate

Pros:
- ✓ Savings to government
- ✓ Improves equity between private renters, and social housing renters and home owners
- ✓ Better targeting of support to cohorts typically under most pressure

Cons:
- × Adds complexity
- × Negative reception from stakeholders regarding payment adequacy
- × Administratively difficult

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Backup: Other options considered for design of sharers rate

Description

Preferred (reflected on previous slide)

1: New sharers rate created in ISPs, sharers rate in CRA abolished

Sharer rate created within JobSeeker, Age Pension, Youth Allowance Other and Student, and Austudy.
All the exemptions from CRA Sharers Rate would now be applied as exemptions from the ISP sharer rate (e.g. no right of access to a shared kitchen)

Payment	Single ($ p/f)	Sharer ($ p/f)	Partnered (no dependents) ($ p/f)
JobSeeker	565.70	547.40	510.80
Age Pension	860.60	790.00	648.70
Youth Allowance (other) + (student)	462.50	462.50	462.50
Austudy	462.50	462.50	462.50

2: New sharer's rate applied to all recipients who share an address

As per Option 1, however recipients would be determined to be sharing based only on sharing an address.

This could be simpler for those on payment as people with the same recorded address could be automatically matched as sharing.

This option is not simpler for determining people who share with people not on payment.

It also doesn't recognise the potentially higher costs for accommodation with separate kitchen or bathroom facilities.

Pros:
- ✓ Slightly less administratively complex for households with multiple people receiving payment

Cons:
- × Information not held on people not receiving payment
- × Doesn't recognise potential extra costs for independent accommodation

3: Introduce Sharer's Rate and retain sharers provisions for Rent Assistance

As per Option 1, however sharers rates for Rent Assistance would also be retained.

This option would retain the relatively higher level of support for those in the private rental market in comparison to homeowners.

However, all sharers would be worse off under this proposal, compared to option 1

Pros:
- ✓ Savings to government
- ✓ Retains relatively higher level of assistance for those in the private rental market

Cons:
- × Risk of "double counting" the financial benefits of sharing for recipients
- × Reduces payment rates
- × Administratively complicated
- × Potentially two layers of compliance (for base rate and for Rent Assistance)

Source: DSS data, Project analysis

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Thank you

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Business Advisory Panel – Work Order

SCHEDULE 3 OFFICIAL ORDER

Official Order number 90012506.

1. Context

This Official Order is issued and agreed pursuant to and subject to the terms and conditions of the Deed between Finance and the Boston Consulting Group dated 11 November 2015 (SON3305648).

2. Ordered Services

The Supplier will undertake a mid-term review of the Disability Employment Services (DES) program and evaluate the impact of the reforms and the performance of the program in relation to:

- delivering the Government's policy objectives to improve the employment outcomes of people with disability
- supporting people with disability to find and retain supported and/or open employment
- the full array of disability needs and supports, including episodic and psychosocial needs
- contestability of service delivery in regional and remote Australia
- other existing and complementary employment service programs, and
- national and international best practice.

The Supplier will also undertake additional research into partial capacity to work, payment rates for people with disability, and any other potential implications, which includes but is not limited to:

- consideration of implications from COVID-19
- alignment with payment rates and supplement rates and associated policy settings in the broader welfare system
- recommendations of previous reviews and their continued applicability, and
- any other matters the department deems relevant.

The Supplier will:

- provide a detailed project plan of an approach and methodology proposed to meet the objectives of the Review
- review and analyse literature, research, analysis and data. This includes information publicly available and available internally to the department
- engage with relevant stakeholders, including employers and participants; employer, disability and provider peak bodies; DES providers and interested government agencies
- provide the department ongoing research, which will be conducted over an eight-week period
- provide the department a report regarding the mid-term review of the DES program in two stages:

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- a draft report of the findings and recommended options for reform to the department and key government stakeholders, by 26 June 2020 and a final report no later than July 10; and
- final completion of all services by 31 August 2020, and no later than 30 October 2020

The Supplier will include an assessment of whether the current model is an appropriate model for:

- **Participants**, to support them to identify and find sustainable employment suited to their skills and ability to work.
- **Employers**, to ensure there are appropriate supports, including from DES providers, to recruit and retain suitably skilled jobseekers with disability; and
- **Service Providers**, to ensure the focus is appropriately on the needs of participants and employers to maximise employment outcomes for people with disabilities.
- **Government**, by boosting the employment participation of people with disability, raising the productive capacity of the workforce and delivering a positive return on investment and value for money service.

To support the Review within the timeframe, the Supplier will be assisted by departmental subject matter experts and have access to readily available program and expenditure data, and recent research and analysis on the program.

3. Policies, Standards and Guidelines

The Supplier must ensure that any goods and services proposed comply with all applicable Australian standards (or in its absence an international standard) including any requirements or standards specified in this Statement of Requirement. Potential Suppliers should note that they may be required to enable the Customer, or an independent assessor, to conduct periodic audits to confirm compliance with all applicable Australian or international standards.

Web Content Accessibility

The Supplier must ensure that any website, associated material and/or online publications (where applicable) complies with the Web Content Accessibility Guidelines available at: https://www.w3.org/WAI/intro/wcag.

Publications

Publications and reports (if any) must be drafted to comply with the current version of the Commonwealth's *Style Manual*.

4. Required Contract Material

The Supplier will provide:

- a detailed project plan, PDF or word
- a Draft Review Report
- a Final Review Report in the form of a MS Word document and an executive summary in MS PowerPoint.

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5. Commencement and Time frame

Contract Commencement Date:

30 April 2020

Time frame:

30 April 2020 to 31 October 2020 - Six (6) months)

The Department may, at its sole discretion and by providing the Supplier with written notice prior to the Completion Date, extend the Work Order for a further period of ***three (3) months*** (Additional Contract Period).

6. Specified Personnel

Trish Clancy, Managing Director and Partner

Miguel Carrasco, Managing Director and Partner

Mid-term review of the Disability Employment Services (DES) program

Dr Chloë Flutter, Managing Director and Partner

Dr Mark Bagshaw, Managing Director (Innov8 Consulting Group)

s 22 Associate Director

s 22 Project Leader

s 22 Program Analyst

s 22 Engagement Expert

s 22 Analysis and Engagement Team

TBC in late May 2020, Project Team Member

s 22 Employment Expert

s 22 Independent Consultant

s 22 Employment Expert

s 22 Employment Expert

s 22 Editor

Research

s 22 Project Lead

s 22 Senior Data Scientist

At the Department's request, BCG will provide additional project resources to support this research at the agreed rates under the Finance Business Services Advisory Panel Agreement.

7. Fees, allowances and costs

The total work order value must not exceed **$1,879,999.00 GST inclusive**.

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Due date	Milestone description	Total price (excl GST)	GST component	Total price (incl GST)
15-May-20	Project plan, including stakeholder engagement plan	$136,364	$13,636	$150,000
9-Jun-20	Commence field work	$136,364	$13,636	$150,000
15-Jun-20	Research	$800,000	$80,000	$880,000
26-Jun-20	Submit Draft Review Report	$363,636	$36,364	$400,000
7-Jul-20	Department agreement of Final Review Report	$181,818	$18,182	$200,000
31-Aug-20	Completion of all Services	$90,909	$9,091	$100,000
Total milestone payments		**$1,709,090**	**$170,909**	**$1,879,999**

8. Existing Material

None specified.

9. Commonwealth Material

The department will provide access to readily available program and expenditure data and recent research and analysis on the program, including access to agreed departmental data on the DES program and social security recipients, and available research and analysis on employer engagement, the process for referring jobseekers to DES, jobseeker insights and attitudes, and DES performance.

10. Security and privacy

Security Requirements include:

- All Personnel and Subcontractors who will or may have access to official information to execute a conflict of interest declaration; and
- All Personnel and Subcontractors who will or may have access to official information to obtain a security clearance to, at minimum, the Baseline level.

The cost of obtaining each security clearance will be borne by the Supplier. The Supplier must ensure that its Specified Personnel promptly provide to the Customer relevant details to assist with the security clearance process, and the Supplier must notify the Customer promptly in writing of any change in circumstances which is likely to affect the Customer's assessment of the Specified Personnel's entitlement to hold a security clearance.

Current AGSVA Vetting Fees and Charges can be found at http://www.defence.gov.au/AGSVA/corporate-industry-policy.asp

11. Service Provider's Confidential Information

(a) Contract Provisions/Schedules/Attachments

Item	Period of Confidentiality
none specified	

(b) Contract-related material

Item	Period of Confidentiality
none specified	

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12. Special Conditions

Condition	Clause of Deed Affected (if any)
Limitation of liability: The aggregate liability of the Service Provider in respect of any and all claims under clause 5.2.1 of the Deed of Standing Offer and any other indemnities the Service Provider is required to give shall be limited to the lesser of $20 million or 10 times the fees payable under the Official Order. In no event will the Service Provider be liable for any indirect, special, exemplary, incidental or consequential damages or direct or indirect damages arising from loss of business, data, profits or goodwill, whether arising out of contract (including under an indemnity), tort (including negligence), statute or otherwise relating to this Deed of Standing Offer.	5.2.1
Licence to use Intellectual Property: Subject to clause 4 of the Contract Terms and Conditions, the Department grants to the Service Provider a permanent, irrevocable, royalty-free, worldwide, non-exclusive licence (including a right of sub-licence) to use, reproduce, publish, and communicate the Intellectual Property in the Contract Material including knowledge of business principles, analytical concepts, approaches, methodologies, models, processes, formats and ideas which were created or developed by the Service Provider in the course of performing the services subject to the Service Provider using only de-identified versions of the Contract Material. De-identified version of the Contract Material are versions from which the Service Provider has removed any information at any time disclosed (whether in writing or orally) to the Service Provider in performing the Services, which is by its nature confidential; is designated, or marked, or stipulated as confidential; or the Service Provider knows or ought to know is confidential.	4

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Signed for and on behalf of the Commonwealth of Australia, represented by Department of Social Services by:

George Sotiropoulos
Finance's Representative

s 22

.....
Signature

11th May 2020.....

Date

Signed for and on behalf of The Boston Consulting Group Pty Ltd

(ABN 70 007 347 131)

by:

Trish Clancy
Service Provider's Representative

s 22

.....
Signature

7th May 2020.....
Date

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Australian Government

Department of Social Services

DEED OF VARIATION

To Official Order Number: 90012506

Between: COMMONWEALTH OF AUSTRALIA
represented by the Department of Social Services

and The Boston Consulting Group Pty Ltd
ABN 70 007 347 131

for: the provision of Review of Disability Employment Services and Research into Partial Capacity to Work payment rates

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DSS - FOI LEX 46667 - MR22/00379 - Document 7

THIS DEED OF VARIATION is made on 29 June 2020.

BETWEEN

COMMONWEALTH OF AUSTRALIA (**the Commonwealth**) as represented by the Department of Social Services (**the Department**)

AND The Boston Consulting Group Pty Ltd (**the Supplier**) ABN 70 007 347 131, an Australian company incorporated in accordance with the Corporations Act 2001 and having its registered office at Canberra, ACT.

PURPOSE

A. The Supplier and the Commonwealth, represented by the Department, entered into Official Order Number 90012506 dated 11 May 2020 (**the Contract**) for the provision of the Review of Disability Employment Services and Research into Partial Capacity to Work payment rates pursuant to and subject to the terms and conditions of Deed Number SON 3305648 between the Finance and the Supplier.

B. The parties have agreed to certain variations to the rights and obligations contained in the Contract.

C. The parties wish to formally record those variations in the form of this Deed of Variation.

IT IS AGREED

1. The Contract is varied by the following amendments:

Delete item:

7. Fees, allowances and costs

The total work order value must not exceed **$1,879,999.00 GST inclusive**.

Due date	Milestone description	Total price (excl GST)	GST component	Total price (incl GST)
15-May-20	Project plan, including stakeholder engagement plan	$136,364	$13,636	$150,000
9-Jun-20	Commence field work	$136,364	$13,636	$150,000
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31-Aug-20	Completion of all Services	$90,909	$9,091	$100,000
Total milestone payments		**$1,709,090**	**$170,909**	**$1,879,999**

of the Work Order, and **Replace** it with new item:

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8. Fees, allowances and costs

The total work order value must not exceed **$2,760,000.00 GST inclusive**.

Due date	Milestone description	Total price (excl GST)	GST component	Total price (incl GST)
15-May-20	Project plan, including stakeholder engagement plan	$136,364	$13,636	$150,000
9-Jun-20	Commence field work	$136,364	$13,636	$150,000
15-Jun-20	Initial Research of PCW payment rates	$800,000	$80,000	$880,000
26-Jun-20	Submit Draft Review Report	$363,636	$36,364	$400,000
7-Jul-20	Department agreement of Final Review Report	$181,818	$18,182	$200,000
15-Aug-20	Final Research of PCW payment rates	$800,000	$80,000	$880,000
31-Aug-20	Completion of all Services	$90,909	$9,091	$100,000
Total milestone payments		**$2,509,091**	**$250,909**	**$2,760,000**

2. In all other respects the terms and conditions of the Contract remain unaltered.

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SIGNED as a Deed by the parties as at the date first above mentioned.

SIGNED by the COMMONWEALTH OF AUSTRALIA

acting through and represented by the Department of Social Services

by

Nathan Williamson

(Name of Commonwealth Representative)

s 22

(Signature of Commonwealth Representative)

IN THE PRESENCE OF

s 22

(Name of Witness)

Date 29 June 2020

s 22

(Signature of Witness)

Date 29 June 2020

SIGNED for and on behalf of THE BOSTON CONSULTING GROUP PTY LTD

(ABN 70 007 347 131)

by

MIGUEL CARRASCO

(Name)

s 22

(Signature)

IN THE PRESENCE OF

s 22

(Name of Witness)

Date

s 22

(Signature of Witness)

Date

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From: PATON, Kath
To: s 22
Cc: s 22 MCLARTY, Mary
Subject: FW: numbers of recipients with earnings [SEC=OFFICIAL]
Date: Wednesday, 6 May 2020 3:52:06 PM
Attachments: image004.png
image005.png
BCG resume - s 22 - Public Sector - November 2019.pptx
s 22 Resume_20191011.pdf
End of Sprint 1 discussion 1 May 2020 vMeeting Notes.pptx
image002.png
Importance: High

Dear s 22
As discussed, we are doing some work with BCG and are seeking access to DOMINO for two consultants with BCG, s 22 and s 22
Both CVs are attached and a high level summary of what we're trying to do is attached (titled End of Sprint 1 discussion). This is internal work at the moment that may inform future decision making, so it is not being discussed widely. I would appreciate it if this not be shared any more widely than necessary.
Many thanks

Kath

Kath Paton
Branch Manager
Participation and Supplementary Payments
Participation Payments and Families Group
Department of Social Services
P: s 22 **M:** s 22 **E:** kath.paton@dss.gov.au
DSS acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to elders both past and present.

From: s 22
Sent: Monday, 4 May 2020 10:56 PM
To: PATON, Kath
Subject: Fwd: numbers of recipients with earnings [SEC=OFFICIAL]

From: s 22 @bcg.com>
Date: 4 May 2020 at 9:58:23 pm AEST
To: s 22 @bcg.com>, s 22 @dss.gov.au>
Cc: s 22 @dss.gov.au>
Subject: RE: numbers of recipients with earnings [SEC=OFFICIAL]
Hi s 22
See attached also for a recent CV for me.
Many thanks
s 22

—

s 22
Project Leader
M s 22

From: s 22
Sent: Monday, 4 May 2020 9:49 PM
To: s 22 @dss.gov.au>
Cc: s 22 @dss.gov.au>; s 22 @bcg.com>
Subject: RE: numbers of recipients with earnings [SEC=OFFICIAL]
Thanks for the reminder. See resume attached.
Cheers, s 22

s 22
THE BOSTON CONSULTING GROUP
Mobile s 22

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From: s 22 @dss.gov.au]
Sent: Monday, 4 May 2020 9:01 PM
To: s 22 @bcg.com>
Cc: s 22 @dss.gov.au>; s 22 @bcg.com>
Subject: RE: numbers of recipients with earnings [SEC=OFFICIAL]

Hi s 22

That's right – I'll see if I can dig out some more granular data on the income distributions (as up to date as possible – as those flowing on recently might have changed some of these proportions).

s 22

PS - Just a reminder if you could send me a CV (we need it as part of the process to get you access to data)

From: s 22 @bcg.com>
Sent: Monday, 4 May 2020 8:55 PM
To: s 22 @dss.gov.au>
Cc: s 22 @dss.gov.au>; s 22 @bcg.com>
Subject: RE: numbers of recipients with earnings [SEC=OFFICIAL]

Thanks s 22! Super helpful.

Just to clarify, does this mean that:

- We expect approx. 80% of JobSeeker recipients to have $0 earnings, and
- Of those who do earning an income, approx. 40% earn less than $500 per fortnight.

For context, in the model we currently assume (crudely) that 75% of the JobSeeker recipients earn less that the IFA threshold, with the remaining 25% spread evenly across the income ranges below cut-off. I'm trying to sense check whether this is a good placeholder assumption for now. (Note, eventually will seek to replace with distributions directly from blue book data.)

Cheers,

s 22

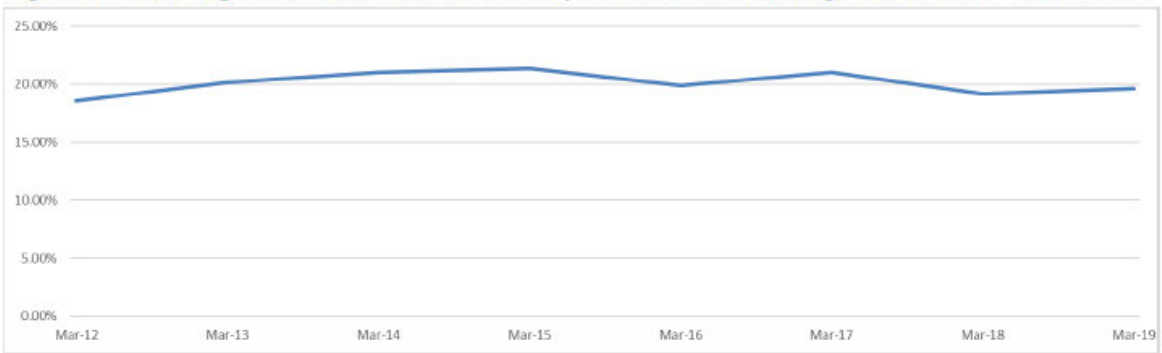
---

s 22
THE BOSTON CONSULTING GROUP
Mobile s 22

From: s 22 [mailto s 22 @dss.gov.au]
Sent: Monday, 4 May 2020 2:33 PM
To: s 22 @dss.gov.au>; s 22 @dss.gov.au>; s 22 s 22 @bcg.com>; s 22 @bcg.com>
Cc: s 22 @dss.gov.au>
Subject: numbers of recipients with earnings [SEC=OFFICIAL]

Afternoon all, just to throw some figures in the mix related to our discussion on tapers and income free areas, please see below some graphs from the Newstart Adequacy inquiry submission (so a little old, but could be updated relatively easily)

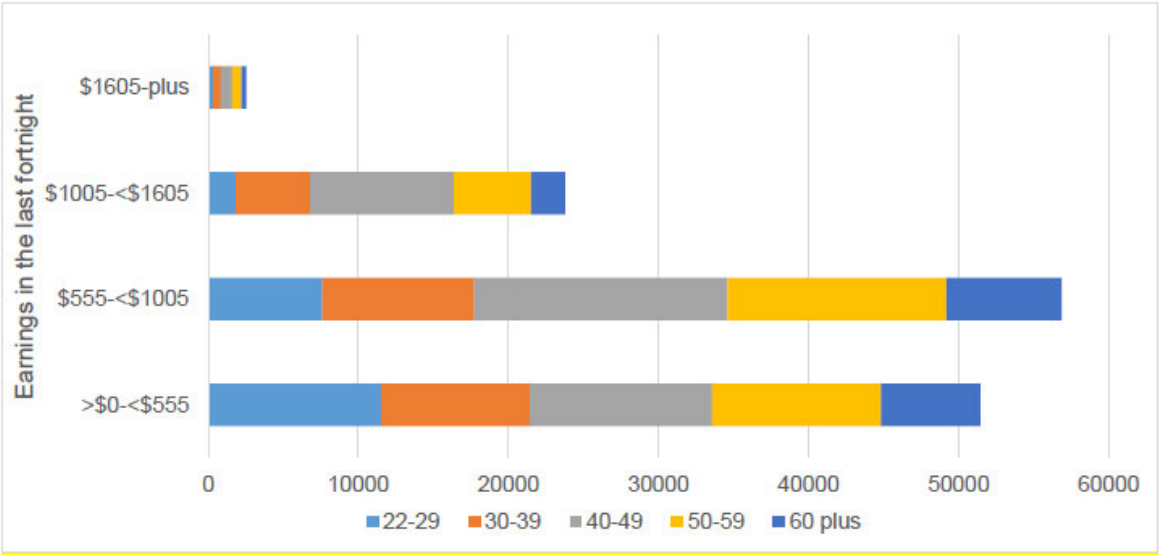
Figure 7: Percentage of Newstart Allowance recipients who had earnings March 2012 – March 2019



Source: Services Australia administrative data (DSS extract)

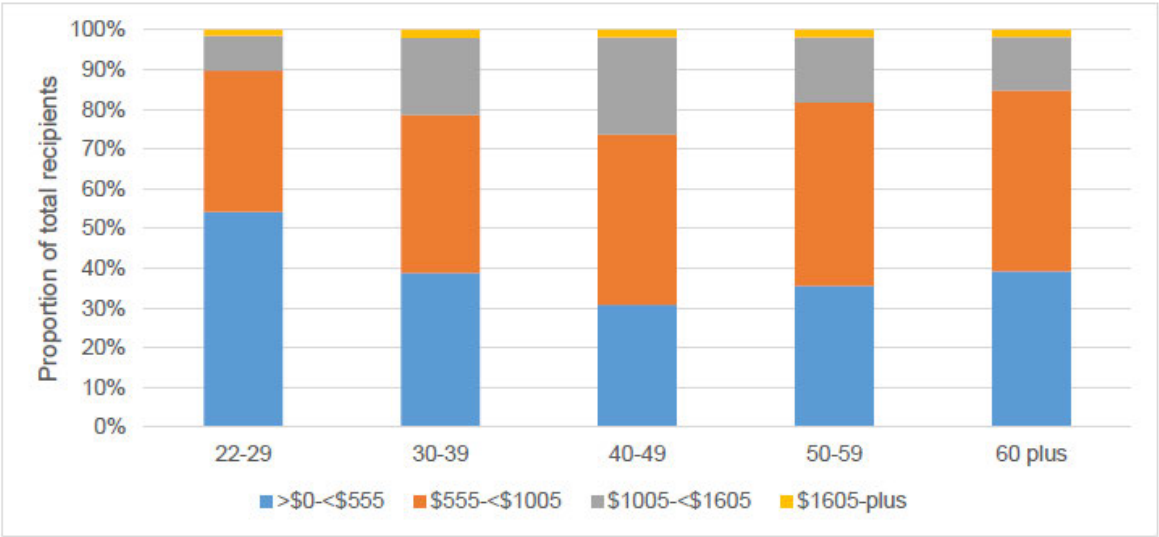
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Figure 8: Earnings by age bracket



Source: Services Australia administrative data (DSS extract)

Figure 9: Fortnightly earnings of Newstart Allowance recipients by age group in percentage as at March 2019



Source: Services Australia administrative data (DSS extract)

s 22
Director
Participation Policy
Participation and Supplementary Payments Branch
Department of Social Services
P: s 22 **E:** s 22 @dss.gov.au **M:** s 22

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Thank you.

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Progress in Sprint 1

DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Modelling approach: Options built from modular features

Will start with "core" set of features, can add more with time to increase fidelity and breadth

Core feature
Modular feature

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Should include a Base macro scenario - so we can see the delta from the pre-COVID budget numbers. Use figures from 19-20 MYEFO

Should inform our scenarios based on GFC recovery - who returned to workforce first, which sectors recovered best, who is still on

Model logic

Illustrative policy options

"Snap Back"
Revert to policy settings per-COVID

"Soft Landing"
Partially maintain rate increases for most vulnerable and some standardisation

"New 3-tier payment"
Broader reform of working age payments, focused around a new 3-tier payment

Calculations

Policy features

- Macroeconomic Outlook
- Eligibility Requirements
- Max Payment Rates
- Income Limits & Tapers
- Asset Limits & Tapers
- Indexation Rules
- Supplements
- Income definitions & assessment period
- Waiting Periods
- ...

AAsten to source perspectives from BHI on likely shape/balance of recovery pathway

Data sources
(current view)

- Dummy data
- Social Security Guide
- Social Security Guide
- Dummy data
- Dummy data
- Dummy data
- N/A
- N/A
- N/A
- N/A

Next steps

- Source Treasury scenarios
- Sense check logic
- Sense check logic
- Add Blue Book data
- Add Blue Book data
- Source ABS index forecasts
- Draft feature logic
- Draft feature logic
- Draft feature logic
- ...

JC and AAbel to discuss on data sources / best approach to sharing

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s 22

From: SocialSecurityExecutive <SocialSecurityExecutive@dss.gov.au>
Sent: Thursday, 7 May 2020 3:32 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Subject: RE: Research for DES Review [SEC=UNOFFICIAL]

Working on it

Kind regards,

s 22

---

s 22
Executive Officer | Nathan Williamson
Deputy Secretary | Social Security
Department of Social Services
P: s 22 **M:** s 22 **E:** s 22 @dss.gov.au

DSS acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to elders both past and present.

From: WILLIAMSON, Nathan
Sent: Thursday, 7 May 2020 2:59 PM
To: SocialSecurityExecutive
Subject: FW: Research for DES Review [SEC=UNOFFICIAL]

Can we work to get this in the work order.

From: Carrasco, Miguel s 22 @bcg.com>
Sent: Thursday, 7 May 2020 11:06 AM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Subject: RE: Research for DES Review [SEC=UNOFFICIAL]

Hi Nathan

The revised version looks OK to me. All good to proceed. Have inserted the updated figures and additional consultant. Thanks very much for sorting this out.

Cheers
Miguel

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—

Miguel Carrasco
Managing Director and Senior Partner
T s 22
M s 22

From: WILLIAMSON, Nathan s 22 @dss.gov.au]
Sent: Thursday, 7 May 2020 10:53 AM
To: Carrasco, Miguel s 22 @bcg.com>
Subject: RE: Research for DES Review [SEC=UNOFFICIAL]

Hi Miguel – as per your message can we go with the 8 week option (and update below) . I've also made some amendments below. If ok with you we'll include in the work order.

Nathan

From: Carrasco, Miguel s 22 @bcg.com>
Sent: Friday, 24 April 2020 3:16 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Cc: Clancy, Trish s 22 @bcg.com>; s 22 @bcg.com>
Subject: Research for DES Review

Hi Nathan

As discussed, here is a suggestion on how you could describe the scope of the proposed research work for inclusion in the DES Review work order:

A work stream to undertake additional research into partial capacity to work, payment rates for people with disability, and any other potential implications, which includes but is not limited to:

- Consideration of implications from COVID-19
- Alignment with payment rates and supplement rates and associated policy settings in the broader welfare system
- Recommendations of previous reviews and their continued applicability
- And any other matters the department deems relevant

This research is to be conducted over an eight-week period commencing Monday 20 April, and is able to extended by the department for further increments of 2 weeks at their request.

The cost of the research over eight weeks is $800,000 excl. GST (or $880,000 incl. GST), and includes a dedicated Project Leader, a dedicated Senior Data Scientist, a consultant and senior leadership from Miguel Carrasco, Trish Clancy, and s 22 . At the Department's request, BCG will provide additional project resources to support this research at the agreed rates under the Finance Business Services Advisory Panel Agreement.

Cheers

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DSS - FOI LEX 46667 - MR22/00379 - Document 9

Miguel

—

Miguel Carrasco
Managing Director and Senior Partner
CEO Platinion Asia-Pacific
T s 22
M s 22
Sydney, Australia

Assistant: s 22 @bcg.com
T s 22

The Boston Consulting Group Pty. Ltd.

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Thank you.

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s 22

From: s 22 @dss.gov.au>
Sent: Thursday, 7 May 2020 6:27 PM
To: s 22 @dss.gov.au>; WILLIAMSON, Nathan
s 22 @dss.gov.au>
Cc: SOTIROPOULOS, George s 22 @dss.gov.au>
Subject: RE: FOR INPUT: DES Review - BCG Work Order [SEC=UNOFFICIAL]

Thanks for this s 22 and Nathan

I'll send a final copy to you once signed.

Could I also confirm if the research project will be managed by your area and if you'd like me to assist with the payment of any invoices?

Kind regards

s 22

From: s 22
Sent: Thursday, 7 May 2020 5:04 PM
To: s 22 ; WILLIAMSON, Nathan
Cc: SOTIROPOULOS, George
Subject: RE: FOR INPUT: DES Review - BCG Work Order [SEC=UNOFFICIAL]

s 22

Thanks for your assistance – Nathan has approved the attached amendments to incorporate the research project. To accommodate the changes I've had to make some minor edits to your text – I've tracked all the changes.

Please let me know if there are any issues.

When you have a signed/final copy, can we also get a copy for our records.

Kind regards,

s 22

---

s 22
Executive Officer | Nathan Williamson
Deputy Secretary | Social Security

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by the Department of Social Services

Department of Social Services
P: s 22 **M:** s 22 **E:** s 22 @dss.gov.au

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From: s 22 @dss.gov.au>
Sent: Thursday, 7 May 2020 3:06 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>; s 22 s 22 @dss.gov.au>
Cc: SOTIROPOULOS, George s 22 @dss.gov.au>
Subject: FOR INPUT: DES Review - BCG Work Order [SEC=UNOFFICIAL]

Hi Nathan

As requested through s 22 please find attached the work order for BCG for the DES Review. For your input please.

Regards

s 22

Director Support Programmes and Employer Engagement
Disability and Carer Reform Branch
Department of Social Services
P: s 22 **E:** s 22 @dss.gov.au

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s 22

From: Carrasco, Miguel s 22 @bcg.com>
Sent: Thursday, 7 May 2020 11:06 AM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Subject: RE: Research for DES Review [SEC=UNOFFICIAL]

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Cheers
Miguel

—

Miguel Carrasco
Managing Director and Senior Partner
T s 22
M s 22

From: WILLIAMSON, Nathan s 22 @dss.gov.au]
Sent: Thursday, 7 May 2020 10:53 AM
To: Carrasco, Miguel
Subject: RE: Research for DES Review [SEC=UNOFFICIAL]
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From: Carrasco, Miguel s 22 @bcg.com>
Sent: Friday, 24 April 2020 3:16 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Cc: Clancy, Trish s 22 @bcg.com>; s 22 @bcg.com>
Subject: Research for DES Review
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A work stream to undertake additional research into partial capacity to work, payment rates for people with disability, and any other potential implications, which includes but is not limited to:

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- Alignment with payment rates and supplement rates and associated policy settings in the broader welfare system

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- Recommendations of previous reviews and their continued applicability
- And any other matters the department deems relevant

This research is to be conducted over an eight-week period commencing Monday 20 April, and is able to extended by the department for further increments of 2 weeks at their request.
The cost of the research over eight weeks is $800,000 excl. GST (or $880,000 incl. GST), and includes a dedicated Project Leader, a dedicated Senior Data Scientist, a consultant and senior leadership from Miguel Carrasco, Trish Clancy, and s 22 . At the Department's request, BCG will provide additional project resources to support this research at the agreed rates under the Finance Business Services Advisory Panel Agreement.
Cheers
Miguel

—

Miguel Carrasco
Managing Director and Senior Partner
CEO Platinion Asia-Pacific
T s 22
M s 22
Sydney, Australia

Assistant: s 22 @bcg.com
T s 22

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From: s 22
To: WILLIAMSON, Nathan; MCLARTY, Mary; PATON, Kath
Cc: s 22 Carrasco, Miguel; Clancy, Trish
Subject: Canoe: Materials for 9am meeting
Date: Friday, 22 May 2020 6:17:34 AM
Attachments: image003.png
Sprint 3 - Mid-Sprint read-out v5.pdf

Hi Nathan, Mary, Kath
Looking forward to our discussion at 9am this morning. We are halfway through our current sprint, and so hope to use the time to share our work-in-progress views of:

- The more detailed cohort level analysis of the current trajectory
- The features of a potential 4th "illustrative option", including a 3-tier working age payment, and streamlining of FTB
- Key issues around a few discrete topics: MOCA, asset tests, and mature aged / PCW rates

Very happy to adjust as needed - please let us know if there is anything else top of mind that we should cover.
Best
s 22

—

s 22
Project Leader
M s 22

BCG BOSTON CONSULTING GROUP

-----Original Appointment-----
From: WILLIAMSON, Nathan s 22 @dss.gov.au]
Sent: Tuesday, 19 May 2020 4:12 PM
To: WILLIAMSON, Nathan; s 22 MCLARTY, Mary; PATON, Kath; s 22 Carrasco, Miguel; Clancy, Trish
Subject: 9.00 Canoe weekly catch-up [SEC=OFFICIAL]
When: Friday, 22 May 2020 9:00 AM-10:00 AM (UTC+10:00) Canberra, Melbourne, Sydney.
Where: Videoconference and dial in details in body of invite
You're invited to join NW Meet.
INTERNAL
To join from Cisco Jabber:
Click: sip:nw.meet@meet.dss.gov.au
Enter the passcode: 54321#
To join from video conferencing system:
Dial: nw.meet@meet.dss.gov.au
Enter the passcode: 54321#
EXTERNAL
To join from a SIP compatible video conferencing system:
Dial: nw.meet@meet.dss.gov.au
Enter the Call ID: 70026116#
Enter the passcode: 54321#
To join from an ISDN compatible video conferencing system:
Enter the video conference dial out prefix for your system. Check the system user guide or

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contact your IT support for further assistance.
Dial: 02 6285 7000
Enter the Call ID: 70026116#
Enter the passcode: 54321#
To join from Google Chrome or Mozilla Firefox:
Click: https://meet.dss.gov.au/invited.sf?secret=38MSjyc77rchhJnyuID.BA&id=70026116
Enter the passcode: 54321#
To join from a telephone (audio only):
Phone: 1800 850 744 (Australia toll free) or +61261469069 (if calling from outside Australia)
Enter the Call ID: 70026116#
Enter the passcode: 54321#

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Project Canoe

Sprint 3: Mid-sprint read-out

22 MAY 2020

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Objectives for today

Recap focus for Sprint 3	5 mins
Deeper dive into cohort impacts	10 mins
Initial view of 4th Option • New 3-Tier Working Age Payment • Student payments • FTB A & B	20 mins
Update on other key topics: • MOCA • Mature age / PCW rate • Assets tests	20 mins
Next steps	5 mins

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Recap: Areas of focus

Focus areas for Sprint 3

Explore a fourth illustrative option: "New 3-tier working age payment," and include consideration of a sharer rate

Detail out analysis on impact of changes to eligibility, assets test, partner income test, and the NARWP

Explore reform options for FTB & student payments (YA(s), Austudy, and ABSTUDY), Asset Tests, Waiting Periods, and consolidation of supplements

Continue adding policy features and reform levers to the model, and incorporate unit-level data to improve accuracy

Backlog for future sprints

Aligning indexation

Consolidating Waiting Periods

Streamline verifications (rental, ESC)

Simplify definitions of income

Develop an interactive dashboard for the model to allow real-time

...

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Deep dive into cohort impacts

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Blue text indicates where legislation required

Recap: Illustrative options to follow current C-19 measures

4th Option discussed later in this pack

	No leg. needed 1 Current glide path	Leg. req'd 2 Soften landing, increase reward for work	Leg. req'd 3 Higher long-term support, increase reward for work
Underlying principles	• Return rapidly to pre-COVID policy settings, minimise fiscal outlays	• Provide 4-6 month transition period, then back to pre-COVID settings • Greater reward for work	• Capture moderate reform opportunities • Greater reward for work, and greater support for those unlikely to find work
Changes to payments, eligibility, rates & supplements	• Return to Pre-COVID policy settings: - No Coronavirus supplement - JSP eligibility and partner income tests reverting - MOCA, rental verifications, and asset tests applying to current and new recipients • Simplify MOCA requirements & process	• Transition measures for 4 months: - Extend Coronavirus supplement at $200 p/f, & include it in Income Test - Grandfather current recipients re: eligibility, assets test, partner income test, verifications (excl. sole traders) • Roll Parenting Payment (P) and Special Benefit into JSP • Simplify MOCA requirements & process	• Create new rate within JSP for >55s and those with PCW <14 hrs/week (TBC) • Targeted lifts to payment rates by $50, part funded by ceasing Energy Supplement and Pharma Allowance for these payments • Roll Parenting Payments (S&P) and some Special Benefit recipients into JSP • Simplify MOCA requirements & process
Income tests/tapers	• Unchanged from pre-COVID settings	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers
Work incentives	• Unchanged from pre-COVID settings	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools
Financial Impact	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $33-41b (vs. ~$17b pre-COVID) In 2022: $18-27b (vs. ~$17b pre-COVID)	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $37-47b (+$4-6b vs. Current Path) In 2022: $19-28b (+$1b vs. Current Path)	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $34-44b (+$1-3b vs. Current Path) In 2022: $20-30b (+$2-3b vs. Current Path)

Figures are initial, to inform early discussions, require further work before being relied upon

Note: MOCA and working credit yet to be incorporated in modelling of financial and recipient #s

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Preliminary impact assessment – requires unit-level data to confirm and verify

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Updated: Cohort impacts of the three illustrative options

Changes from Sept 24th	Focus of discussion today 1 Current glide path Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	2 Soften landing, increase reward for work Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	3 Higher long-term support, and rewards for work Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
Drop in average payment rate ($ pf)[1]:	-$550 (~48% drop in total pmt)	-$550 (~52% drop in total pmt)	-$550 (~40-50% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~30-35% drop in total pmt)	-$500 (~44% drop in total pmt)	-$500 (~48% drop in total pmt)	-$500 (~35-45% drop in total pmt)
# Removed from payment[2]: EXCLUDES NARWP IMPACT	~57k	~1k	~1k	~10k	-	-	Less than ~57k	Low	Low
# Required to update info[3]:	~830k new recipients	~35k new recipients	~40k new recipients	-	-	-	~830k new recipients	~35k new recipients	~40k new recipients
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Delta in volumes due to JobKeeper eligibility, assets test, and partner income test differences. Still need to include impacts from reinstating the waiting periods (e.g. Newly Arrived Migrant Waiting Period). 3. Estimated as the difference in volumes from Feb '20 to forecasted Oct 20'. Includes providing information about assets, and proof of rental arrangements 4. Difference to Snap Back due to extended eligibility of sole traders, self-employed, etc. on JobSeeker payments. Note: Assumes base case economic scenario

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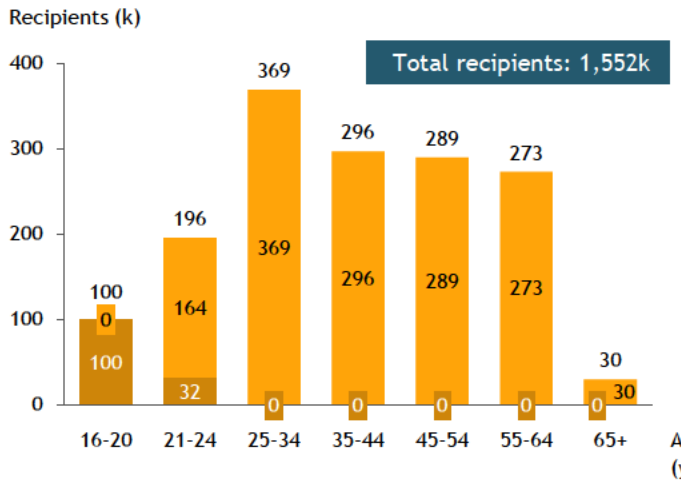
Preliminary impact assessment - requires unit-level data to confirm and verify

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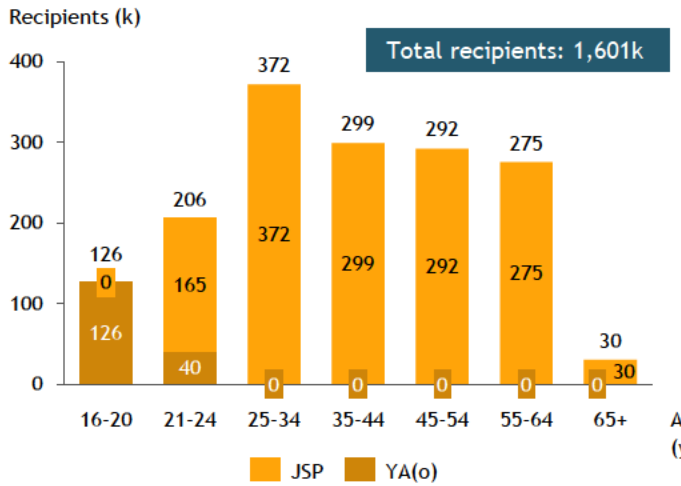
Context: Shape of welfare cohort in September 2020

Jobseekers

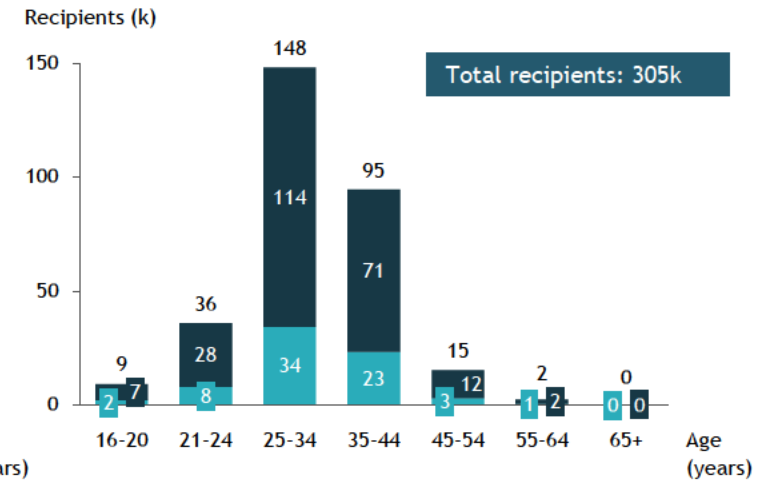
Current as at 1 May 2020)

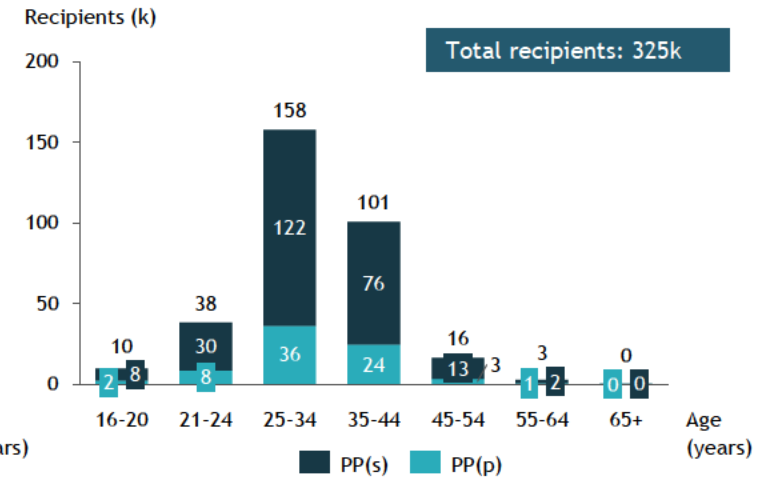


Expected at 24-Sep 2020

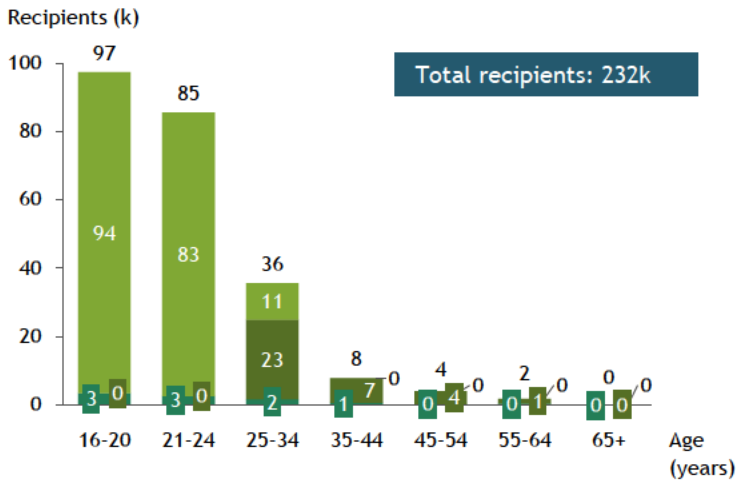


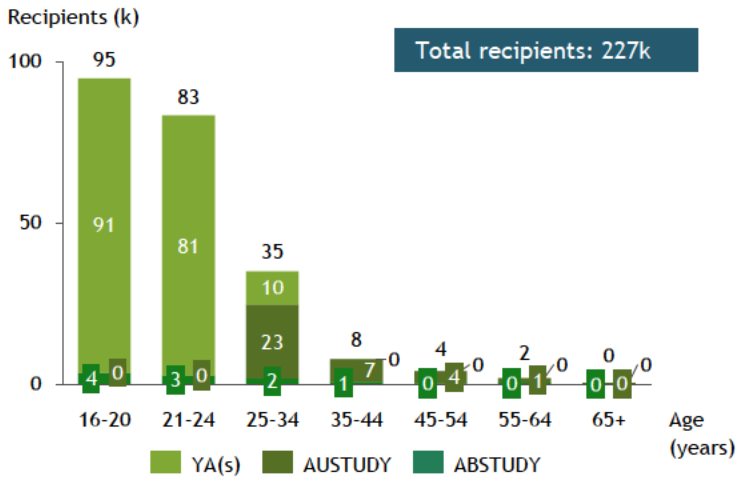
Parents of young children





Students





Note: Excludes recipients aged <16 years old; assumes Sep 2020 age distribution is the same as May 2020; total recipient figures exclude those on nil rates
Source: DSS Data

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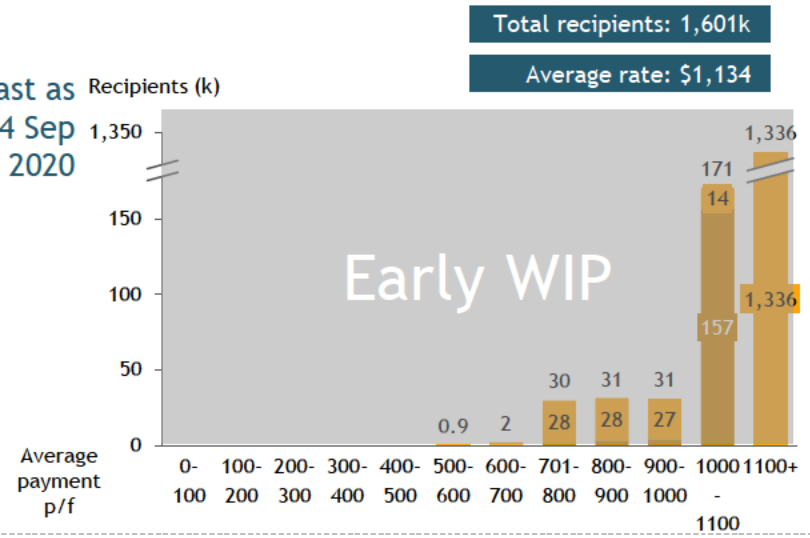
Preliminary impact assessment - requires unit-level data to confirm and verify

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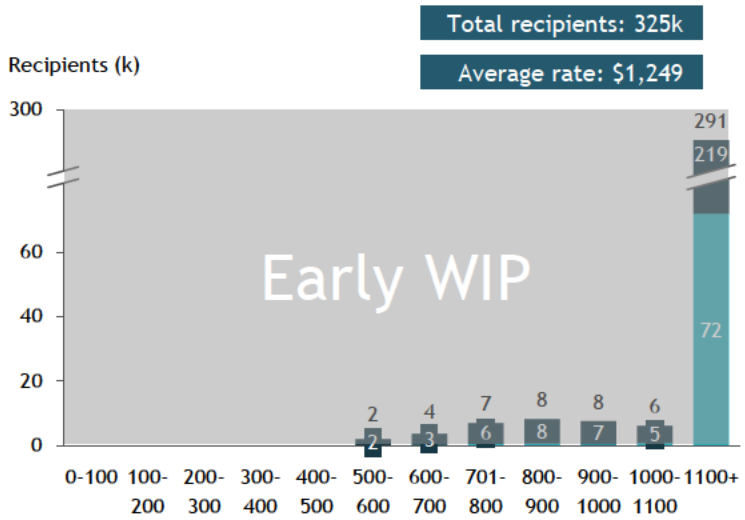
Current path: Significant shift in average payments

Jobseekers

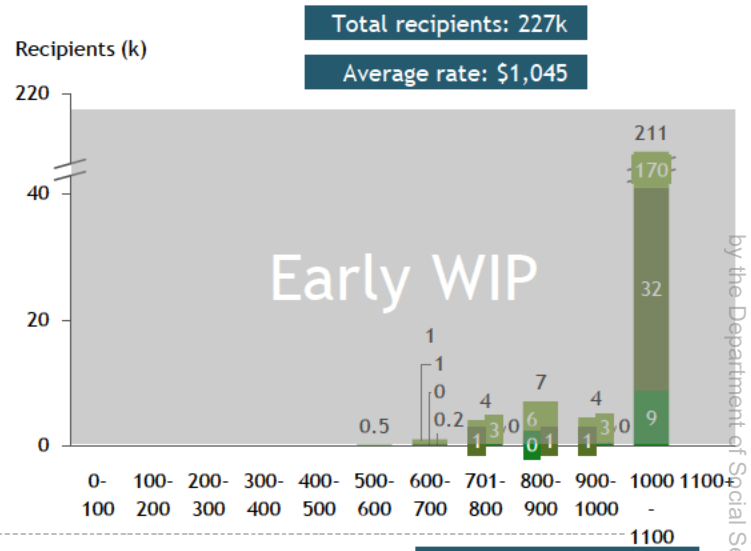
Forecast as at 24 Sep 2020

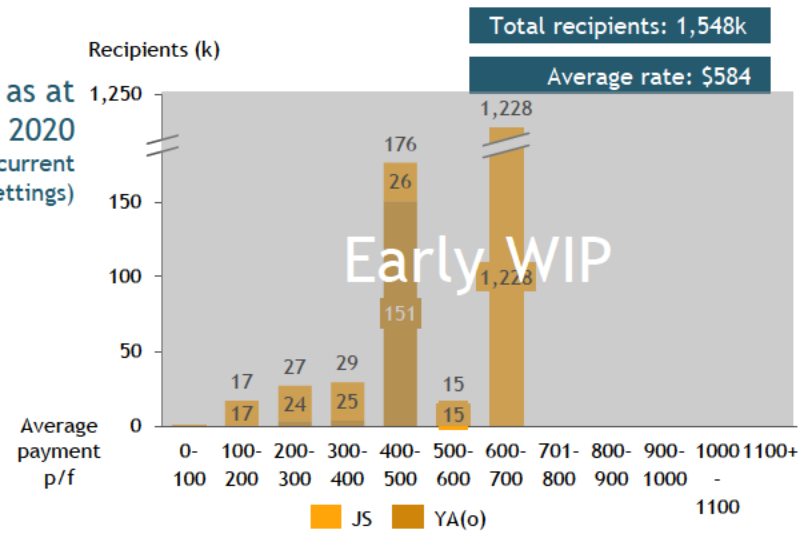


Parents of young children

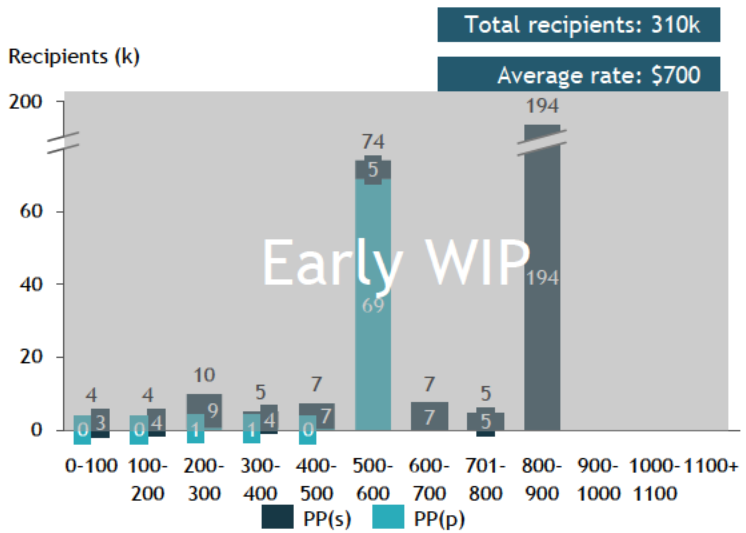


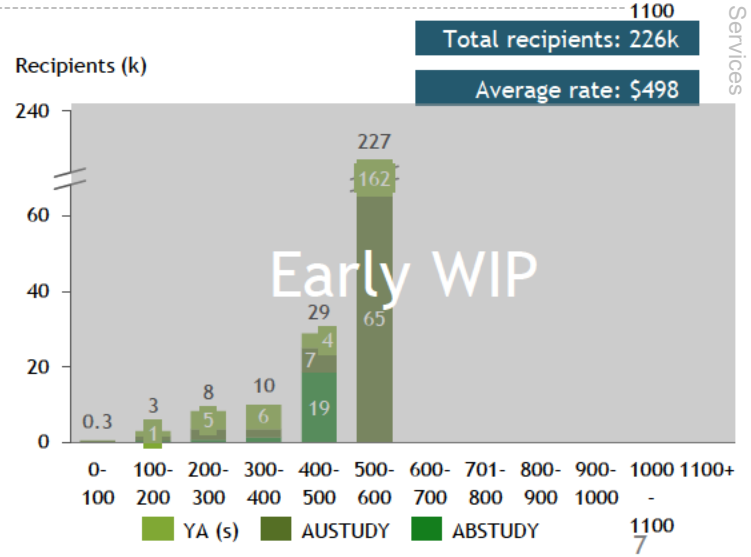
Students





Forecast as at 25 Sep 2020 (under current policy settings)





Note: Total recipient numbers on 25 September do not take into account NARWP reinstatement
Source: DSS Data, BCG analysis

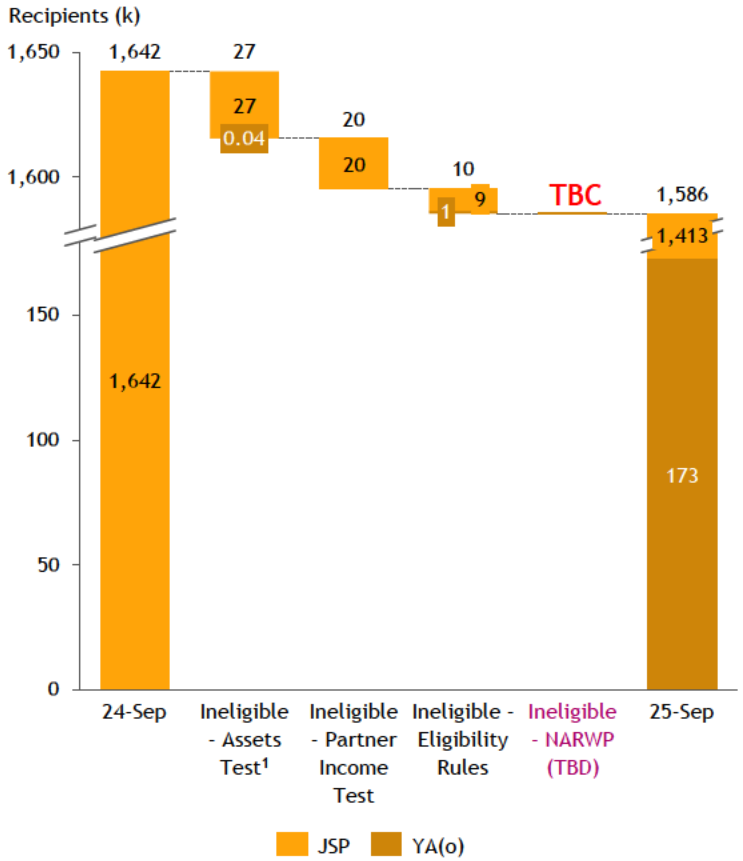
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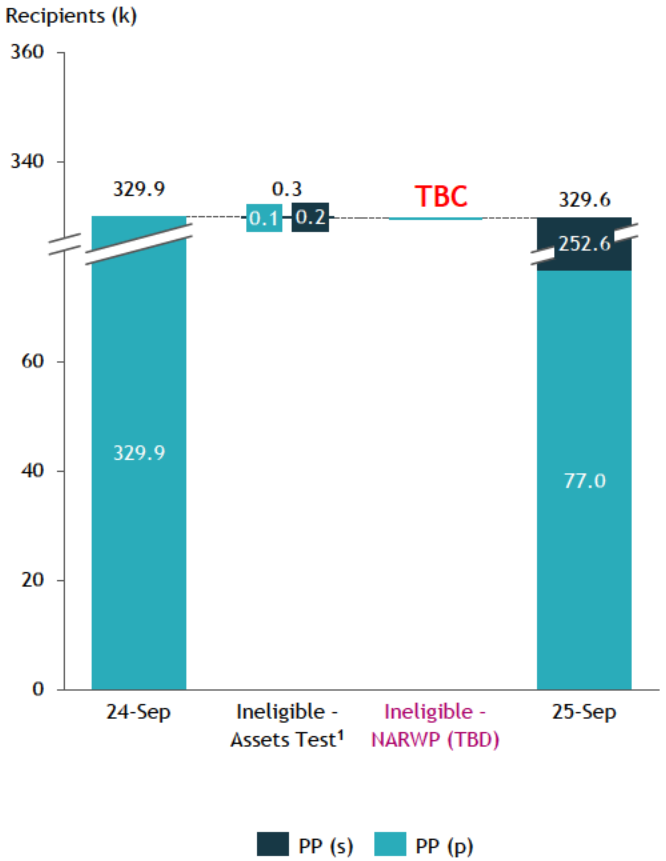
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Current path: 57k+ recipients likely to be removed from payment

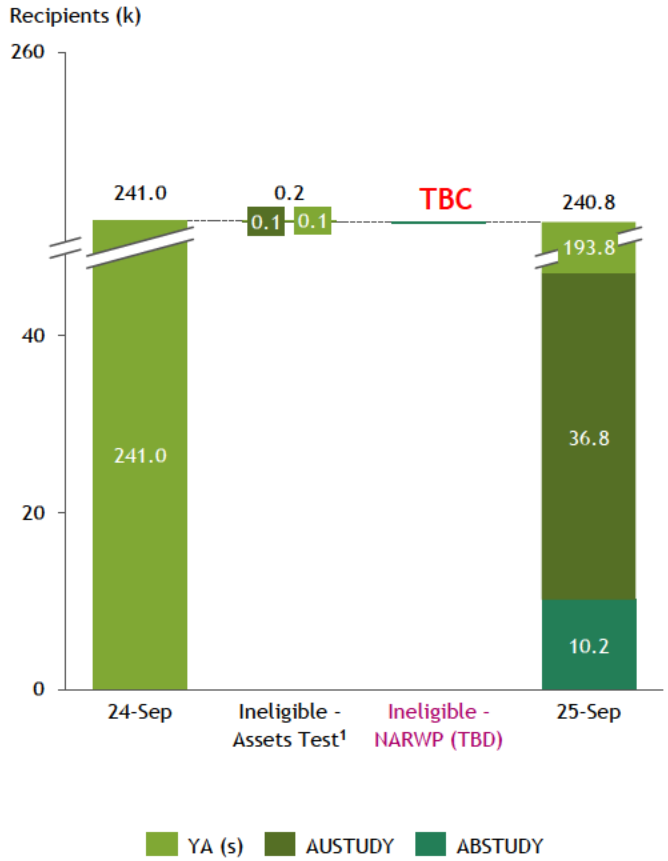
Jobseekers (57k+)



Parents of young children (0.3k+)



Students (0.2k+)



1. Asset data as at 8 May 2020 used as proxy for September 2020; YA(s) asset information assumed to be consistent with AUSTUDY and ABSTUDY
Note: Figures include recipients on nil rates
Source: DSS Data, BCG Analysis

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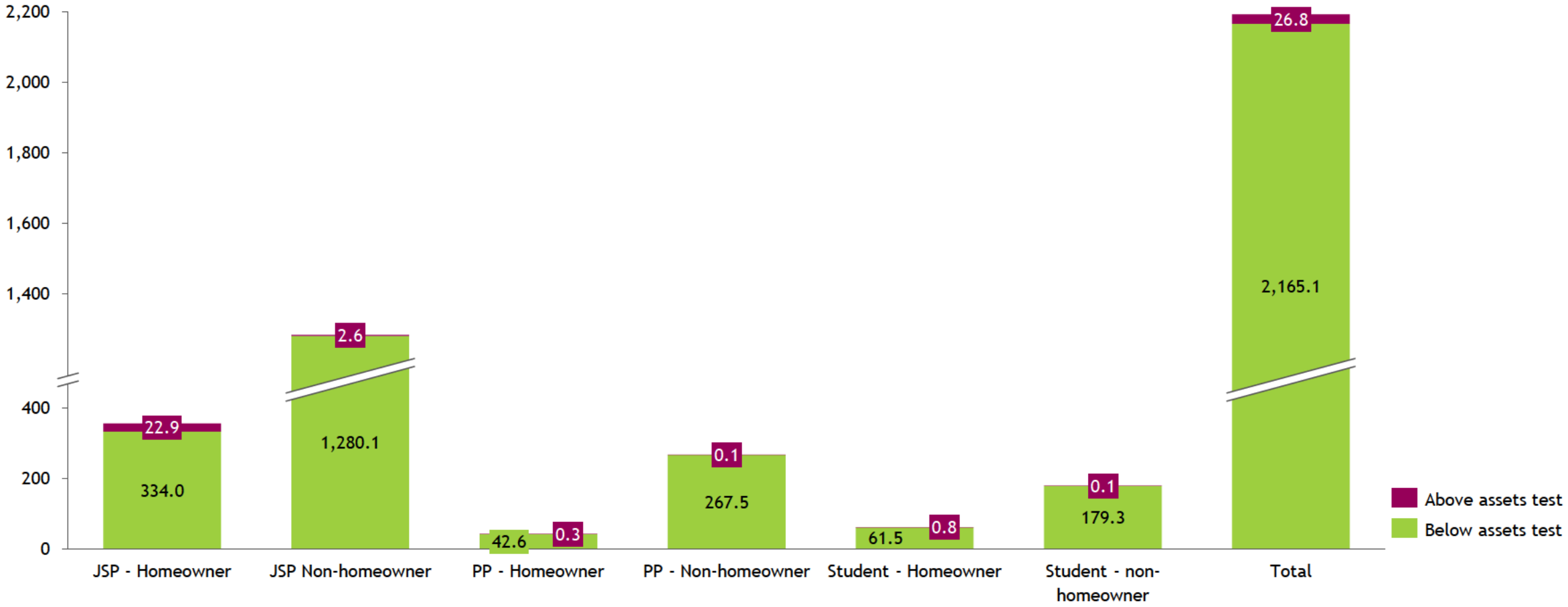
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Backup: ~27k recipients expected to be ineligible under assets test

Based on currently available data collected by Services Australia - actual numbers of ineligible recipients may well be higher

As at 24 Sep

Recipients (k)/(% above assets limit)



Note: Asset data as at 8 May 2020 used as proxy for September 2020; YA(s) asset information assumed to be consistent with AUSTUDY and ABSTUDY; Figures include recipients on nil rates
Source: DSS Data, BCG analysis

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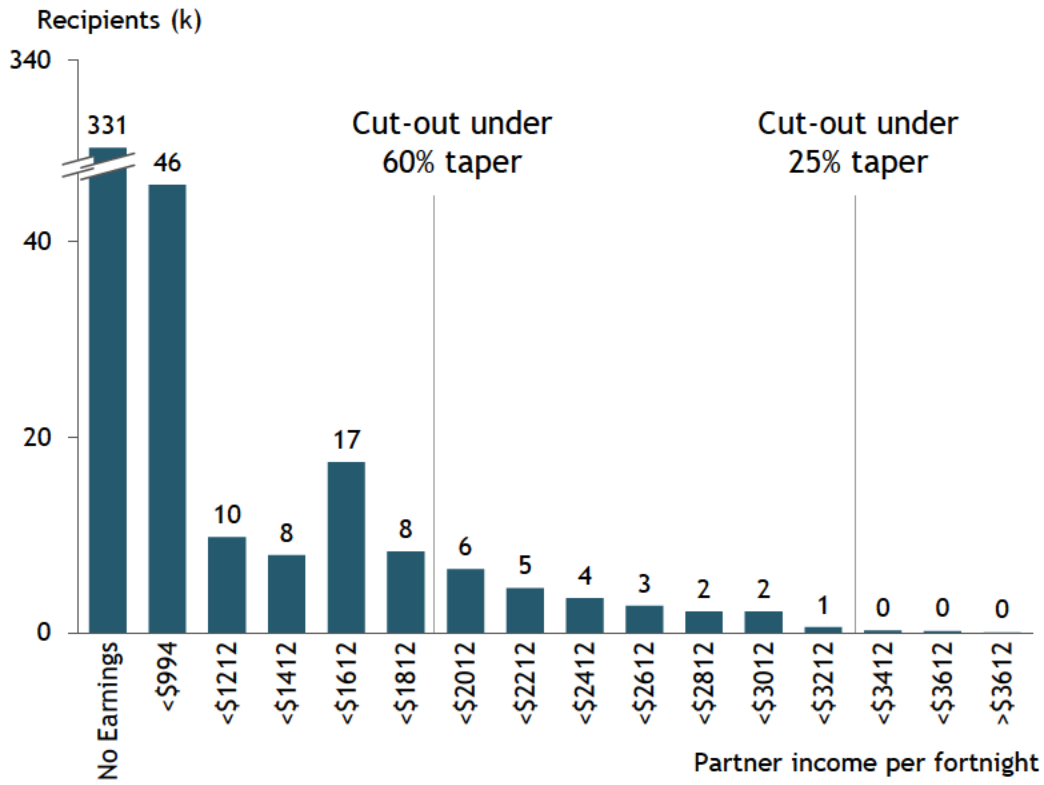
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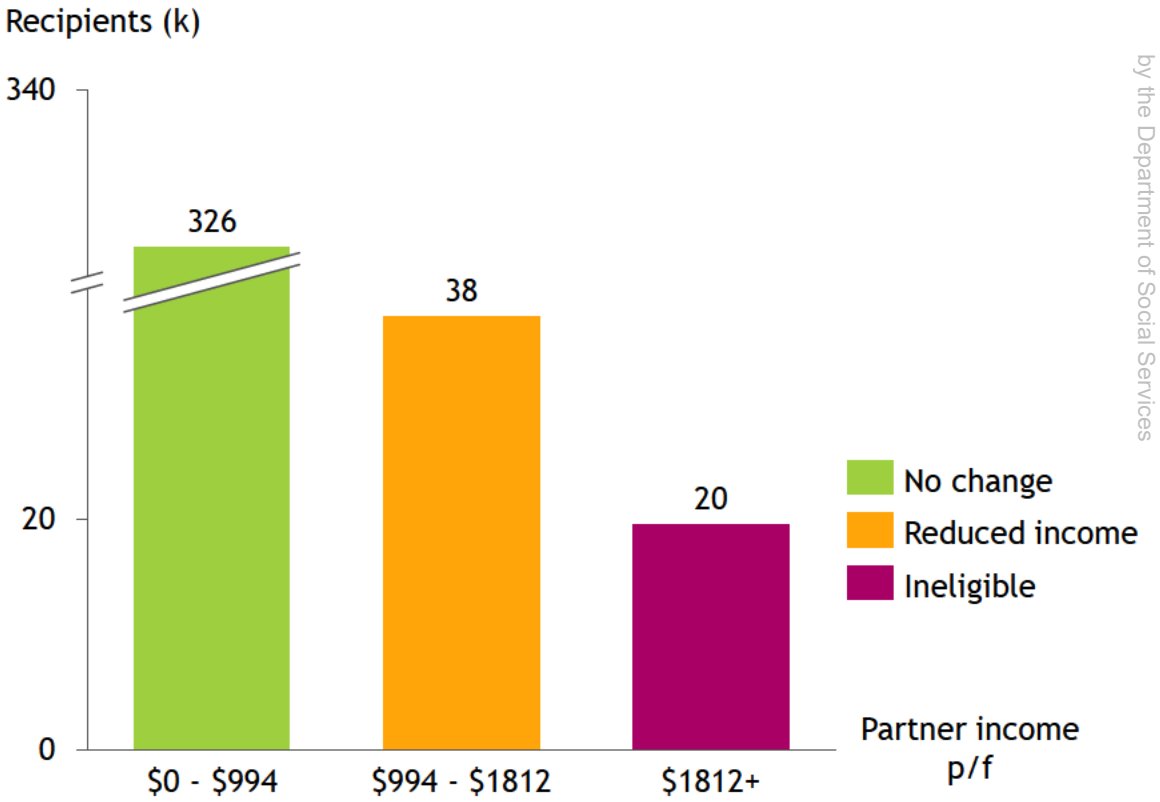
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Backup: ~20k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

Current partner income distribution for JSP recipients as at May 2020



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, BCG analysis

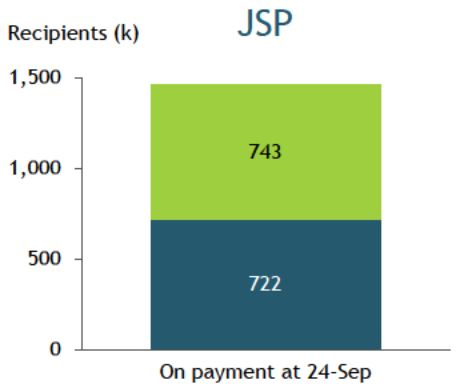
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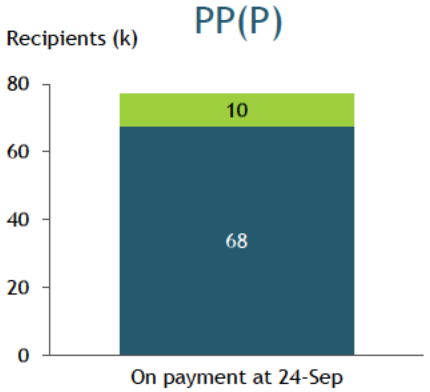
Preliminary impact assessment - requires unit-level data to confirm and verify

Backup: 900k+ recipients likely required to update information

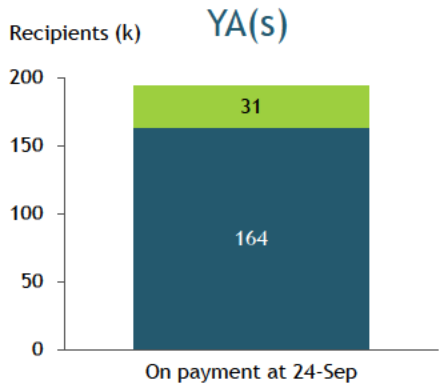
Jobseekers

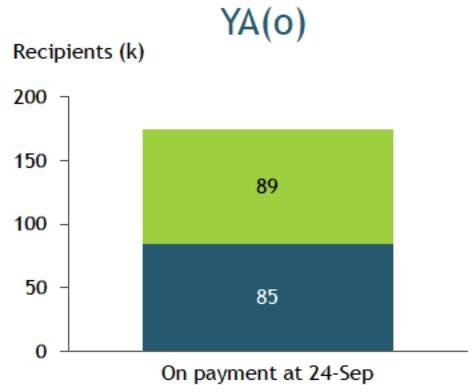


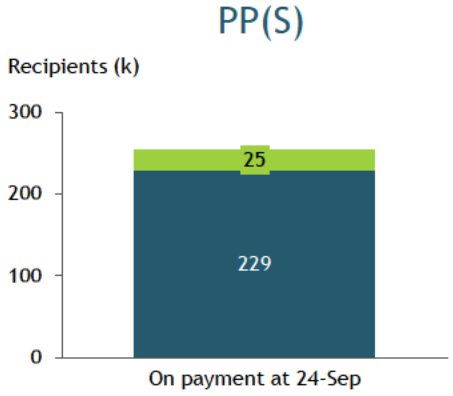
Parents

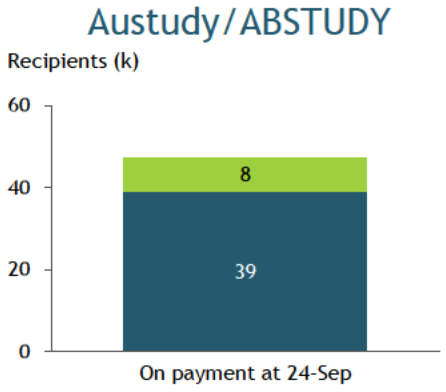


Students









"New" recipients, joined after 13-March-2020 "Old" recipients

Note: "New recipients" include those on nil rates
Source: DSS Data, BCG analysis

Information potentially required

Amount of assets, and proof of some assets (e.g. bank account balances)

Proof of rental arrangements

Relationship verification

...

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4th Illustrative Option

- New 3-tier working age payment
- Student payments
- FTB A & B

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Summary: Illustrative Option 4 – New 3-Tier payment

Objective: Create a simplified payment structure that targets support based on need and capacity to self support, is easier for recipients to navigate and provides clearer incentives to work

Key changes from current settings

New 3-tier working age payment	✪Replaces JSP, PP(P), PP(S), YA(o) • 3 tiers that reflect capacity to work • IFAs and tapers aligned with pensions, modernised working credit
Roll YA(s) and Austudy together into a tiered student payment	✪Replaces YA(s) and Austudy ✪Aligns eligibility and conditions for students regardless of age (except for <18s who stay on lower rates)
Absorb part of Special Benefit cohort into new 3-tier payment	✪Remove age limits on working age payment, to absorb >65yo Special Benefit recipients ✪Expand visa class eligibility to absorb TPV holds into 3-tier payment
Streamline FTB A & B	✪Streamline FTB A and B into a single means-tested payment ✪Potentially, deliver through tax system (via Services Australia) for salary-earners
MOCA process simplified	• Simplification of Member of a Couple Assessment

Impact

2.3m recipients move to new payments	Comprised of: • ~2m on new working age payment • ~250k on new student payment
57k+ recipients no longer eligible for income support	Ineligibility driven by: • Too much in assets: 27k • Partner income too high: 20k • Sole trader / self employed: 10k
Older and <14hr PCW Australians receive a higher rate	• Over 50 year olds and JSP recipients with an assessed capacity to work <14 hours receive the mid-tier rate (~612 p/f)
~750k families exit welfare system for their FTB	• Delivery of FTB for non-ISP recipients outside the welfare system removes 750k families
Simpler, stronger incentives to return to work	• Simpler FTB taper rates, fewer cliffs • Increased IFAs, decreased ISP taper rates, and expanded working credit

Implications

- Significant legislative reform package - unlikely to deliver by September 2020
- May therefore also require an interim package
- Significantly increased rewards and incentives for work across system
- Substantial simplification of the system - clears aspects of the "reform backlog"
- More complex package to communicate

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Context: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate $462.50 f/n plus supplements, with mutual obs
- $143 IFA, 50-60% income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to $565.70 f/n plus supplements, mutual obs continue
- $104 IFA, 50-60% income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) till child turns 8
- Payment rate increases to $790.10 f/n plus some additional supplements, no mutual obs
- $188.60 IFA 40% income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to $612.00 f/n plus some additional supplements, part time mutual obs
- $143 IFA, 40% income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate $304.60 f/n, full-time study load, casual work
- $437 IFA, 50-60% income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to $565.70 f/n, now has mutual obs
- $104 IFA, 50-60% income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to $462.50 f/n, full-time study load, casual work
- $437 IFA, 50-60% income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to $565.70 f/n, now has mutual obs
- $104 IFA, 50-60% income taper, working credit 1,000 limit

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Three broad options for a new 3-tier working age payment

	1 3-tier WAP	2 WAP Tiers incl Youth	3 Student and WAP Tiers
Description	JobSeeker Payment, Parenting Payment and Special Benefit are rolled into a 3-tier system **Highest Tier - $790.10** • Parenting Payment Single & JSP MO-exempt **Middle Tier - $612.00** • JSP Single PCP • JSP PCW • JSP Mature Age • SpB Mature Age **Base Tier - $565.70 (Single) or $510.80 (Partnered)** • JSP Single • JSP Partnered • PPP	All payments from Option 1, and now including Youth Allowance (Other) **Highest Tier - $790.10** • YA(O) MO-exempt **Middle Tier - $612.00** • YA(O) Single with Children **Base Tier - $565.70 (Single), $510.80 (Partnered), $304.60 (>22 At Home), $462.50 (>22 Away from Home)** • YA(O) Single Aged 16 – 24 • YA(O) Partnered • YA(O) Long-term rates Note: May require more than 3 tiers	New 3-tier payment as per Option 2, plus consolidate YA(s) and Austudy into a new tiered student payment Includes aligning policy settings for YA(s) and Austudy, e.g.: • Definition of "Full-time study" • Allowable time to complete course • Temporary incapacity exemptions • Adequate progression • Eligibility for supplements Recipients would be grandfathered for the duration of their current course
Pros	✓ Simpler payment structure for recipients ✓ Smoother transition for those moving between JobSeeker & Parenting Payment ✓ Higher rates for those with PCW or Mature Age recipients	✓ Simpler payment structure for recipients ✓ Smoother transition for those moving between JSP, PP, and Youth Payments ✓ Higher rates for those with reduced capacity to self support through work	✓ Simpler payment structure for recipients ✓ Consistent rate structure for unemployment and studying for adults and youths ✓ Maintains payment incentives around work/studying
Cons	x JSP PCP and PPS recipients on 40c taper would move to new 50c taper resulting in reduced income cut out levels x Perception of applying additional obligations to parents	x Changes to YA(O) but not YA(S) would appear inconsistent x Requirements for independence and parental means tests less clear for youth recipients	x Requirements for independence and parental means tests less clear for youth recipients if same payment

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Backup: Illustrative payment rates table (Option 3)

Changes in red

	Current[1]								Option 3								
Per fortnight	JS	YA(o)		YA(s)		AUSTUDY	ABSTUDY[2]				Working Age Payment (merging JS and YA(o))			Students Payment (merging YA(s) & Austudy)			ABSTUDY[2]			
Age	22+	16-17	18-21	16-17	18-24	25+	<16[2]	16-17	18-21	22+	16-17	18-21	22+	16-17	18-21	22+	<16[2]	16-17	18-24	22+
Single	565.70					462.50				565.70			565.70			462.50				565.70
Living at home		253.20	304.60	253.20	304.60		<253.20	253.20	304.60	565.70	253.20	304.60		253.20	304.60		<253.20	253.20	<304.60	565.70
Living away from home		462.50		462.50			462.50	462.50	462.50	565.70	462.50			462.50			462.50	462.50	462.50	565.70
Single w dependent child[4]	612	606		606		606	606			612	612			612			612			612
Single w child / MO exempt	790.10	790.10		790.10		N/A	N/A			N/A	790.10			N/A		N/A	N/A			N/A
Partnered, no children	510.80	462.50		462.50		462.50	462.50			510.80	462.50		510.80	462.50			462.50			510.80
Partnered w children	510.80	507.90		507.90		507.90	507.90			510.80	510.80		510.80	510.80			510.80			510.80

Aligned to JSP parent rates, to support simplification

1. Lower $34.80 rate for <16 y/o in tertiary education; 2. Specific rates for different forms of care applies for ABSTUDY recipients aged <21 years, e.g., tertiary/state care; 3. A qualifying child under JS is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Key decision: Rolling Special Benefit into Jobseeker

From: 3 key cohorts on Special Benefit

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,801 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790 (85%) or Partner Visa (14%)
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,201 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker / new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;
2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

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FTB A & B: Policy goals and key issues to address

Policy goals of the payment

Primary goal: Support low and low-middle income families with a contribution toward the cost of raising children (key focus of FTB-A)

Secondary goal: Support parents to spend more time with their children, especially young children (key focus of FTB-B)

Note: FTB also makes a large contribution towards reducing overall income inequality in Australia

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- Costs typically step up at primary school and high school, while FTB-A steps up at 13yo, and FTB-B steps down at 5yo

Split A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- Impacts particularly on recipients of only FTB-A, which provides a consistent amount per child

Delivery via Services Australia brings >750,000 additional people into the welfare system - with ~57% of FTB recipients not on an income support payment

EMTR cliffs - at a primary income of $100k for FTB-B, and at base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB A & B: Potential reform options

Outstanding issues to address:
- How does this impact on Child Support, esp. in cases of shared care?

Example rate table on next slide

	1: Roll part or all of FTB-B into base welfare payments	2: Roll FTB A & B together into a new single supplement	3: Roll FTB A & B together, deliver through tax office
Description	Reduce or abolish FTB-B and roll the savings into relevant welfare payments which parents receive	New single supplement designed to: • Align to the increasing costs of raising children as they get older • Reflect economies of scale in the family budget • Be simpler, with fewer special rates and add-ons	Roll FTB A and B together into a new single payment as per Option 2 Pay to non-ISP recipients via tax system (administered by Services Australia) Pay to ISP recipients via welfare system
Pros	✓ Simplifies FTB structure	✓ Simplifies FTB structure ✓ Strengthens support for families by aligning payments with actual costs	✓ Simplifies FTB structure ✓ Strengthens support for families by aligning payments with actual costs ✓ Removes 750,000 people from the welfare system
Cons	x 550,000 recipients of FTB-B who do not receive an income support payment would lose part or all of their FTB support	x Still holds ~750,000 people in the welfare system who are not on an income support payment	x Substantial, difficult change in service delivery arrangements

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB A & B: Example rate table – combined single payment

		FTB-A		FTB-B	
Current rates	**Age**	**0-12**	**13-19**	**0-5**	**5-18**
	Rate	5621	7081	4500.45	3255.8
	Taper	20% over $54,677 + 30% over $98,988		Primary income earner: Cut-off at $100,000	
				Secondary income earner: 20% over $5,694	

		Single FTB Payment		
Illustrative example	**Age**	**0-5**	**6-12**	**13-18**
	Rate – First child	10121.45	10851.45	11581.45
	Rate – Subsequent children	5621	6351	7081
	Taper	20% over $54,677		

1. Or 93.07 if sharing a dwelling 2. Or $185.36 if three or more children 3. Assuming 1 child only, aged <12yo 4. Assumes a child 5-15 yo

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement; To get to Illustrative example rates the following steps were followed: (1) Start with the FTB-A rates for 0-5 and 13-18, (2) Roll FTB-B <5yo amount into the applicable FTB-A amounts, (3) For the subsequent child rate, reallocate 25% of the FTB-A amount into the First Child rate, (4) then take an average of the 0-5 and 13-18 rates to produce the 6-12 rates

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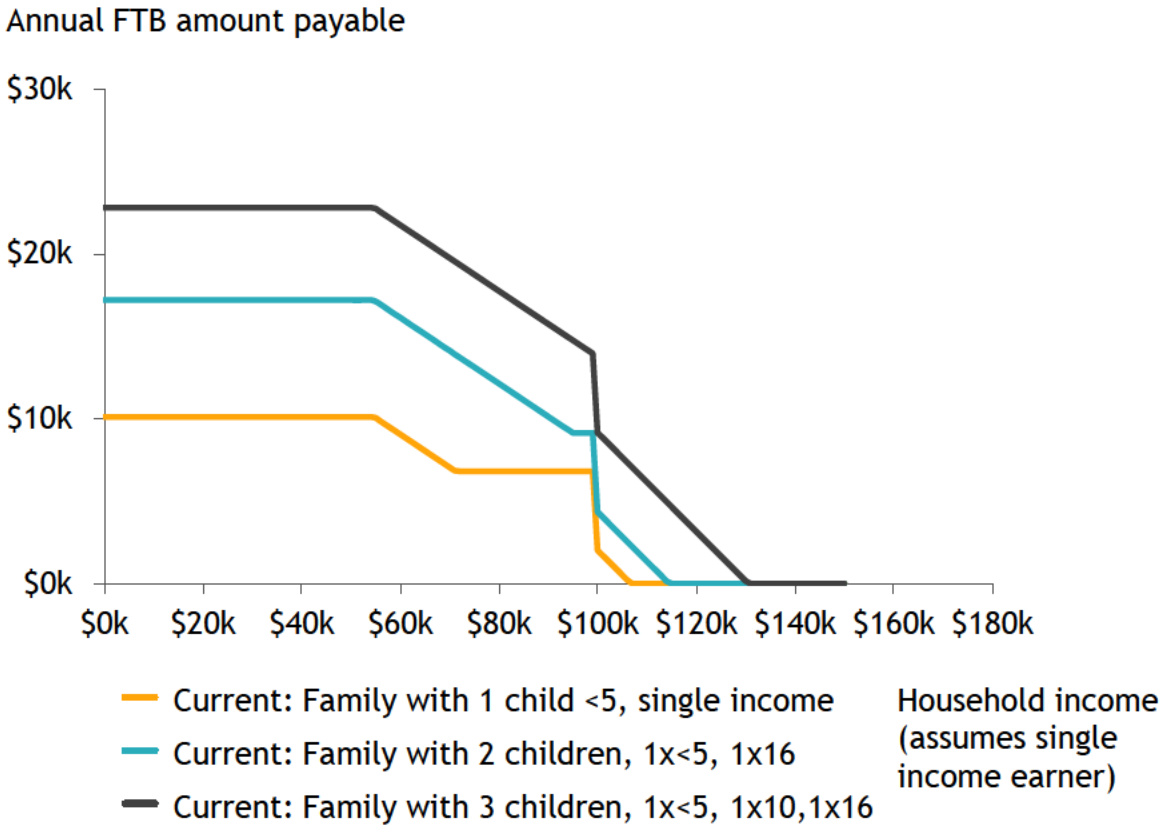
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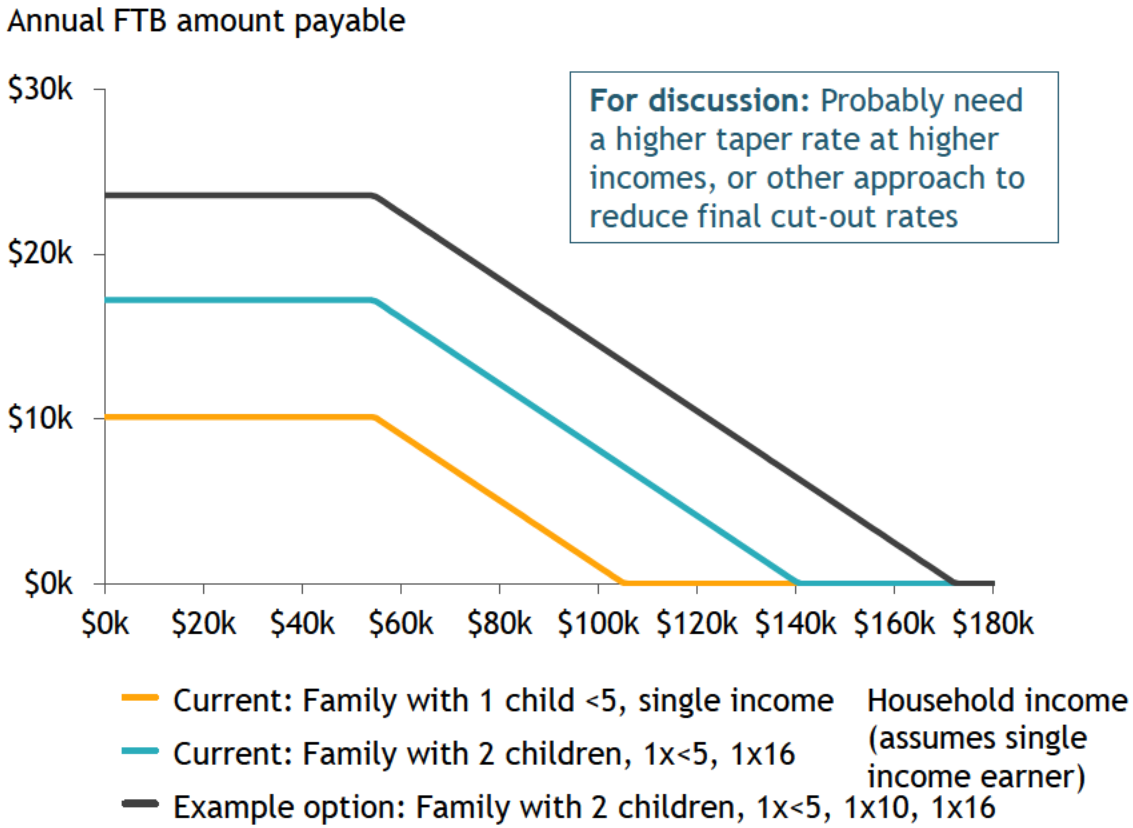
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FTB: Worked example for a combined single payment

From: Current FTB income test curves



To: Example FTB income test curves (20% taper)



Source: BCG analysis

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Other topics:

- Mature aged / PCW rate within Jobseeker
- Member of a Couple Assessments
- Assets test – transition pathway

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Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	JSP 60+ on payment for 9 months	JobSeeker Payment Limited Capacity Rate
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 50+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $174

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort - at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 - 29 hours

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Backup: Mature Age and PCW Demographics

WORK IN PROGRESS

Assessed capacity to work

Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	TBC	TBC	TBC
50+	4,785	147,707	124,548
55+	3,616	107,342	87,619
60+	2,313	62,229	54,705
TOTAL	TBC	TBC	TBC

More than 50 per cent of Jobseeker recipients over the age of 50 have a partial capacity to work.

Those with <15 hrs/week capacity are less likely to have earnings (7.6 per cent vs 17.1 per cent of the general Jobseeker population, pre-COVID)

Propose to include in new rate

Note: Data as at May 2020
Source: DSS data, DSS and BCG analysis

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MOCA review quantities and population data in appendix

Member of a Couple - Three potential changes from today

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:

Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:

Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:

Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose <u>not</u> to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 28,000 individuals currently in receipt of JobSeeker have assets above the threshold – the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September - to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily loosening unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Next steps

Refine cohort impact analysis with unit-level data

- Including impact of NARWP and end of C-19 eligibility changes

Continue to detail out the 3-tier payment option

- Rates, eligibility, interaction with other parts of the tax & transfer system, etc.
- Next level of detail on student payments and FTB
- Explore options around waiting periods, indexation, and consolidation of supplements

Continue adding policy features and reform levers to the model, and improve accuracy

For discussion: Prepare next briefing for the Secretary?

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Appendix

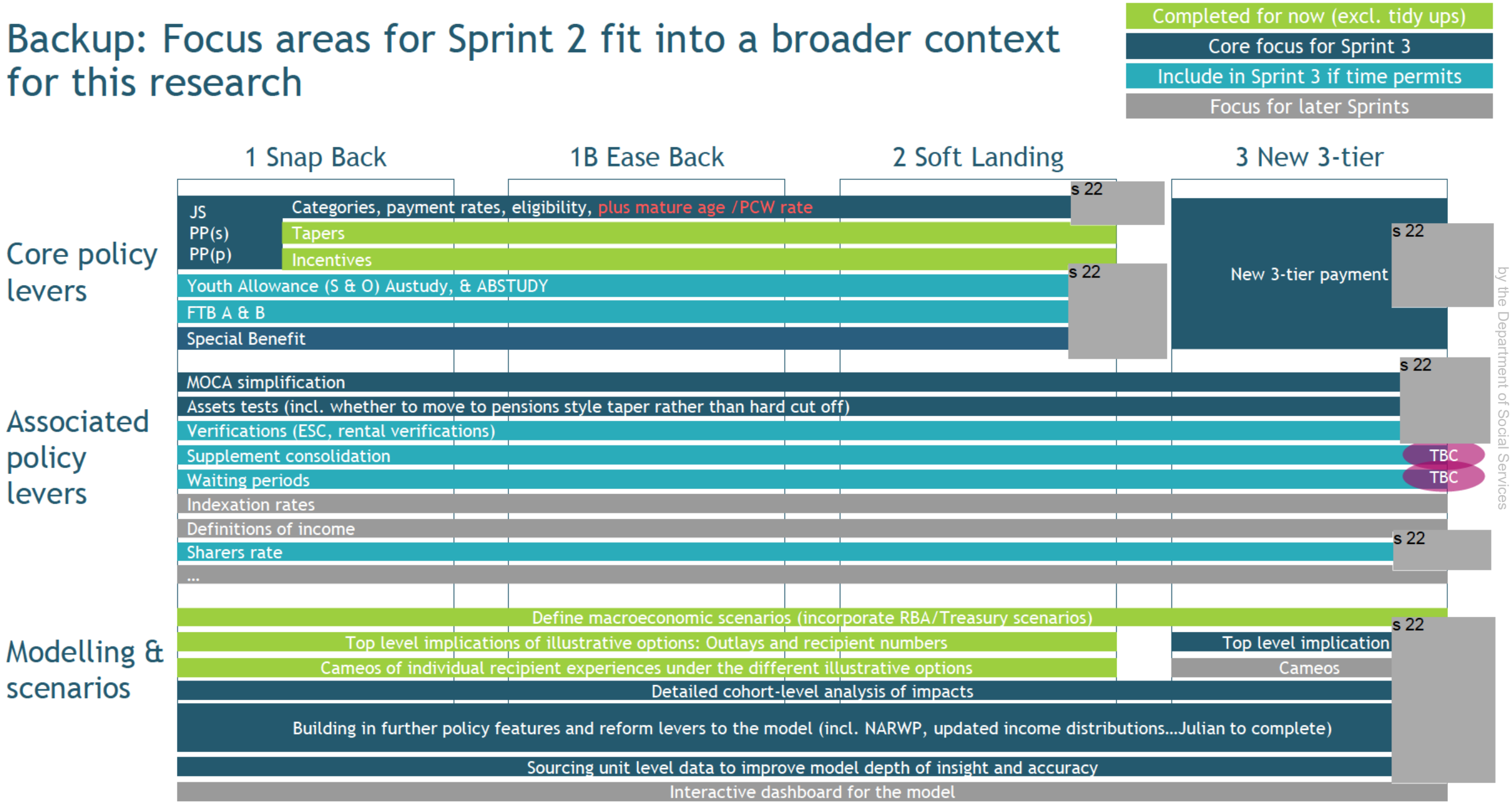
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Backup: Focus areas for Sprint 2 fit into a broader context for this research



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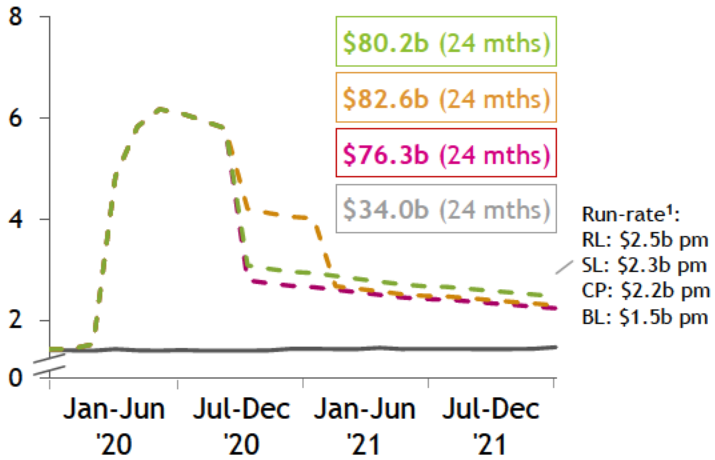
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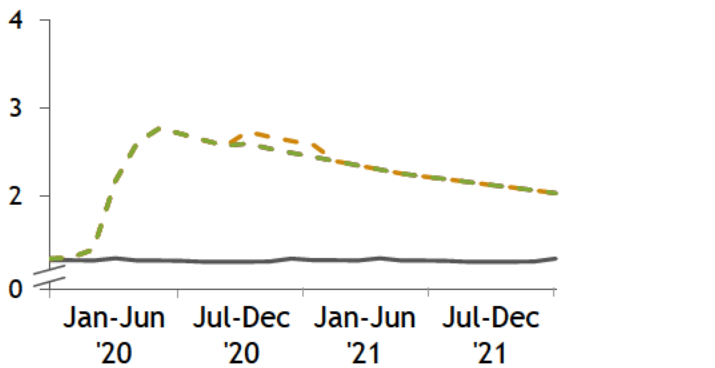
Financial implications: Aggregate impact across various scenarios

Reform lite
Soft landing
Current path
Baseline

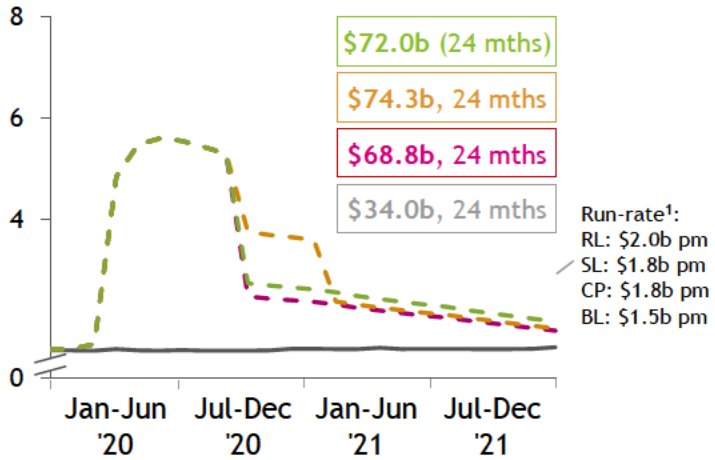
Figures are very initial, to inform early discussions, require significant further work before being relied upon

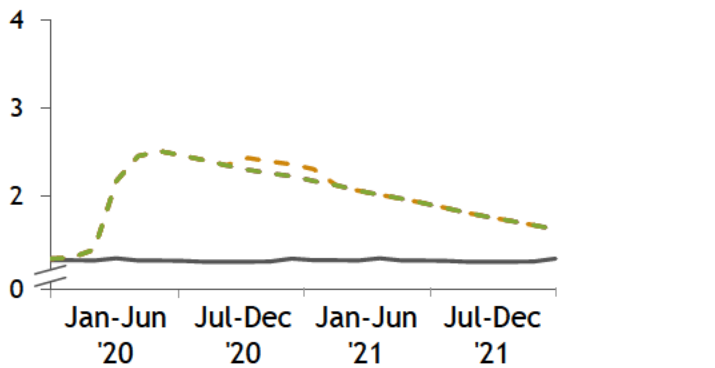
Pessimistic case



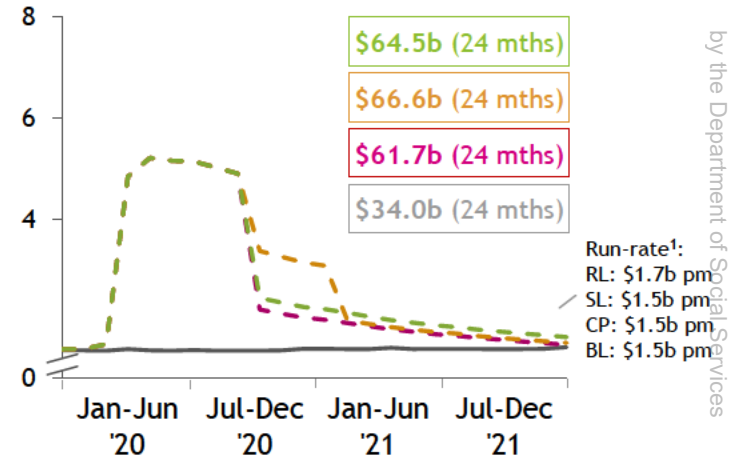


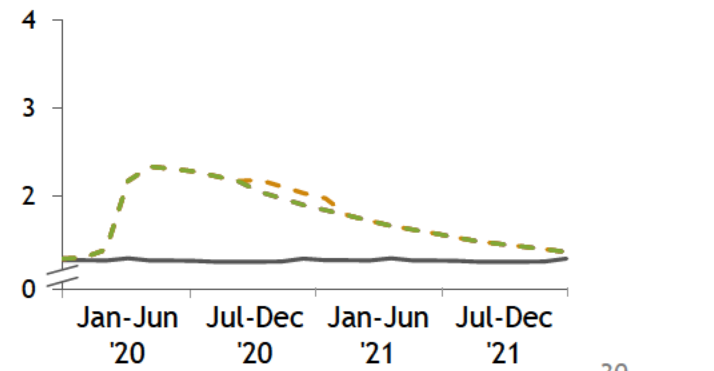
Base case





Optimistic case





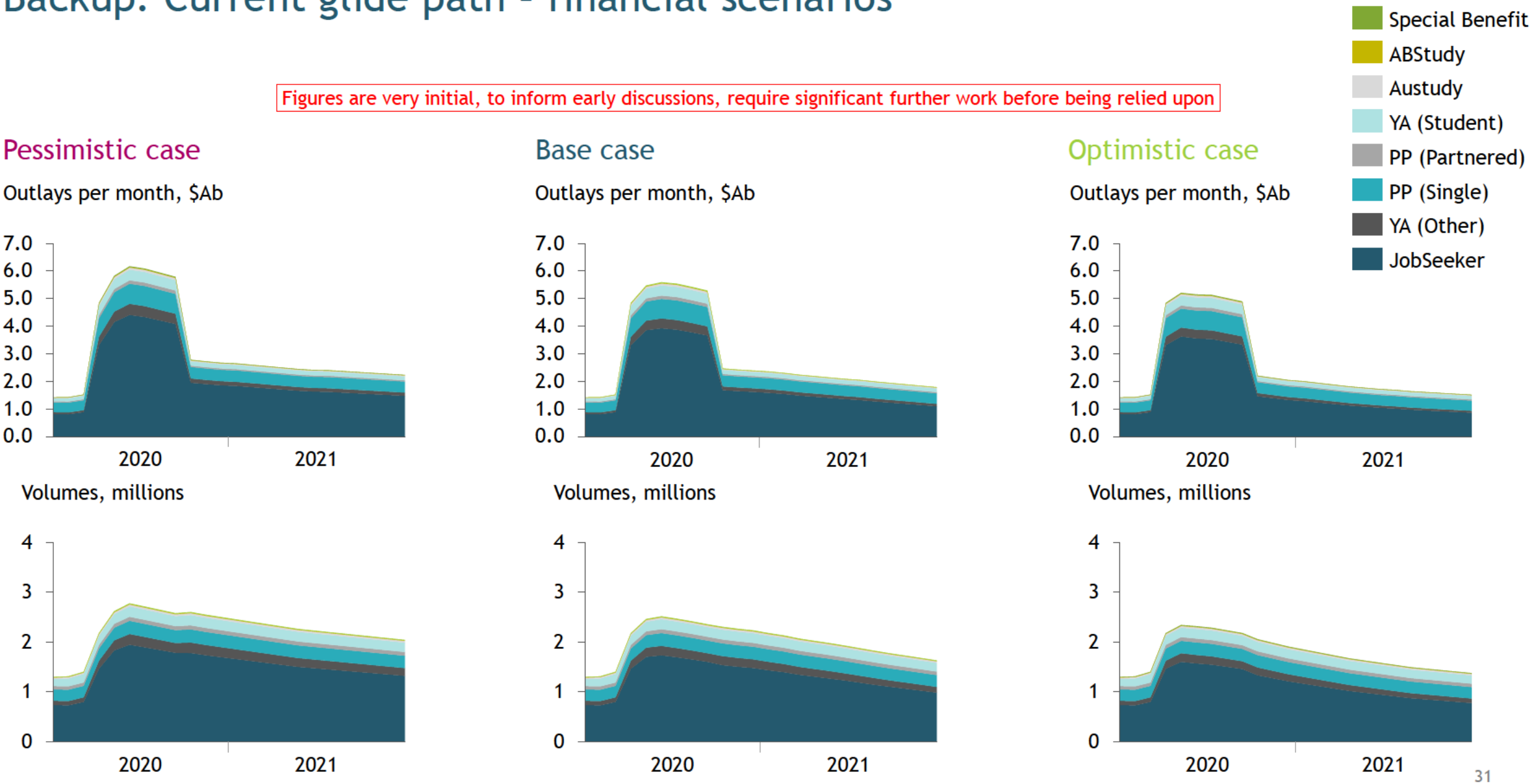
1. Monthly outlays forecast for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit

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Backup: Current glide path - financial scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon



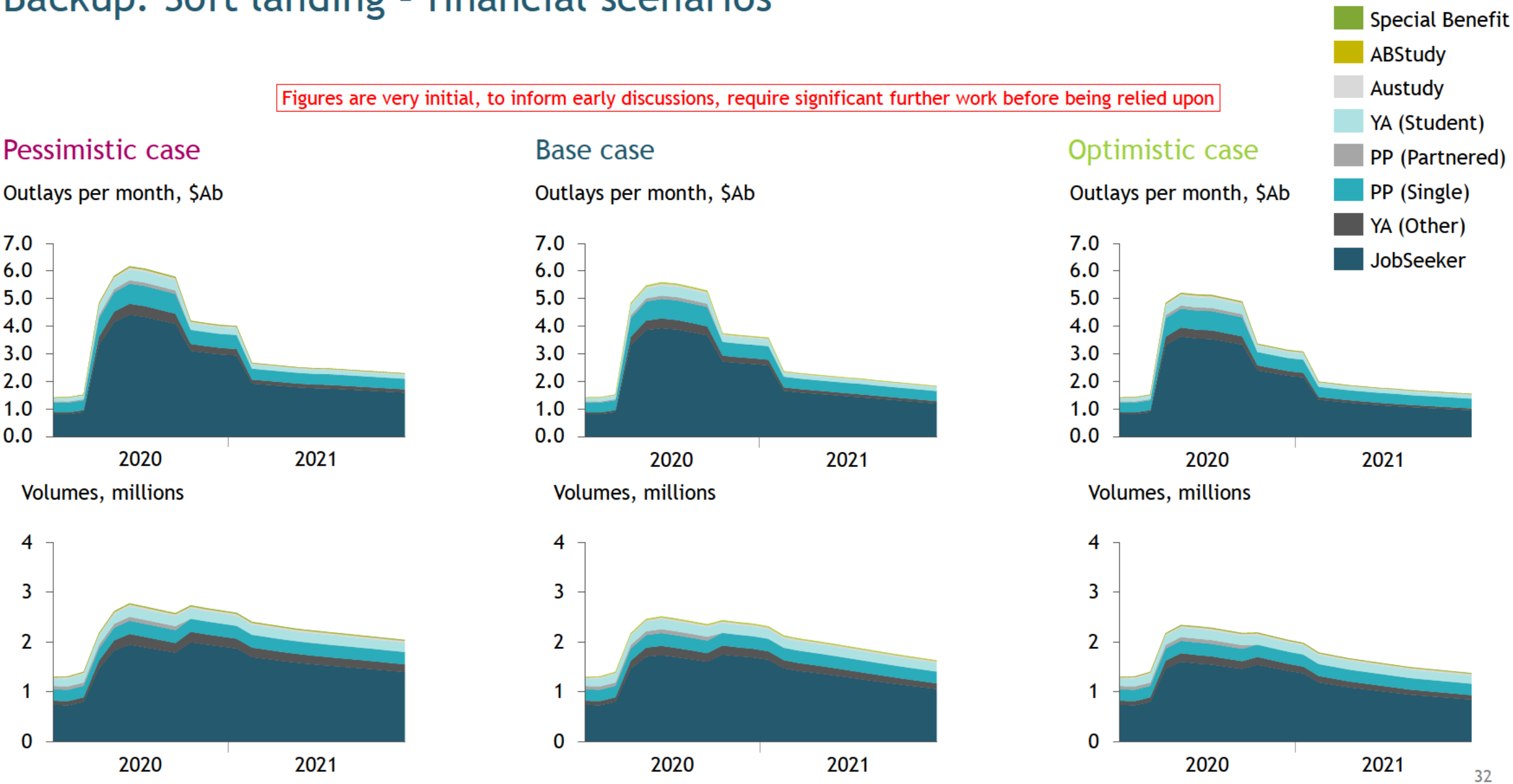
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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Backup: Soft landing – financial scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon



Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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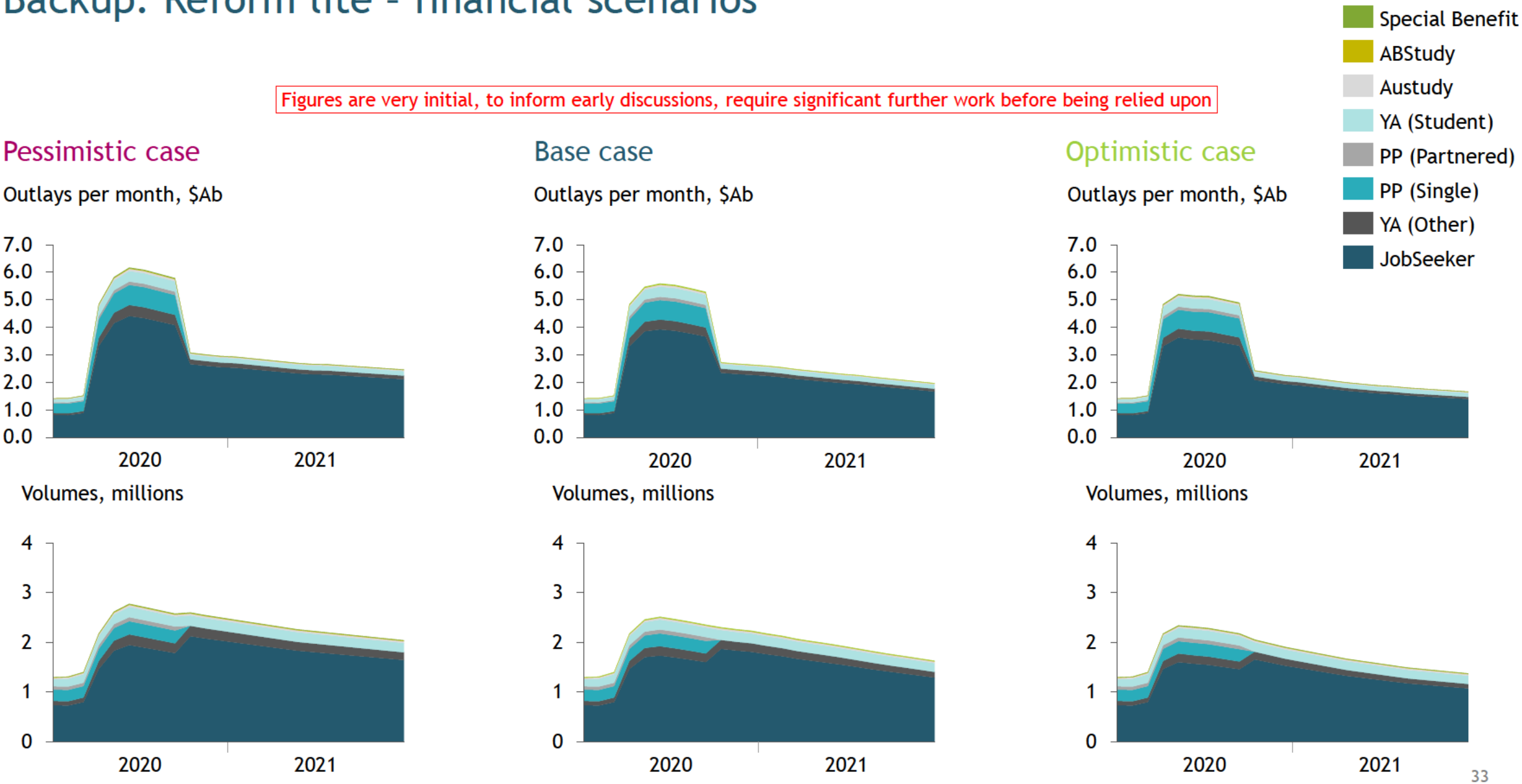
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Document 12a

Backup: Reform lite – financial scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon



Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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Coronavirus Supplement Extension - options

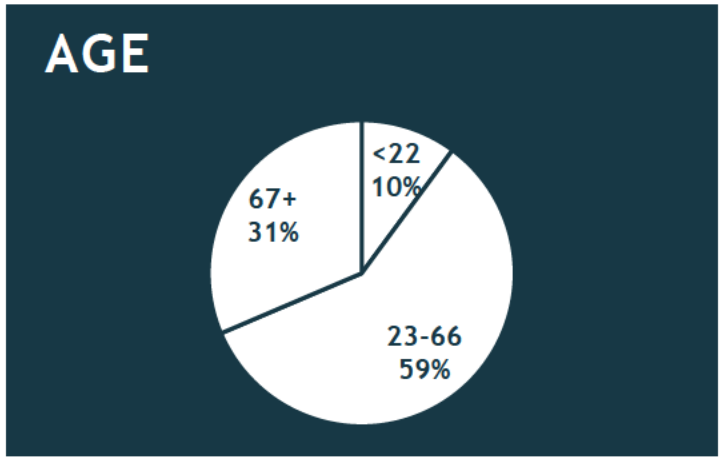
	Included in income test	Excluded from income test
$200 p/f for 4 months	**A** Additional cost: ~$3-5b Implications: • **Highest cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $400 p/f (50c taper)	**B** Additional cost: ~$3-5b (~$30m less than with income test) Implications: • **Higher cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 4 months	**C** Additional cost: ~$1-3b Implications: • **Lower cost**; sharp reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $200 p/f (50c taper)	**D** Additional cost: ~$1-3b (~$10m less than with income test) Implications: • **Lowest cost**, sharp reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Source: BCG analysis, DSS data

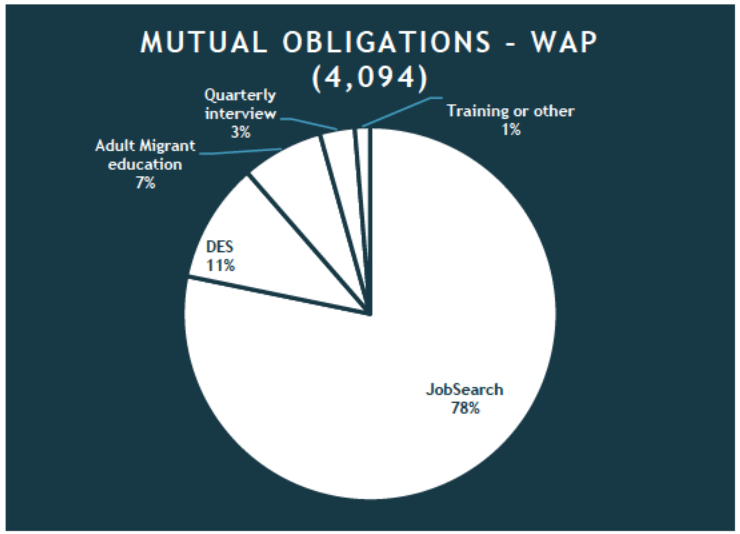
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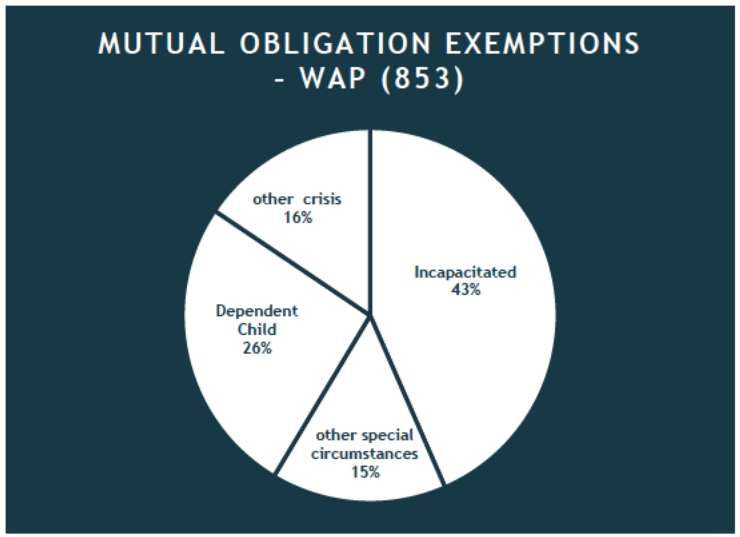
Appendix – Cohort analysis of working age Special Benefit recipients

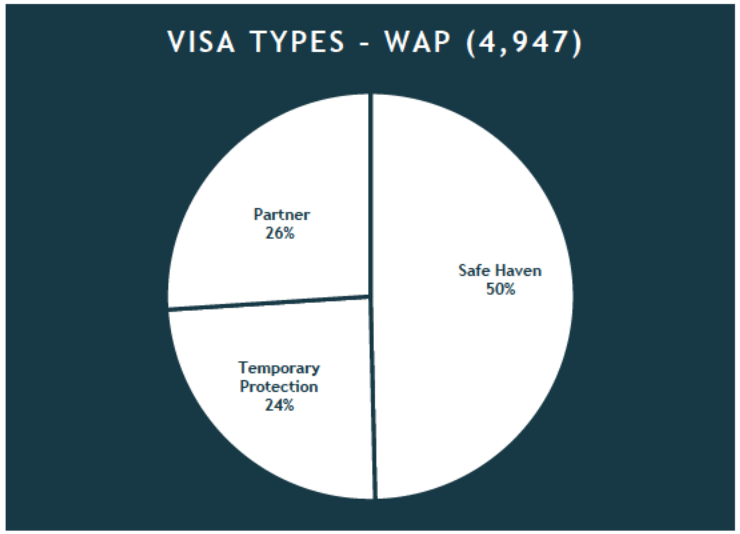


Working Age Recipients

- Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)







Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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Appendix – Member of a Couple Compliance

- Targeted member of a couple compliance activities provide low downward variation (1-6%) and cancellation rates (1-4%). SUOR reviews
  - The taskforce integrity unit,
  - MOCA high risk assessments,
  - The random sample survey
  - Third Party Verification
- This probably reflects a success rate that would be achieved by accuracy prompts or nudge interventions.
- Many member of a couple debts result in people forgetting to update Services Australia and a lack of clarity of own relationship status.
- Modern relationships are becoming more complicated and subjectivity is greater than ever before.

Measure	Taskforce Desktop reviews	Taskforce In person reviews	RSS results	Third Party Verification
Type	Targeted / less-intrusive / less vigorous	Targeted/ more intrusive/ more vigorous	Random/ intrusive / vigorous	Broadly targeted / less-intrusive/ not vigorous
Cancellation %	1.5%	4%	2%	<1%
Downward minus Upward Variation %	1.6% (3.2% down, 1.6% up)	6% (10% down, 4% up)	2%	1.3% (no up)
Debt raised %	1%	20%		<1%
average debt $	$1,530	$2,540		$5,235
No. of Reviews,	400	9000		1820

- Some results on this table are from 2017-18 (taskforce integrity and TPV) but reflect current trends

- Around 22 thousand (<1% of singles) complex MOCA assessments occur per year
- MOCA assessments lead to a speculated compliance save of between 10-24m per year.
- If a single accuracy prompt was applied with a 1 per cent success rate to 10 per cent of the single population to a wider population was completed, this save could increase to $130-150m with little administrative outlays

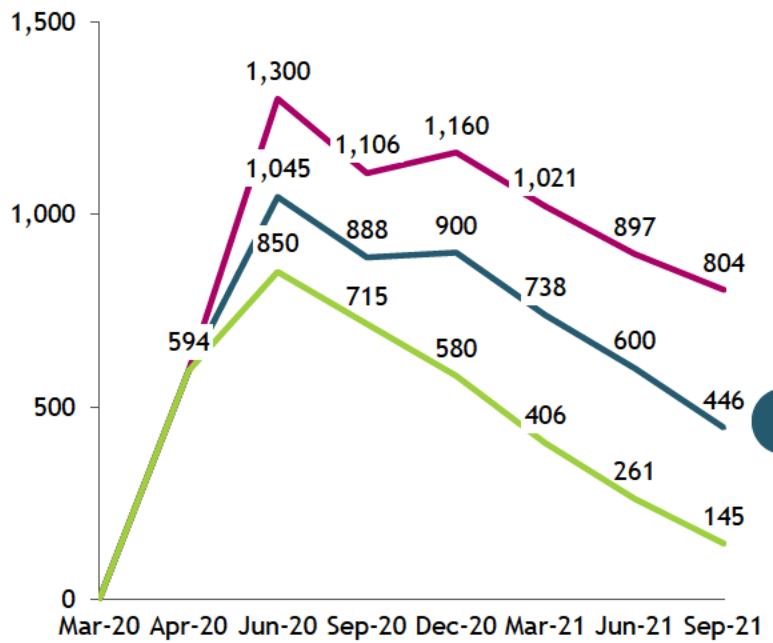
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Three macroeconomic scenarios to assess options against

Three scenarios for job loss recovery…

Job loss ('000s)[1]

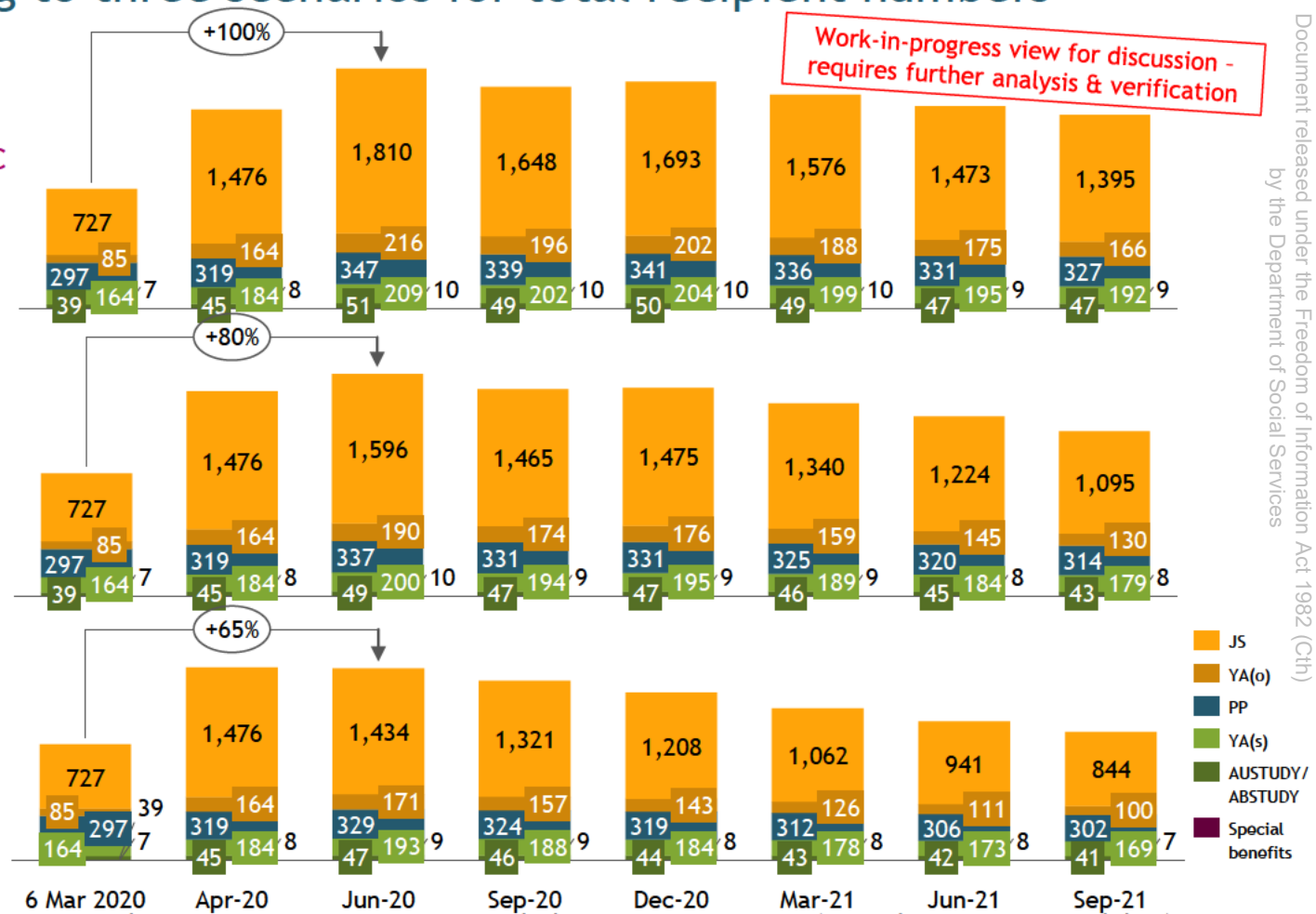


Key assumptions:[2]

- Optimistic case[3]: ~300k jobs to be lost post-JK
- Base case: ~200k jobs to be lost post-JK
- Pessimistic case[4]: ~115k jobs to be lost post-JK

…Leading to three scenarios for total recipient numbers

Work-in-progress view for discussion - requires further analysis & verification



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate - equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 850k job loss in Jun 2020 aligns with Citibank forecasts (856k); 4. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep
Source: ABS Data, DSS Data, Treasury estimates, RBA estimates, Senate media release, BCG analysis

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Backup: Key policy objectives for youth payments to consider when designing three-tier working age payment

Policy objectives for youth and student payments to uphold

- Designed to provide **means-tested income support** for youths and students based on parental and personal income
  - Aligns with societal expectation for parents to provide support for young adults where they have the means to do so
- **Incentivise work for adults aged 22+** by keeping student payment rates below unemployment rates
  - Same level of support for work and study is provided for adults aged 18-21 (with preference towards study)
- Implied expectation through policy settings that **students will supplement their own income through work when possible**
  - Youth disability supplement intended to support those with PCW
- **Targeted support provided to Aboriginal and Torres Strait Islanders** students through ABSTUDY, recognising unique circumstances, e.g., targeted support provided to teenagers, Masters and Doctorate students

Key issues to address if new three-tier working age payment is created

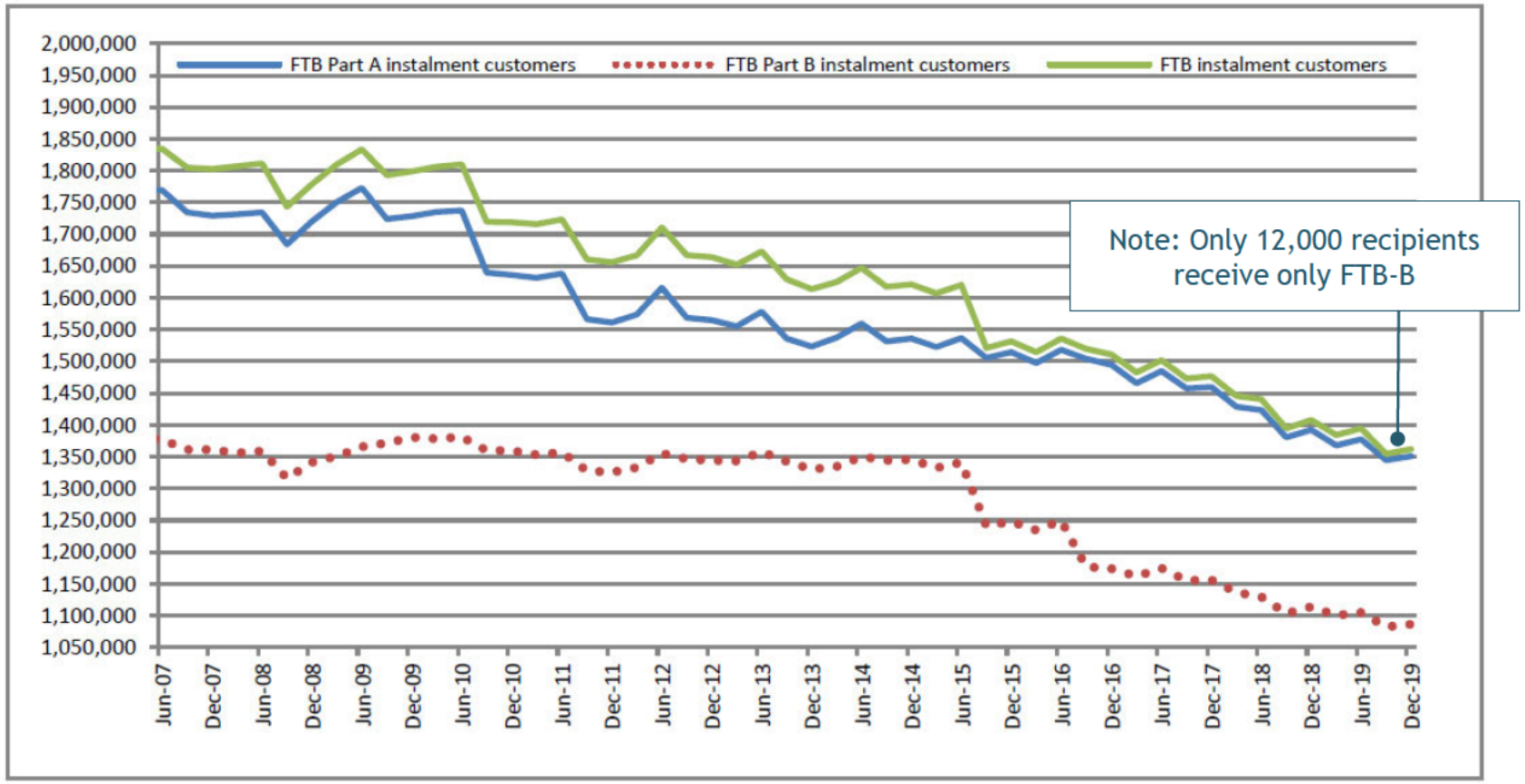
- Payment rates for recipients of different ages in different circumstance (dependent, away from home etc)
- **Ongoing inconsistencies between YA(o) and YA(s)**, e.g., age eligibilities, availability of long-term income support rates
- **Two separate student payments, YA(s) and AUSTUDY, adds complexity** in systems build and customer/staff understanding
  - Inconsistent payment rates for 25+ aged students
  - AUSTUDY satisfactory progress requirements allows allowable time to be exceeded before payment will cease; YA payments will cease once allowable time is exceeded
  - "Full-time study" requirement for YA(s) vs. "qualifying study" for AUSTUDY despite full-time study load requirement in practice
- **Ongoing transitions from YA to JS produces additional admin costs and workload**; [X] transition from YA (o) to JS each year
- **Large scale loss of part-time/casual work; reducing youths' ability to self-support**
  - 75% YA(s) received no earnings in Apr 2020 – an increase of 15 ppts from 60% in Sep 2020

1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019), Department of Jobs and Small Business Australian Jobs Report (2019)

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Backup: FTB population trend over time



The decreasing trend in the population reflects:

1. Successive policy changes that tightened eligibility for FTB Part A from 2009 onwards.

2. Introduction of a reduced primary earner income limit for FTB Part B from July 2015 and changes that removed eligibility for couple families with a youngest child aged 13 - 18 years from 1 July 2016.

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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Backup: FTB population distributions by income, and ISP category

FTB Part A recipients: Distribution by family adjusted taxable income (ATI)

Combined ATI (estimates)	ISP		No ISP		Total	
	No.	%	No.	%	No.	%
No income	22,534	3.9%	4,194	0.5%	26,728	2.0%
Up to <40K	396,395	68.4%	84,896	11.0%	481,291	35.6%
$40K < $50K	66,497	11.5%	77,993	10.1%	144,490	10.7%
$50K < $60K	42,408	7.3%	108,929	14.1%	151,337	11.2%
$60K < $70K	23,325	4.0%	98,974	12.8%	122,299	9.1%
$70K < $80K	13,072	2.3%	99,466	12.9%	112,538	8.3%
$80K < $90K	6,866	1.2%	99,279	12.9%	106,145	7.9%
$90K < $100K	3,506	0.6%	103,060	13.4%	106,566	7.9%
$100K < $110K	1,701	0.3%	63,843	8.3%	65,544	4.9%
$110K < $120K	875	0.2%	17,943	2.3%	18,818	1.4%
$120K < $130K	532	0.1%	7,642	1.0%	8,174	0.6%
$130K < $140K	317	0.1%	3,156	0.4%	3,473	0.3%
$140K < $150K	218	0.0%	1,144	0.1%	1,362	0.1%
> $150K	991	0.2%	689	0.1%	1,680	0.1%
Total	**579,237**	**100.0%**	**771,208**	**100.0%**	**1,350,445**	**100.0%**

Note: ATI is an income formula used to determine eligibility for several tax offsets calculation, concessions and

Distribution by family type and Income Support Payment (ISP) status

FTB type	ISP		No ISP		Total	
	No.	%	No.	%	No.	%
Current FTB Part A						
Partnered	161,217	27.8%	514,041	66.7%	675,258	50.0%
Single	418,020	72.2%	257,167	33.3%	675,187	50.0%
Total	**579,237**	**100.0%**	**771,208**	**100.0%**	**1,350,445**	**100.0%**
Current FTB Part B						
Partnered	120,306	22.5%	305,801	55.4%	426,107	39.2%
Single	414,393	77.5%	246,069	44.6%	660,462	60.8%
Total	**534,699**	**100.0%**	**551,870**	**100.0%**	**1,086,569**	**100.0%**
Current FTB						
Partnered	161,217	27.8%	525,168	67.1%	686,385	50.4%
Single	418,020	72.2%	257,817	32.9%	675,837	49.6%
Total	**579,237**	**100.0%**	**782,985**	**100.0%**	**1,362,222**	**100.0%**

Note: Count of 'Single' recipients include unknown value for family type

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Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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Thank you

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From: s 22
To: WILLIAMSON, Nathan; BENNETT, Shane
Cc: PATON, Kath; MCLARTY, Mary; Clancy, Trish; Carrasco, Miguel; s 22
Subject: Project Canoe: Materials for 9am discussion
Date: Friday, 29 May 2020 6:22:53 AM
Attachments: image001.png
Sprint 3 - End of sprint read-out vF - Appendix.pdf
Sprint 3 - End of sprint read-out vF.pdf

Hi Nathan, Shane
Looking forward to our discussion at 9am this morning. I have attached a copy of the materials to support the discussion, including a separate appendix.
We plan to focus on the "modular" policy options we've been exploring, how these can be grouped up into a cohesive package, and share our analysis of the potential financial implications. Very happy to adjust this if there's other topics you'd like to spend time on.
I'd note that, in line with your guidance, we have progressed the analysis on the cohort-level impacts of the current trajectory come September 2020 if nothing changes. This is contained in the appendix at slides 34-44, noting that we are keen to further tighten this analysis using unit-level data – which we now have access to. We would be very happy to carve out time to run through those materials if useful.
Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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Project Canoe

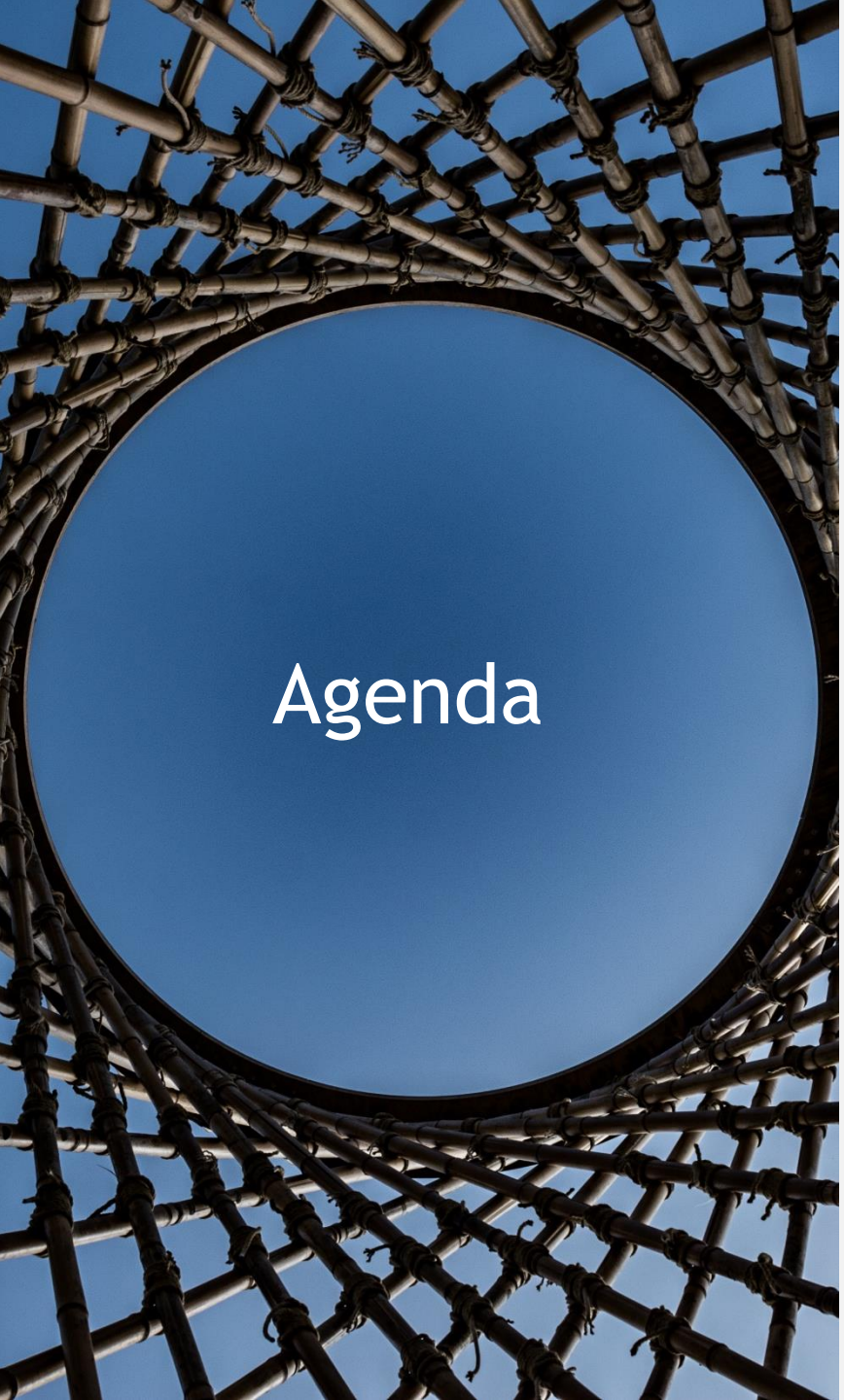
Sprint 3: End of sprint read-out

29 MAY 2020

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Agenda

Summary of progress in Sprint 3	5 mins
Current path and options to consider	25 mins
Financial implications	15 mins
Example timeline for the potential way forward	10 mins
Priorities for Sprint 4	5 mins

Appendix

- Deep dive on each option
- Cohort impact analysis

= Key slide for discussion today

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Summary: Sprint 3 progress and forward plan

Progress in Sprint 3 (18 May to 29 May)

Completed deeper analysis on impact of ceasing C-19 measures regarding eligibility, C-19 supplement, assets test, and partner income test

Explored a third illustrative policy package: "Broader Reform", and modularised the policy options being explored

Developed reform options for FTB, YA(s) and Austudy, mature aged / PCW rates, and select cohorts within Special Benefit

Continued adding policy features and reform levers to the model

Initial views on consolidating waiting periods, supplements, and streamlining verifications

Focus for Sprint 4 (1 June to 12 June)

Detail out preferred reform pathway, with timing, sequencing, and more detailed policy design choices

Refine the model and tighten financial impact assessment of the preferred reform pathway

Incorporate unit-level data into the model to improve fidelity and allow more granular impact assessment of various policy choices

Commence work on other priority items:

- Fine tuning FTB reforms (e.g child supp. & volumes)
- Detail the way forward on MOCA
- Consider options for a sharer rate
- Consider moving to household income test (as per pensions) rather than individual + partnered tests
- Develop an interactive dashboard for the model to allow real-time adjustments and option testing

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On current path, significant contraction of welfare payments will coincide with end of JobKeeper

12 Mar 2020 — Gov't announced significant expansion of working-age welfare policy settings

- Coronavirus supplement instituted ($550 p/f)
- Jobseeker eligibility expanded
- Assets test waived
- Partner income test relaxed
- Waiting periods waived

March to June 2020 — As expected, a significant inflow of recipients followed

- ~900k to JobSeeker
- ~100k to YA(other)
- ~25k to Parenting Payment (P&S)
- ~45k to YA (S) and Austudy

24 Sep 2020 — Expanded welfare policy settings end on 24 September…

- Coronavirus supplement ends, withdrawing ~$2.8b p.m. in welfare spending
- Average payment rates drop 45-60%
- Eligibility, assets tests, partner income tests, and NARWP revert to pre-covid settings, removing ~70k recipients from welfare

27 Sep 2020 — …JobKeeper payment finishes 3 days later (under current timeline)

- Withdrawal of $1500 p/f from ~3.5m workers
- Anticipate 150-300k[2] job losses, with 75-85% of those flowing onto welfare[3]



1. Covers JSP, PP, student payments, SB, FTB A & B, excludes supplements except energy supplement and pharma allowance
2. BCG indicative estimate, based on C'th Treasury's announcement that JobKeeper would reduce unemployment by ~500,000 jobs (5 ppts on the unemployment rate). Assumption is that the removal of Jobkeeper will see job losses in the range of 30-60% of the original figure
3. Based on % flow into welfare of job losses over March to May 2020, after excluding those who would have been ineligible but for the changes to eligibility, assets test, partner income test, and NARWP

Source: DSS data, BCG analysis

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We have developed a "menu of options" that would help manage this period of disruption

Note: Cost & saving estimates are indicative - actual costs of each option will vary based on combination selected

Temporary relief	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility (excl. sole traders) $100-$300m pm	Extend Coronavirus supplement at $200 p/f, & include it in Income Test for current recipients only $1.0-$1.2b pm	Expand discretion able to be exercised around unrealisable assets tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) No outlay impact	Merge into JobSeeker: Youth Allowance (o) No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child $0-($200)m pm
	Merge into JobSeeker: Special Benefit >65s and TPVs holder cohorts $0-$10m pm	Merge YA(s) and Austudy into a new student payment $0-($20)m pm[1]	
Rates	Lift payment rates for working age & student payments by $50 p/f, cease supplements: energy, pharma, WFD, LLN $100-$300m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 tbd	
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP tbd	Double the nil rate period to 12 fortnights tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates

Source: DSS data, BCG analysis

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Three illustrative packages to manage this period of disruption, and capture opportunities for reform

Temp relief
Payment types
Rates
Incentives
Service delivery

	1 Soft landing	2 Lite reform	3 Broader reform
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Key changes	Extend C-19 supports Extend Coronavirus supplement at $200 p/f Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Streamline waiting periods Double the nil rate period to 12 fortnights	For discussion: Should we include C-19 supports and $200 p/f supplement? Expand unrealisable assets discretion Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB cohorts Lift rates by $50 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Streamline waiting periods Double the nil rate period to 12 fortnights	For discussion: Should we include C-19 supports and $200 p/f supplement? Expand unrealisable assets discretion Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB cohorts Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $50 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Streamline waiting periods Double the nil rate period to 12 fortnights
Financial Impact[1]	In 2021: $57-67b (+$5b vs. Current Path) In 2022: $38-48b (+$0.1b vs. Current Path)	In 2021: $54-64b (+$2b vs. Current Path) In 2022: $38-50b (+$2b vs. Current Path)	In 2021: $54-64b (+$2b vs. Current Path) In 2022: $37-50b (+$2b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements Note: Working credit changes not yet incorporated in modelling
Source: DSS Data, BCG analysis

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Preliminary impact assessment – requires unit-level data to confirm and verify

Implications for recipients of the three packages

Note: Excludes impact of any changes to FTB

Changes from Sept 24th	Current glide path			1 Soft landing			2 Lite reform			3 Broader reform		
	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
Drop in average payment rate ($ pf)[1]:	-$576 (~52%)	-$609 (~61%)	-$569[5] (~46%)	-$350 (~35%)	-$350 (~35%)	-$350 (~30-35%)	-$500 (~44%)	-$500 (~48%)	-$500 (~35-45%)	-$500 (~44%)	-$500 (~48%)	-$500 (~35-45%)
# Removed from payment: PRELIMINARY NARWP IMPACT SHOWN (EXCL. PARENTS)	~66k	~1k	~1k	~10k	-	-	50-60k	~1k	~1k	50-60k	~1k	~1k
# Required to update info[2]:	~900k	~25k	~40k	-	-	-	~900k	~25k	~40k	~900k	~25k	~40k
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Delta in volumes due to JobKeeper eligibility, assets test, and partner income test differences. 2. Estimated as the difference in volumes from Feb '20 to forecasted Oct 20'. Includes providing information about assets, and proof of rental arrangements

Note: Assumes base case economic scenario

Source: BCG analysis

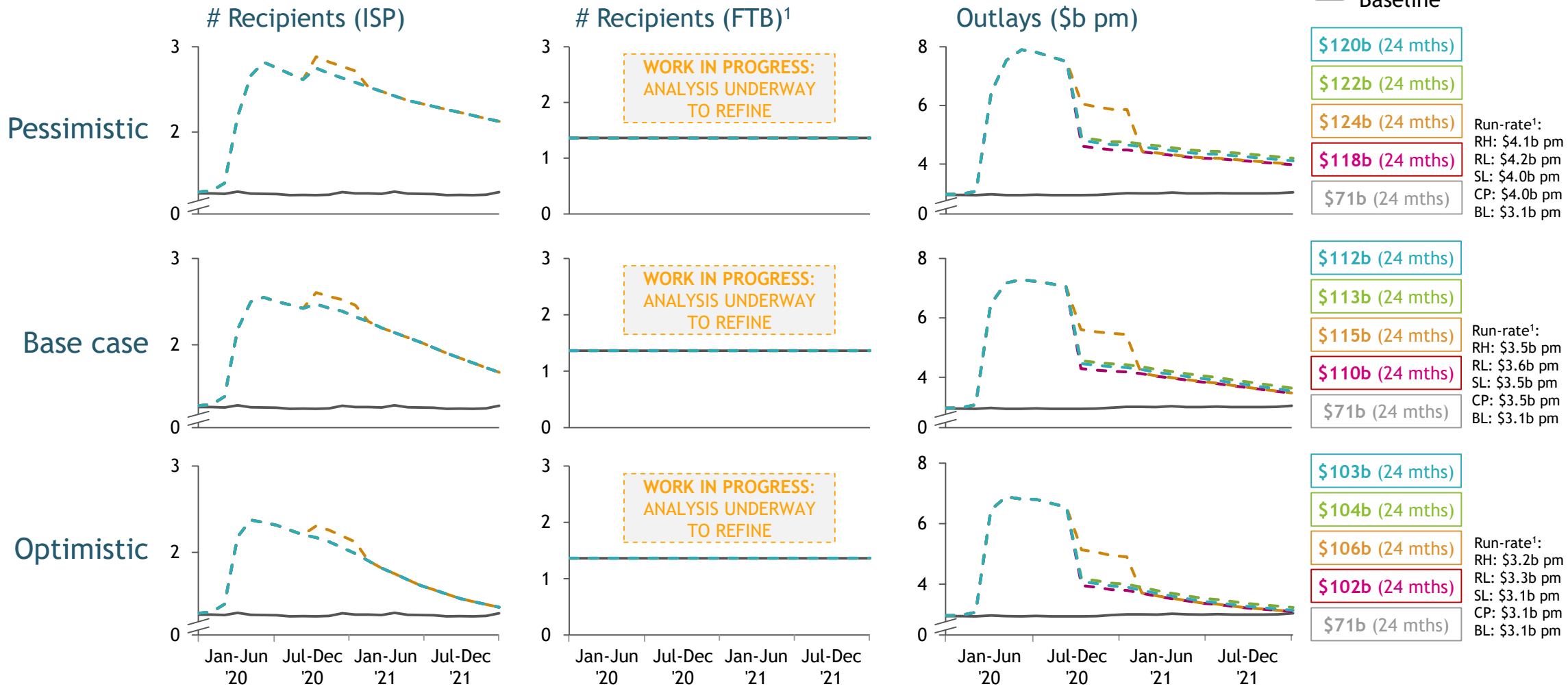
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Financial implications: Policy options across three scenarios

Figures are initial, to inform early discussions, require significant further work before being relied upon



1. Monthly outlays for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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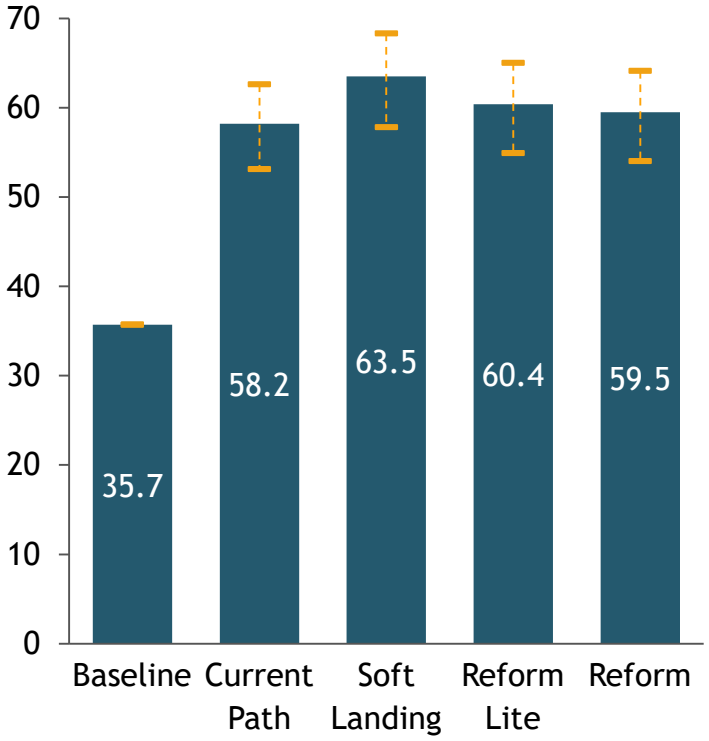
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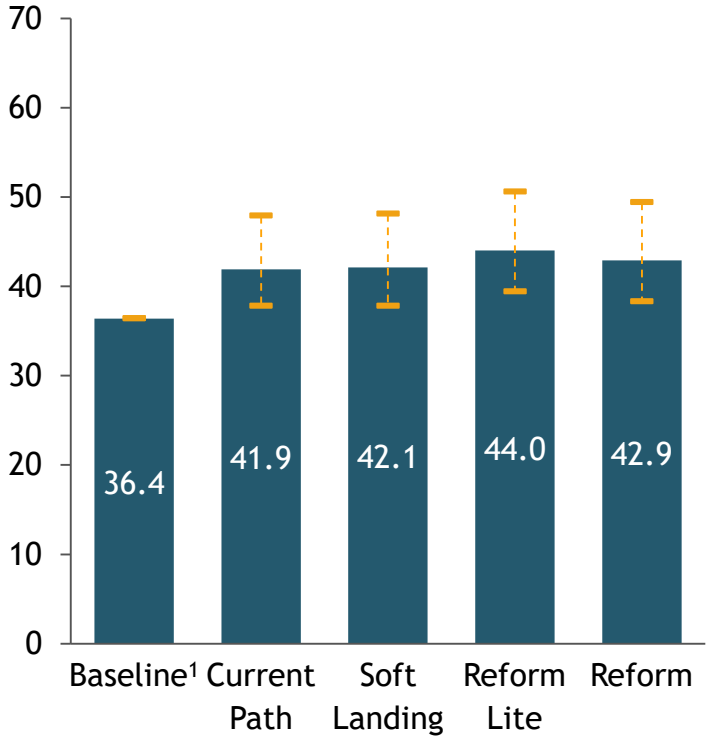
Financial implications: Comparison of FY21 and FY22 outlays

Figures are initial, to inform early discussions, require significant further work before being relied upon

FY21 outlays ($b pa)



FY22 outlays ($b pa)



1. **FY22 outlays are generally lower than FY21** – Job loss volumes are projected to improve in all scenarios

2. **Soft Landing FY22 outlays do not quite equal Current Path** - After Feb '21, Soft Landing still includes income test standardization (~$100-$200m pa)

3. **Reform Lite is less than Soft Landing in FY21, but more in FY22** - Soft Landing models a $200 supplement over a 4 month period, whereas Reform Lite models a persistent $50 increase to income payments

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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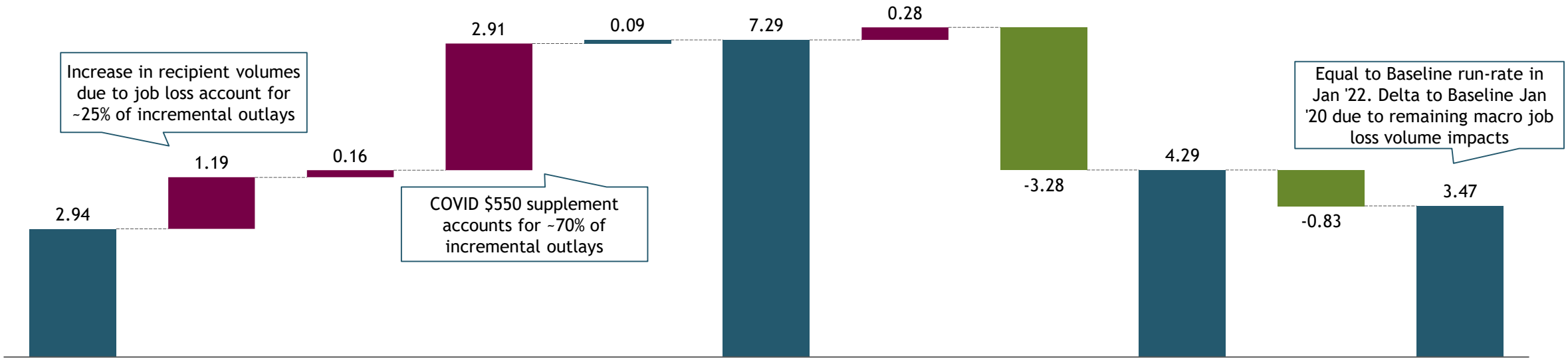
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Financial implications: "Current Path" run-rate build-up (Jan '22)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	Baseline run-rate (Jan '20)	Macro job loss volume impact driven by COVID-19[1]	Relaxed JSP eligibility (mutual obs, asset test)	COVID $550 ISP supplement	Reduced JSP partner taper to 25c	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Return to previous policy settings	Current Path run-rate (Oct '20)	Macro job growth volume impact[1]	Current Path run-rate (Jan '22)
No. ISP recipients[2]	1.3m	+1.1m	+0.1m		Volume impact to come	2.6m	+0.1m	-0.1m	2.5m	-0.9m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP				1.4m			1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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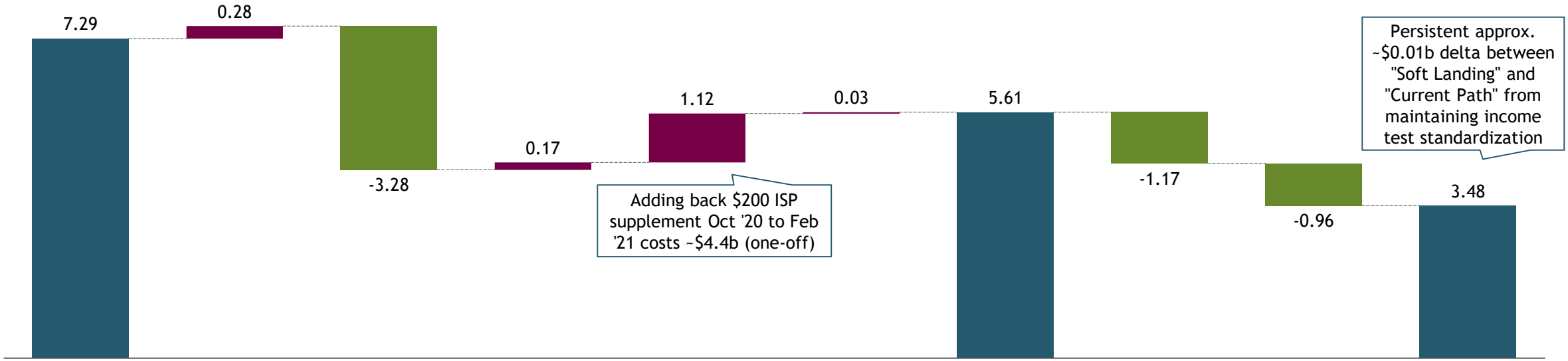
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Financial implications: "Soft Landing" run-rate build-up (Jan '22)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.6m	+0.1m	-0.1m	+0.1m	tbd	tbd	2.6m	-0.8m	-0.1m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP					1.4m			1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

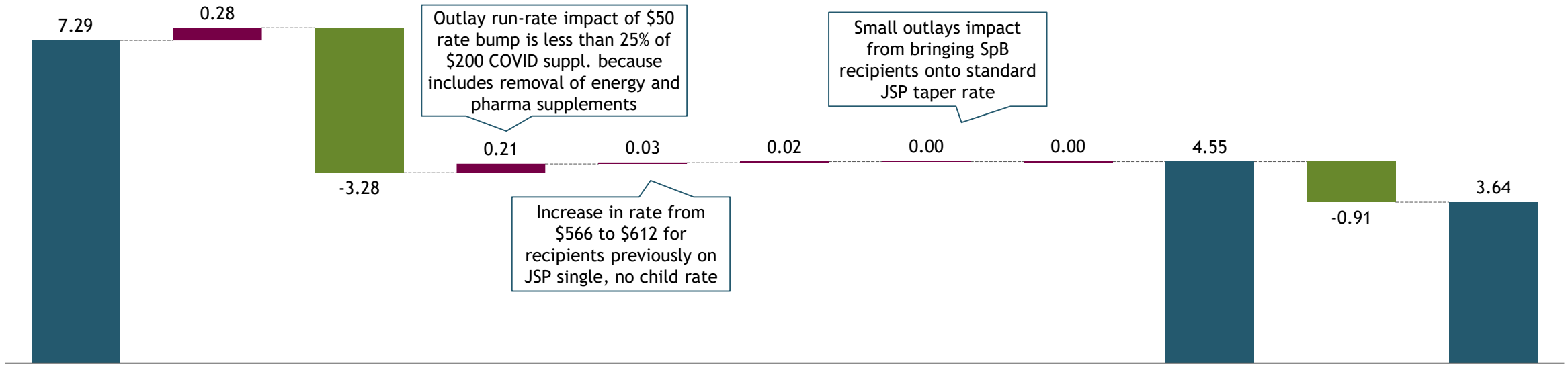
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Financial implications: "Reform Lite" run-rate build-up (Jan '22)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Return to previous policy settings	$50 ISP rate increase, remove energy & pharam suppl.	Create new mature age PCW rate	Standardise ISP income tests	Roll 65+ and TPV SpB cohorts into JSP, YA (O) and Austudy	Roll PP (Single & Partnered) into JSP	Reform Lite run-rate (Oct '20)	Macro job growth volume impact[1]	Reform Lite run-rate (Jan '22)
No. ISP recipients[2]	2.6m	+0.1m	-0.1m	tbd	tbd	tbd			2.5m	-0.8m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP							1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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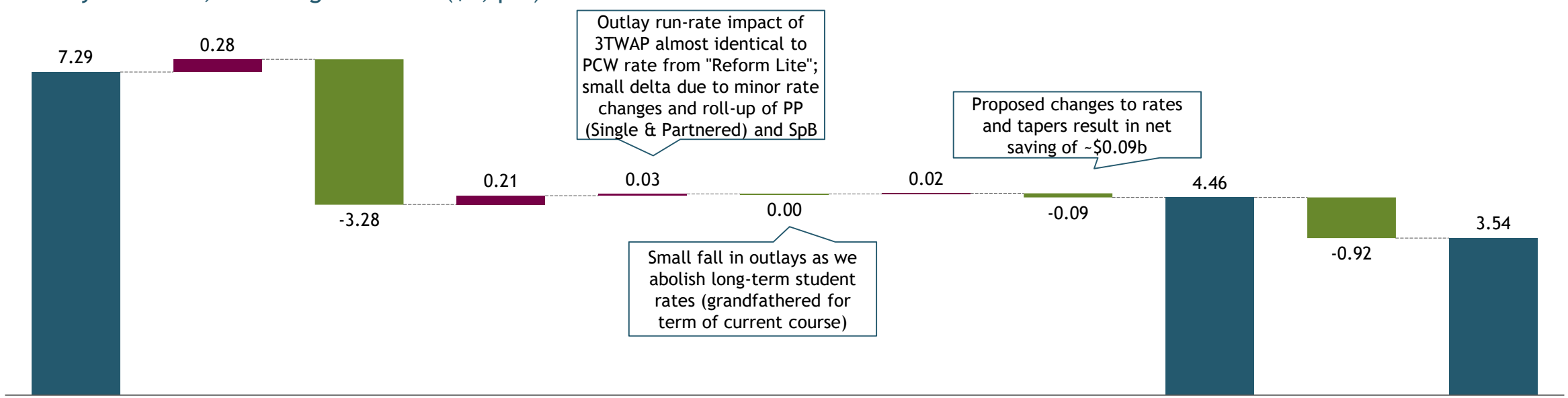
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Financial implications: "Reform" run-rate build-up (Jan '22)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Return to previous policy settings	Add $50 ISP rate increase, remove energy & pharam suppl.	Create new 3-Tier Working Age payment (JSP, YA(O), PP, SpB)[1]	Create new simplified Student payment (YA(S), Austudy)	Standardise ISP income tests	Create new simplified FTB payment (FTB-A, FTB-B)	Reform run-rate (Oct '20)	Macro job growth volume impact[1]	Reform run-rate (Jan '22)
No. ISP recipients[2]	2.6m	+0.1m	-0.1m	tbd			tbd		2.5m	-0.8m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						tbd	1.4m		1.4m

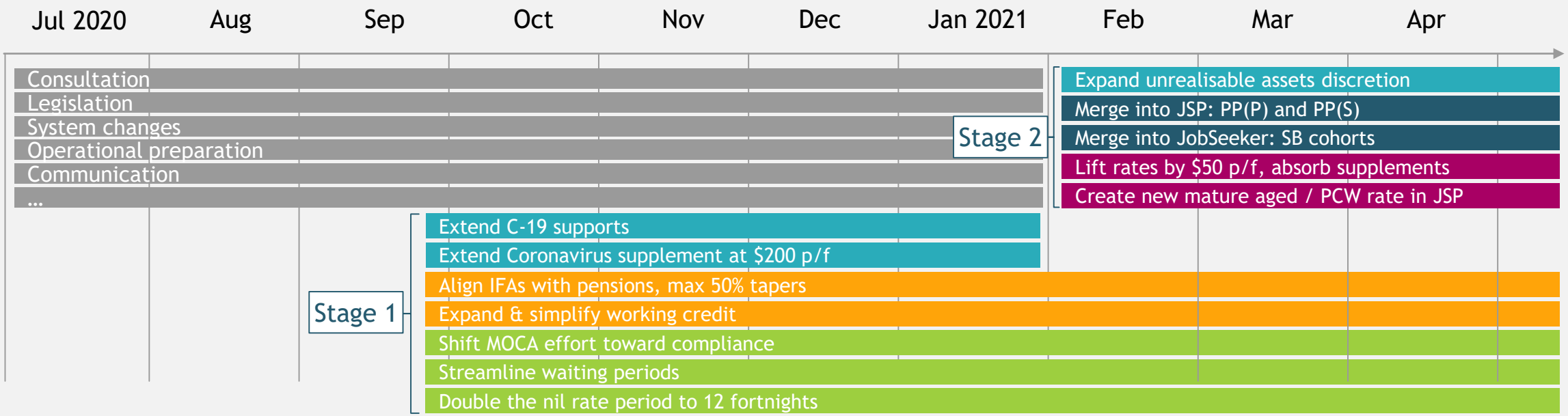
1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

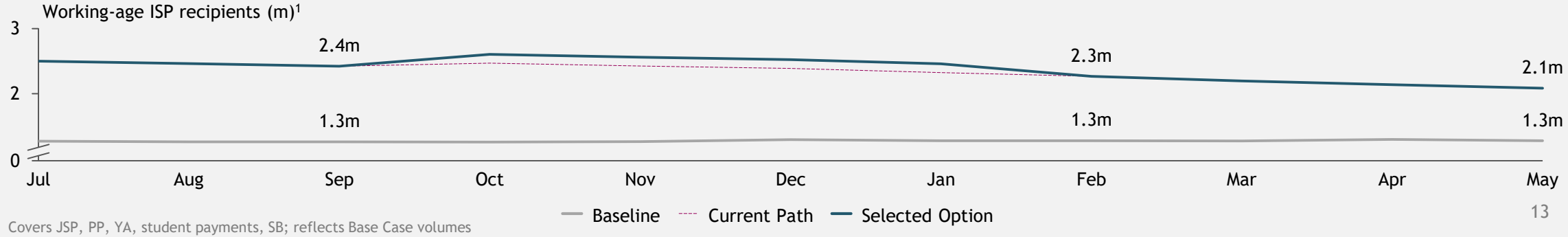
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Example timeline: Selected package could be implemented in stages





1. Covers JSP, PP, YA, student payments, SB; reflects Base Case volumes
Source: DSS data, BCG analysis

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Next steps

Focus areas for Sprint 4

Detail out preferred reform pathway, with timing, sequencing, and more detailed policy design choices

Refine the model and tighten financial impact assessment of the preferred reform pathway

Incorporate unit-level data into the model to improve fidelity and allow more granular impact assessment of various policy choices

Commence work on other priority items:

- Fine tuning FTB reforms (e.g child supp. & volumes)
- Detail the way forward on MOCA
- Consider options for a sharer rate
- Consider moving to household income test (as per pensions) rather than individual + partnered tests
- Develop an interactive dashboard for the model to allow real-time adjustments and option testing

Further backlog

Iteration of preferred reform pathway, including consideration and costing of alternative options & choices

Further integration of unit-level data to refine cohort-level impacts

Simplify definitions of income

Further consolidation of supplements

Aligning indexation

Support preparation of briefing materials

…

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Thank you

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Project Canoe: Appendix

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Policy options

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Menu of options (deep dives follow)

Note: Cost & saving estimates are indicative – actual costs of each option will vary based on combination selected

Temporary relief	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility (excl. sole traders) $100-$300m pm	Extend Coronavirus supplement at $200 p/f, & include it in Income Test for current recipients only $1.0-$1.2b pm	Expand discretion able to be exercised around unrealisable assets tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) No outlay impact	Merge into JobSeeker: Youth Allowance (o) No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child $0-($200)m pm
	Merge into JobSeeker: Special Benefit >65s and TPVs holder cohorts $0-$10m pm	Merge YA(s) and Austudy into a new student payment $0-($20)m pm[1]	
Rates	Lift payment rates for working age & student payments by $50 p/f, cease supplements: energy, pharma, WFD, LLN $100-$300m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 tbd	
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP tbd	Double the nil rate period to 12 fortnights tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates

Source: DSS data, BCG analysis

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Temporary relief measures

Deep dive on following slides

Change	Description	Impact
Coronavirus supplement extension	• Coronavirus supplement extended until 1 February 2021 to all student, parent, & unemployment ISP recipients, @$200 p/f • Supplement included in income test, for existing recipients only	• 2.3 recipients receive a reduced supplement of $200 p/f, before transitioning off • Inclusion in income test for current recipients only removes EMTR cliff currently experienced, without extending eligibility to higher income people
Asset test exemption extended	• Exemption from Asset Test for all claimants and for all current recipients continues until 1 February 2021	• Delays removal of ~30k recipients from welfare payments • Provides additional supports to workers made redundant in the period after JobKeeper's scheduled end • Delays and reduces service delivery effort to collect full asset information from ~800k recipients
Eligibility extension extended	• Continued extension of eligibility to sole traders, self-employed, stood down employees, and those caring for someone in isolation, until 1 February 2021	• Delays removal of ~10k recipients from welfare payments, and provides sole traders with longer period of support to re-establish their businesses
Partner income test continues at 25%	• Partner income test continues at 25% taper until 1 February 2021	• Delays removal of ~20k recipients from the system • Delays reduction in payment rate for ~40k recipients
Rental verification, ESC waivers extended	• Requirement to verify rent arrangements and provide Employment Separation Certificates continues to be waived until 1 February 2021	• Delays and reduces service delivery effort to collect full asset information from ~800k recipients • Smooths claim process for people made redundant after Jobkeeper's scheduled end
Waiting periods continue to be waived	• Ordinary Waiting Period, Liquid Assets Waiting Period, Newly Arrived Residents Waiting Period, and Seasonal Work Preclusion Period all continue to be waived until 1 Feb 2021	• Delays removal of XXk recent migrants from the system • Smooths claim process for people made redundant after Jobkeeper's scheduled end
Discretion around unrealisable assets	• For the duration of the crisis, increase the flexibility of the unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires	• Reduces the number of hardship cases arising after the reintroduction of the assets test from 1 February 2021

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Coronavirus Supplement Extension - options

Hypothesis on preferred option

	Included in income test	Excluded from income test
$200 p/f for 4 months	Additional cost: ~$3-5b Implications: • **Highest cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $400 p/f (50c taper)	B Additional cost: ~$3-5b (~$30m less than with income test) Implications: • **Higher cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 4 months	C Additional cost: ~$1-3b Implications: • **Lower cost**; sharp reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $200 p/f (50c taper)	D Additional cost: ~$1-3b (~$10m less than with income test) Implications: • **Lowest cost**, sharp reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Source: BCG analysis, DSS data

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Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 28,000 individuals currently in receipt of JobSeeker have assets above the threshold - the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September – to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily increasing the flexibility of the unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Payment simplification: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate **$462.50** f/n plus supplements, with mutual obs
- **$143 IFA, 50-60%** income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to **$565.70** f/n plus supplements, mutual obs continue
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) till child turns 8
- Payment rate increases to **$790.10** f/n plus some additional supplements, no mutual obs
- **$188.60 IFA 40%** income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to **$612.00** f/n plus some additional supplements, part time mutual obs
- **$143 IFA, 40%** income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate **$304.60** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to **$462.50** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit

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Rolling PP (P&S) into Jobseeker

	From				To	
	Jobseeker		Parenting Payment		Jobseeker	
Eligibility	Unemployed Aged 22 to Age Pension age		Principal carer of qualifying child <6 if partnered or <8 if single		Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]	
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity		May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single Single w/children / mature Mutual obs exempt Partnered	$565.70 $612.00 $790.10 $510.80	Single Partnered	$790.10 $510.80	Single Single w child >8 / mature Mutual obs exempt / single parent[1] Partnered	$565.70 $612.00 $790.10 $510.80
Supplements	Individual circumstances		As per JSP + Pension Supplement and Pensioner Education Supplement		Individual circumstances	
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP		As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single		Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single	

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

Rationale for change

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Eliminate requirement to transfer from PP to JSP when children reach 6 or 8 years old
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying additional obligations to parents

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Rolling YA(o) into Jobseeker

	From Youth Allowance (Other)	To Jobseeker, Youth Rates
Eligibility	Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study	Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study
Mutual obligations	Participate in job search or other approved activities Participate in part-time study or training, in combination with other approved activities	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]
Rates	Single, under 18 years, at home $253.20 Single, over 18 years, at home $304.60 Single, away from home $462.50 Single, with child Single, principal carer with exemption $606.00 / $790.10 Partnered, no child Partnered, with child $462.50 / $507.90 * Three more special rates for long term income support	Youth Single, under 18, at home $253.20 Youth Single, over 18, at home $304.60 Youth, Single, away from home $462.50 Youth Partnered $462.50
Supplements	Energy Supplement (various rates from $3.90 to $12.00), Youth Disability Supplement (if eligible), Pharmaceutical Allowance (if eligible)	Simplified Energy Supplement, other supplements remain the same
Tapers & IFA	Parental Income test of 20c per $1 over $54,677 50% above $143 60% above $250	Same as today

Rationale for change

Youth Allowance (other) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Fewer overall payment types
- ✓ Eliminate requirement to transfer from YA(o) to JSP at the age of 22
- ✓ Greater alignment of payment type with focus on finding work ("Jobseeker" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(O) but not YA(S) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Jobseeker Payment
- x Lower Income Free Area for current Youth Allowance (other) recipients

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New JobSeeker Rate Mapping – Tiers One and Two

From		To	
JobSeeker Single principal carer with exemption (4,000 recipients)	$790.10		
Parenting Payment Single (234,000 recipients)	$790.10	**Highest rate** Single	$790.10
Youth Allowance (Other) Single principal carer with exemption (4 recipients)	$790.10		
JobSeeker Single, with dependent child (134,000 recipients)	$612.00		
JobSeeker Single, aged 60 or over, after 9 months (66,000 recipients)	$612.00	**Highest rate** Single	$612.00
Youth Allowance (Other) Single with child (500 recipients)	$606.00		

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New JobSeeker Rate Mapping – Tier Three

From		To	
JobSeeker Single, no children (714,000 recipients)	$565.70	**Basic Rate, Single**	$565.70
JobSeeker Partnered (300,000 recipients)	$510.80	**Basic Rate, Partnered**	$510.80
Parenting Payment **Parenting Payment Partnered** (71,000 recipients)	$510.80		
Youth Allowance (Other) Partnered, with child (1,000 recipients)	$507.90		
Youth Allowance (Other) Single, under 18 years, at home (5,000 recipients)	$253.20	**Basic Rate, Youth Single, under 18 years, at home**	$253.20
Youth Allowance (Other) Single, over 18 years, at home (65,000 recipients)	$304.60	**Basic Rate, Youth Single, over 18 years, at home**	$304.60
Youth Allowance (Other) Single, over 18 years, away from home (4,000 recipients)	$462.50	**Basic Rate, Youth Single, away from home**	$462.50
Youth Allowance (Other) Single, over 18 years, away from home (42,000 recipients)	$462.50		
Youth Allowance (Other) Partnered, no children (4,000 recipients)	$462.50	**Basic Rate, Youth Partnered**	$462.50

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Rolling YA(s) into Austudy

	From		To
	Youth Allowance (S)	**Austudy**	**Austudy**
Eligibility	Full-time students and Australian Apprentices aged 16 – 24 Secondary students under 18 living away from home	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 25 years or over	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 16 years or over
Mutual obligations	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship
Rates	Single, under 18 years, at home ---- $253.20 Single, over 18 years, at home ---- $304.60 Single, away from home ---- $462.50 Single, with child ---- $606.00 Single, principal carer with exemption ---- $790.10 Partnered, no child ---- $462.50 Partnered, with child ---- $507.90 **Three more special rates for long term income support*	Single, no dependent children ---- $462.50 Single, with dependent children ---- $606.00 Member of a couple, no dependent children ---- $462.50 Member of a couple, with dependent children ---- $507.90 **Two more special rates for long term income support recipients*	**Highest Rate**, Single ---- $790.10 **Higher Rate,** Single ---- $612.00 **Basic Rates:** Youth Single, under 18, at home Youth Single, over 18, at home ---- $253.20 Youth Single, away from home ---- $462.50 Youth Partnered ---- $790.10 Youth Partnered, with child ---- $510.80
Supplements	Energy Supplement (from $3.90 to $12.00)	Energy Supplement (from $7.00 to $14.10) and Pharmaceutical Allowance if aged over 60 and on payment for 9 months	Individual circumstances
Tapers & IFA	50% above $437 60% above $524	50% above $437 60% above $524	50% above $437 60% above $524

Rationale for change

Youth Allowance (Student) could be combined with Austudy to simplify the different categories of student payments. This would create a consistent set of adult and youth rates in both unemployment and student payments.

Pros:

- ✓ Fewer overall payment types
- ✓ Greater alignment of payment type with policy intent ("Austudy" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(S) but not YA(O) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Austudy

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New Austudy Rate Mapping

From		To	
Youth Allowance (Student) Principal carer of a dependent child (0 recipients)	$790.10	**Higher Rate, Single**	$790.10
Youth Allowance (Student) Single, with children (200 recipients) **Austudy** Single, with children (3,000 recipients)	$606.00 $606.00	**Higher Rate, Single**	$612.00
Youth Allowance (Student) Single, under 18 years, at home (3,000 recipients)	$253.20	**Basic Rate, Single, under 18, at home**	$253.20
Youth Allowance (Student) Single, over 18 years, at home (99,000 recipients)	$304.60	**Basic Rate, Single, over 18, at home**	$304.60
Youth Allowance (Student) Single, under 18 years, away from home (4,000 recipients) **Youth Allowance (Student)** Single, over 18 years, away from home (71,000 recipients) **Austudy** Single, no child (20,000 recipients)	$462.50 $462.50 $462.50	**Basic Rate, Single, away from home**	$462.50
Youth Allowance (Student) Partnered, no child (4,000 recipients) **Austudy** Partnered, no child (2,000 recipients)	$462.50 $462.50	**Basic Rate, Partnered**	$462.50
Youth Allowance (Student) Partnered, with children (2,000 recipients) **Austudy** Partnered, with children	$507.90 $507.90	**Basic Rate, Partnered with children**	$510.80

Grandfathered Rates

Youth Allowance and Austudy currently have five rates for long-term income support recipients.

These rates are for recipients who either commence full-time study of an apprenticeship, having been in receipt of an income support payment for at least 6 out of the last 9 months since turning 22.

It is proposed that these rates be grandfathered for those eligible for this payment (less than 3,000 recipients). Once these recipients finish their current course of study they will move to a standard rate.

Current rates (Youth Allowance):

Single, living at home - $373.70

Single, living away from home - $561.90

Member of a couple, no dependent children - $507.90

Austudy

Single, no dependent children - $561.90

Member of a couple, no dependent children - $507.90

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Key decision: Rolling Special Benefit into Jobseeker

From: 3 key cohorts on Special Benefit

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,801 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790 (85%) or Partner Visa (14%)
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,201 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker / new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;

2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

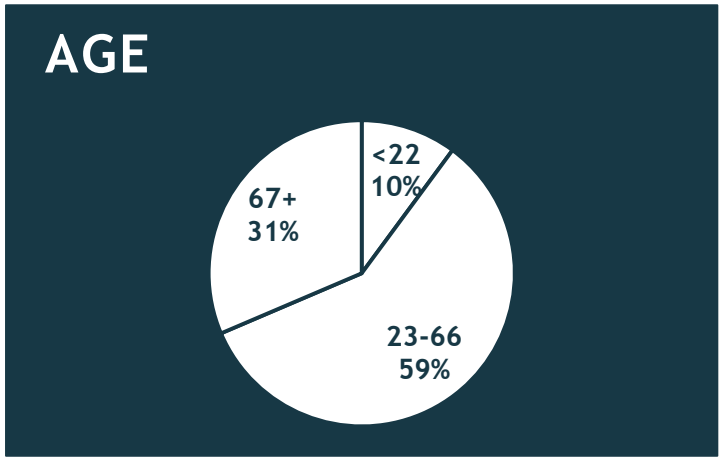
- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

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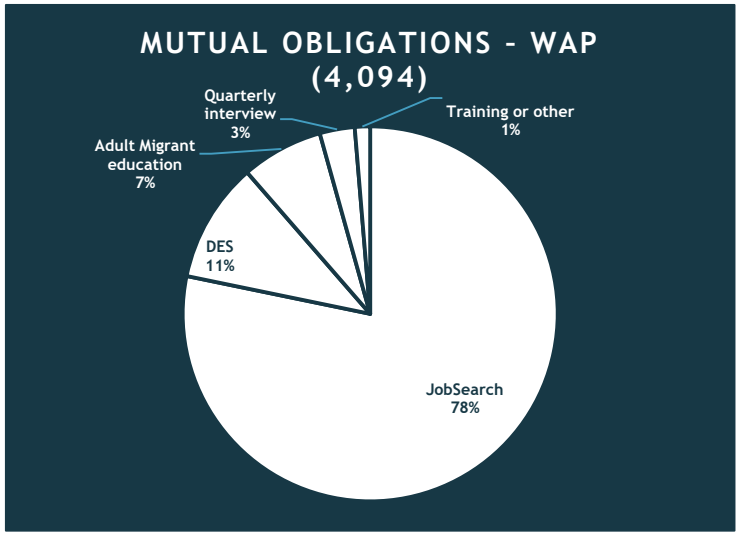
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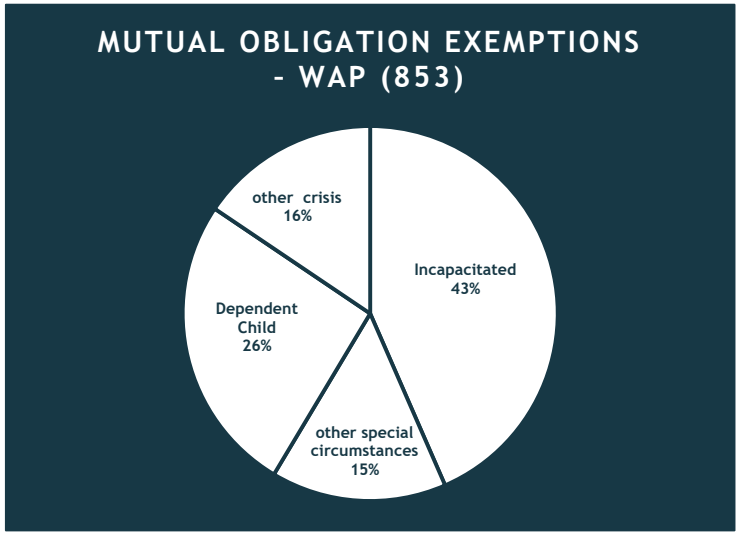
Appendix – Cohort analysis of working age Special Benefit recipients

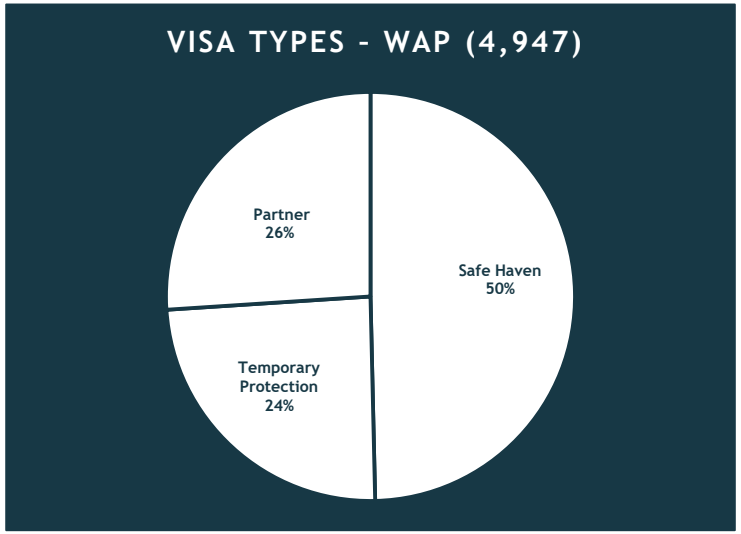


Working Age Recipients

- Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)







Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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FTB A & B: Policy goals and key issues to address

Policy goals of the payment

Primary goal: Support low and low-middle income families with a contribution toward the cost of raising children (key focus of FTB-A)

Secondary goal: Support parents to spend more time with their children, especially young children (key focus of FTB-B)

Note: FTB has historically had the effect of reducing overall income inequality in Australia – however this effect has been declining for over a decade

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- Costs typically step up at primary school and high school, while FTB-A steps up at 13yo, and FTB-B steps down at 5yo

Split A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- Impacts particularly on recipients of only FTB-A, which provides a consistent amount per child

Delivery via Services Australia brings >750,000 additional people into the welfare system – with ~57% of FTB recipients not on an income support payment

EMTR cliffs - at $80,000 income due to FTB-A supplement cut-out, at $100k for the primary income earner for FTB-B, and at base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB: Example reform options

	1: Single FTB payment, with decreasing rates per child as family grows	2: As per Example 1, but with earlier taper cut-in, and lower taper rate	3: As per Example 2, but with lower rate for 0-4s, and expanded Newborn Supplement
Description	First Child: Equivalent to FTB A & B incl. supplements rolled together, except 5-12 children take average of 0-4 and 13-18 rates 2nd & 3rd children: Equiv. to FTB A, but without the $766.50 supplement 4th & subsequent: Half of 2nd/3rd rate Tapers: Cut-in as per FTB A, 30% Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 1 2nd & 3rd children: As per Example 1 4th & subsequent: As per Example 1 Tapers: Cut-in at $38,520, 20% Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 2, but 0-4 rate 30% reduced, and 5-12 rate 15% reduced 2nd & 3rd children: Same % reductions as for 1st 4th & subsequent: Half of 2nd/3rd rate For newborns: Expand Newborn Supplement to $3,696. Would remove multiple birth allowance Tapers: Cut-in at $38,520, 20% Base rates: Retained
Winners	✓ Almost all dual-earner households ✓ Families with 6-12 aged children ✓ Single-earner households with 2+ children and >$100k income	✓ Dual-earner households, except 1-child households earning $86k-$106k ✓ Single-earner households with 2+ children earning >$100k	✓ Families with newborns (0-1 yo) ✓ Dual-earner households, except those with children aged 1-4 ✓ Single-earner households with 2+ older children, earning >$100k
Losers	x Single-earner families with 1 child, and income >$56k x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement)	x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement) x Dual-earner families with 1 child earning $86k-$106k	x Almost all families with 1-4 year old children x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction x Dual-earner families with 1 child earning $86k-$106k

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

Note: Option 3 arguably allows greatest rephrasing of benefits to when costs are incurred

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Backup: Example rate tables

Current rates

Current rates

	Age		0-12		13-19	
FTB-A	Standard rate	$	4,855	$	6,315	
	Taper 1 - cut in	$	54,677		Taper rate	20%
	Taper 2 - cut in	$	98,988		Taper rate	30%
	Base Rate	$	1,559	$	1,559	
	Taper		30%	$	98,988	
	Supplement	$	767		Cut-out	$ 80,000

	Age		0-4		5-18	
FTB-B	Standard Rate incl. Suppl.	$	4,500	$	3,256	
	Taper - Cut in	$	5,694		Taper rate	20%
	Primary income earner cut-off	$	100,000			

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement

Example options for rates

	Age	0-4	5-12	13-18
Example 1	Rate – First child	$ 10,121	$ 10,851	$ 11,581
	Rate - 2nd & 3rd child	$ 4,088	$ 4,818	$ 5,548
	Rate – Subsequent children	$ 2,044.00	$ 2,409.00	$ 2,774.00
	Taper 1 - cut in	$ 54,677	Taper rate	30%
	Taper 2 - cut in		Taper rate	

	Age	0-4	5-12	13-18
Example 2	Rate – First child	$ 10,121	$ 10,851	$ 11,581
	Rate - 2nd & 3rd child	$ 4,088	$ 4,818	$ 5,548
	Rate - Subsequent children	$ 2,044.00	$ 2,409.00	$ 2,774.00
	Taper 1 - cut in	$ 38,520	Taper rate	20%
	Taper 2 - cut in		Taper rate	

	Age	0-4	5-12	13-18
Example 3	Rate – First child	$ 7,085	$ 9,224	$ 11,581
	Rate - 2nd & 3rd child	$ 2,862	$ 4,095	$ 5,548
	Rate - Subsequent children	$ 1,430.80	$ 2,047.65	$ 2,774.00
	Taper 1 - cut in	$ 38,520	Taper rate	20%
	Taper 2 - cut in		Taper rate	

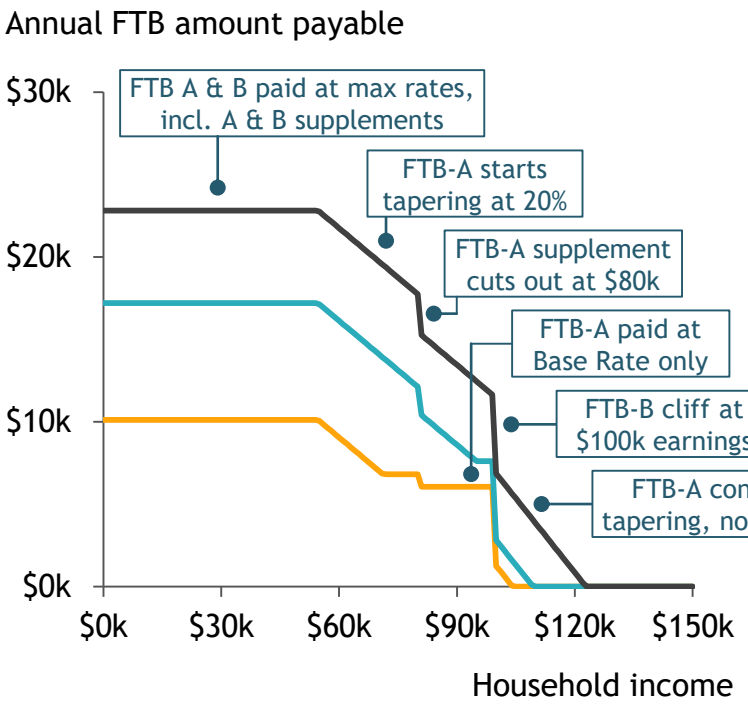
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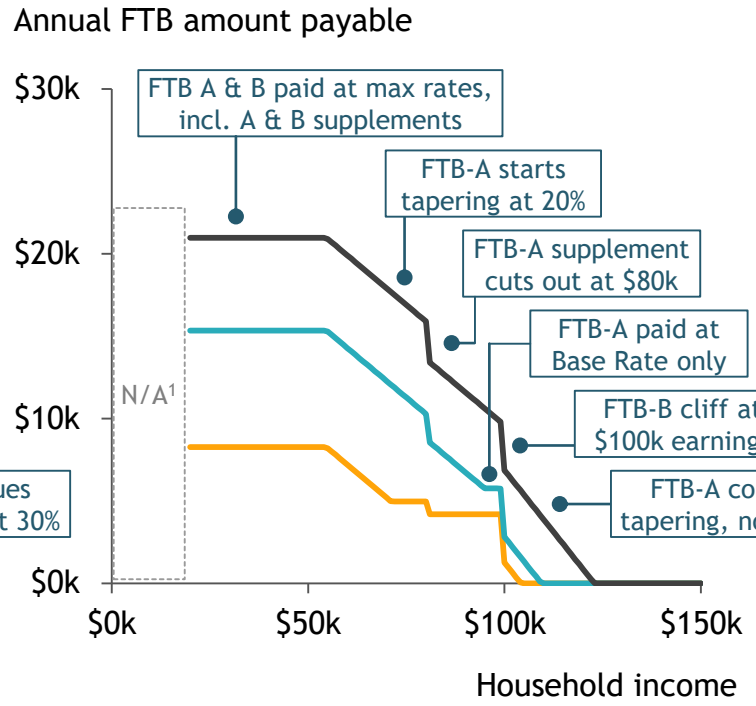
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FTB: Current income tests for varying family circumstances

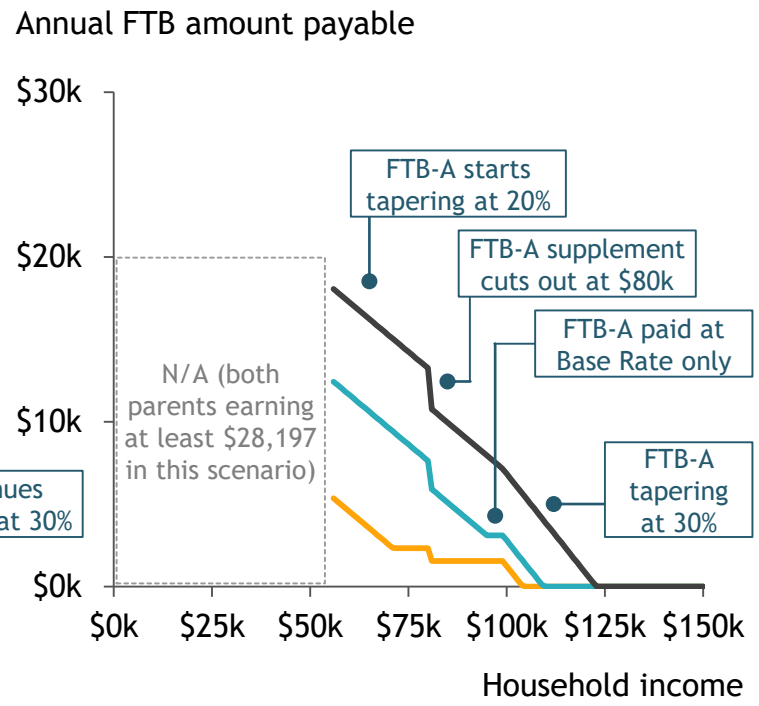
Current: One earning parent



Current: Two earning parents, with $15k income for secondary earner



Current: Two earning parents, with >$28,197 income for secondary earner



- Family with 1 child <5,
- Family with 2 children, 1x<5, 1x16
- Family with 3 children, 1x<5, 1x10,1x16

1. Both parents earning at least $10,000 in this scenario

Source: BCG analysis; Services Australia Guide to welfare payments

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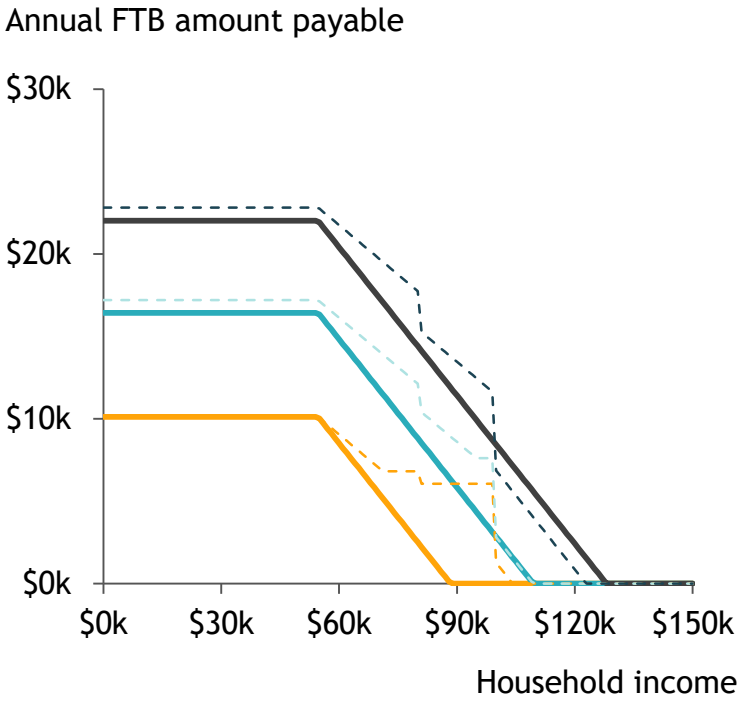
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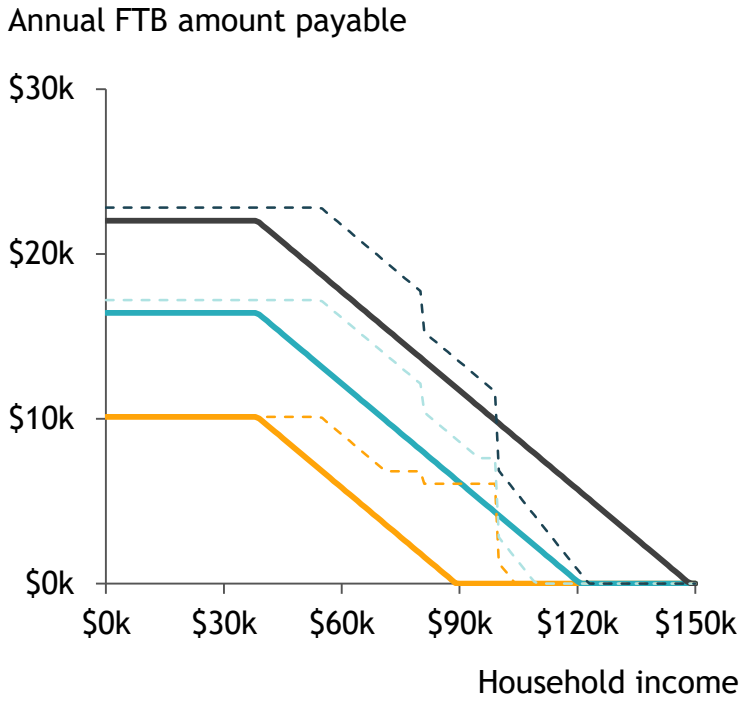
FTB: Example income tests for the three reform options

Comparison vs one earning parent households

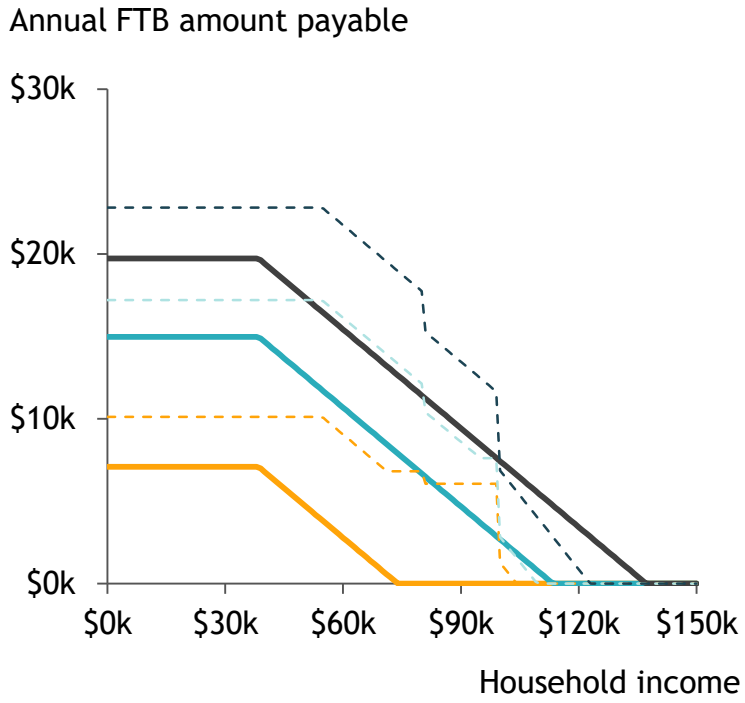
Example 1: Single FTB payment, with decreasing rates per child as family grows



Example 2: As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Example: Family with 1 child <5,
Example: Family with 2 children, 1x<5, 1x16
Example: Family with 3 children, 1x<5, 1x10,1x16
Current: Family with 1 child <5 (single income)
Current: Family with 2 children, 1x<5, 1x16 (single income)
Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: BCG analysis

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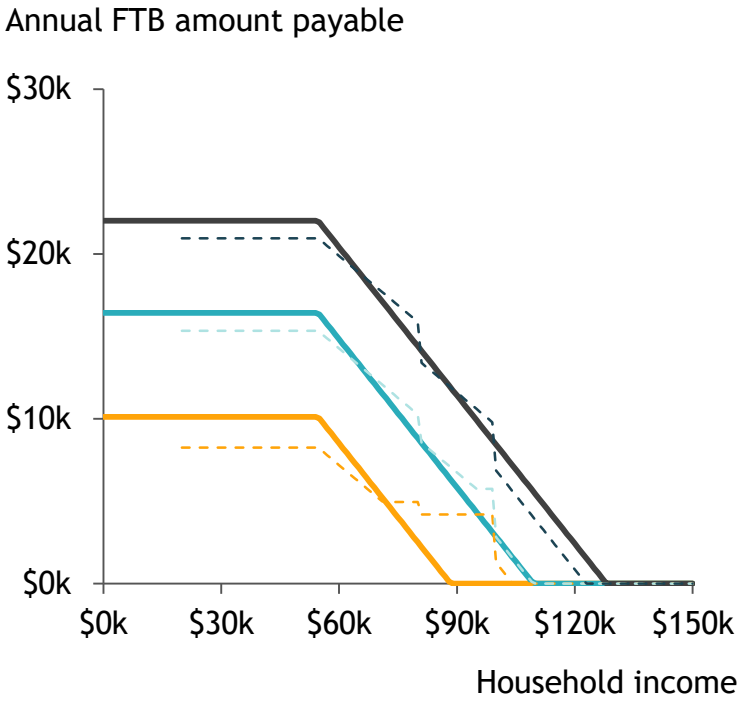
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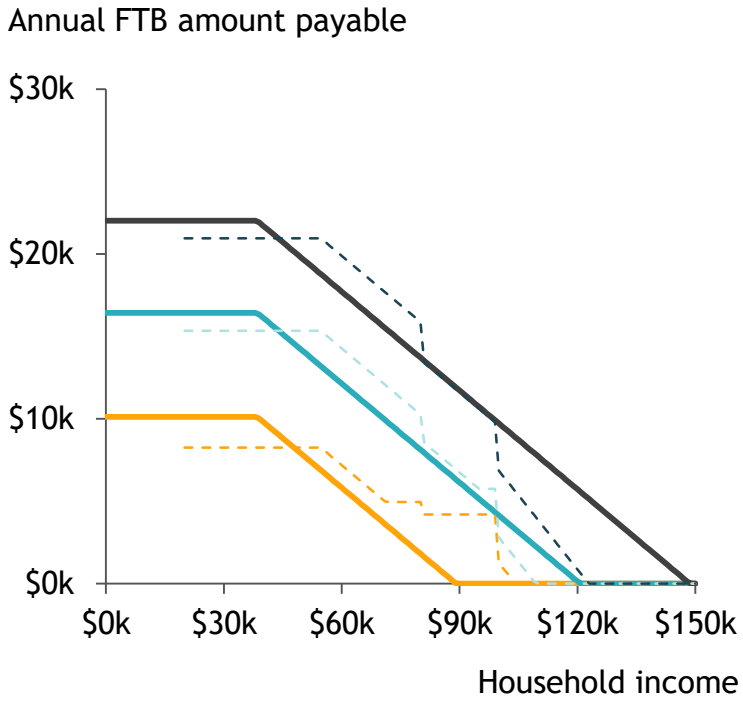
FTB: Example income tests for the three reform options

Comparison vs two earning parents, with $15k income for secondary earner

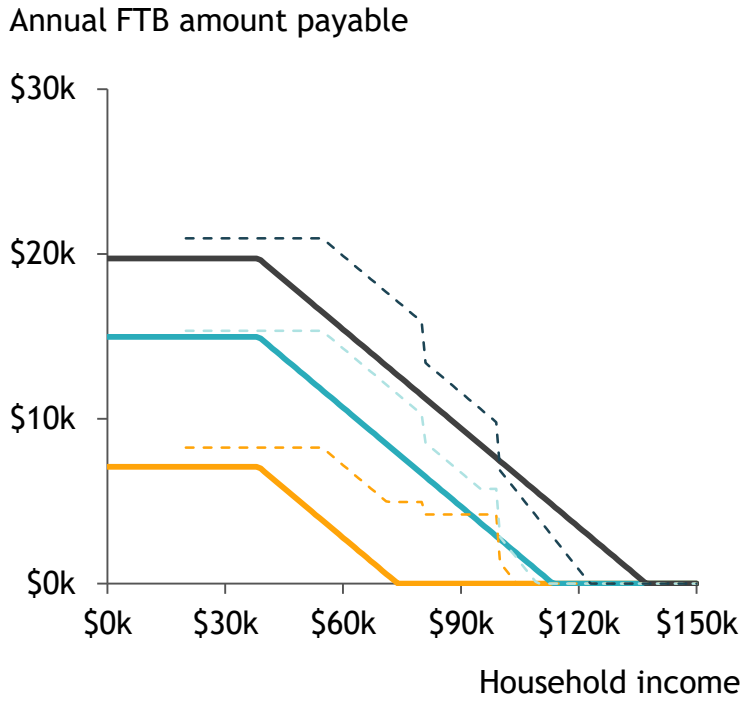
Example 1: Single FTB payment, with decreasing rates per child as family grows



Example 2: As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



- Example: Family with 1 child <5,
- Example: Family with 2 children, 1x<5, 1x16
- Example: Family with 3 children, 1x<5, 1x10,1x16
- Current: Family with 1 child <5 (single income)
- Current: Family with 2 children, 1x<5, 1x16 (single income)
- Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: BCG analysis

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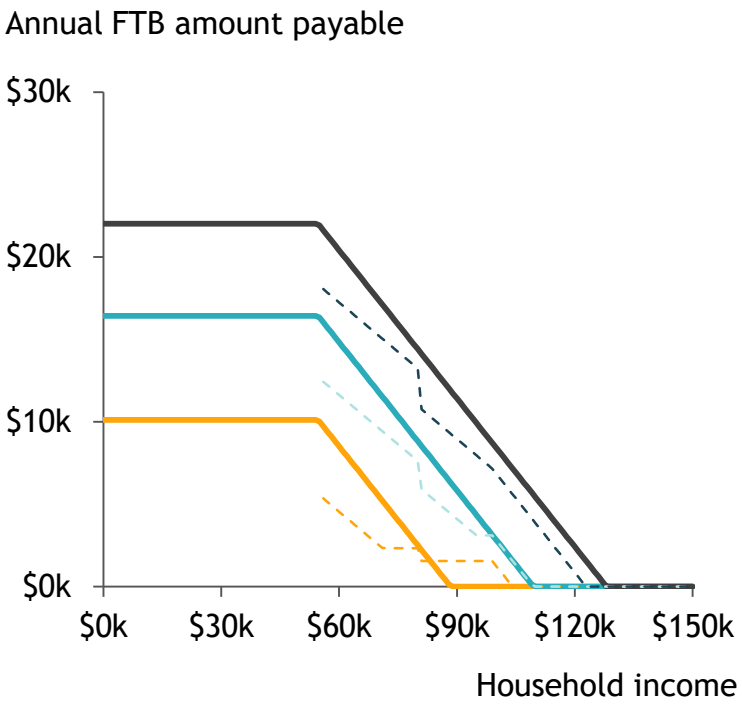
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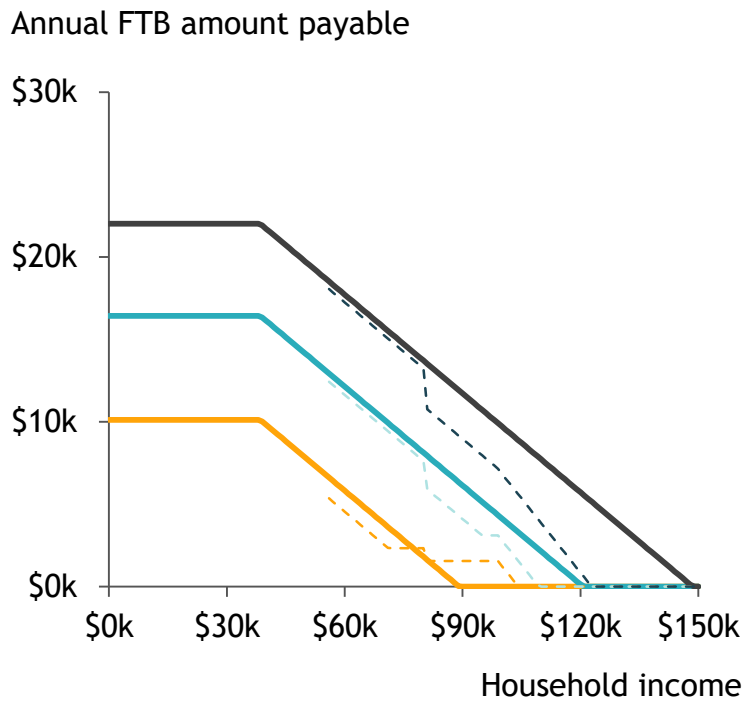
FTB: Example income tests for the three reform options

Comparison vs two earning parents, with >$28,197k income for secondary earner

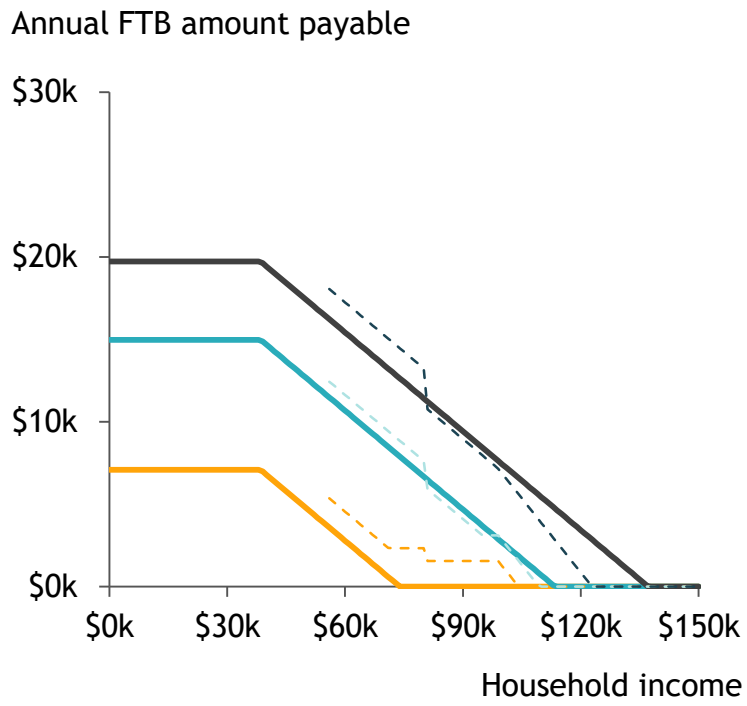
Example 1: Single FTB payment, with decreasing rates per child as family grows



Example 2: As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



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- Example: Family with 3 children, 1x<5, 1x10,1x16
- Current: Family with 1 child <5 (single income)
- Current: Family with 2 children, 1x<5, 1x16 (single income)
- Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: BCG analysis

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	**JSP 60+ on payment for 9 months**	**JobSeeker Payment Higher Rate**
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 50+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $174

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

Included in new rate

Hypothesis

1 All >50s, plus <15 hr PCWs

Recipients

Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts

An additional 215,000 recipients would receive a higher rate

Additional outlays

~$260m p.a.

2 All >55s, plus <15 hr PCWs

Recipients

Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts

An additional 137,000 recipients would receive a higher rate

Additional outlays

~$170m p.a.

3 All >60s, plus <15 hr PCWs

Recipients

Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts

An additional 59,000 recipients would receive a higher rate

Additional outlays

~$70m p.a.

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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Backup: Age / PCW recipient number breakdown

Age	<7 hours	8 to 14 hours	15 to 22 hours	23 to 29 hours	>30 hours (No PCW)
<50	1,037	2,809	100,604	52,856	290,282
50 - 54	281	888	30,184	10,181	36,929
55 - 59	280	1,023	36,232	8,881	32,914
60+	398	1,915	54,114	8,115	54,705
Total	**1,996**	**6,635**	**221,134**	**80,033**	**414,830**

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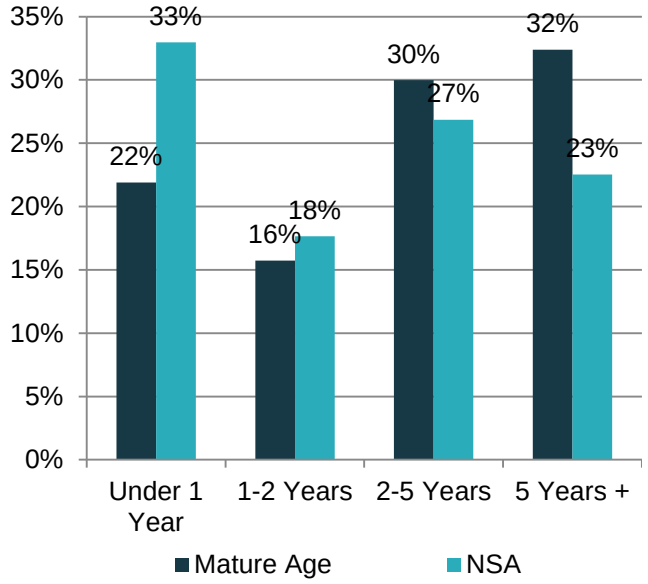
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

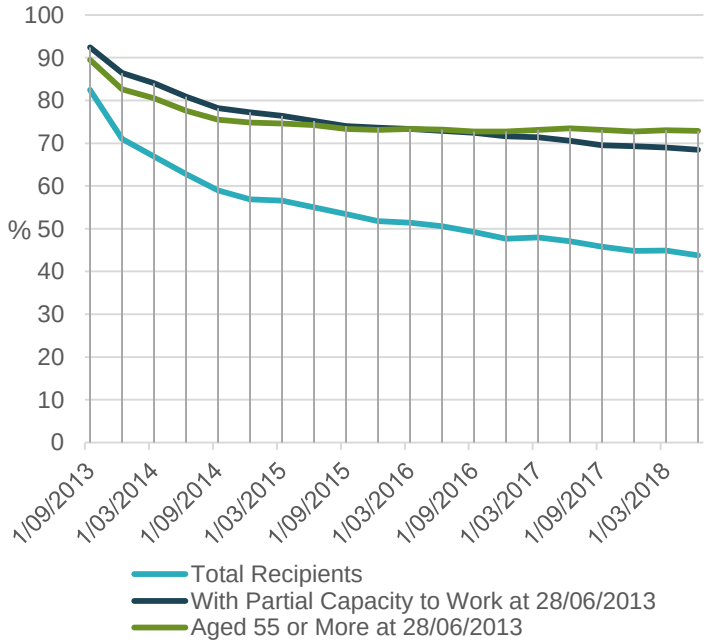
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



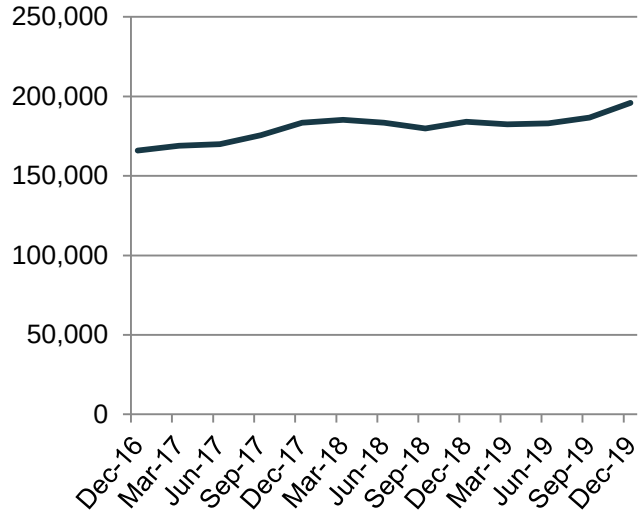
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Lifting base rates by $50 per fortnight creates opportunity to sweep up energy, pharma, and APW/LLN supplements

		Single adult, no children	Single adult, with children >=8yo	Single adult with children <8yo	Single adult >60, 9 mths on payment	Couple, no children	Couple, with children
Current rates	Basic rate	565.70	612.00	790.10	612.00	510.80	510.80
	Energy supplement	8.80	9.50	12.00	9.50	7.90	7.90
	Pharma allowance	-	6.20	6.20	6.20	-	-
	APW or LLN	20.80	20.80	20.80	20.80	20.80	20.80
	Rent assistance cap	139.60[1]	164.08[2]	164.08[2]	139.60[1]	131.60	164.08[2]
	FTB A	-	186.20[3]	186.20[3]	-	-	186.20[3]
	FTB B	-	110.60[4]	110.60[4]	-	-	110.60[4]
	Total	**734.90**	**1109.38**	**1289.98**	**788.10**	**671.10**	**1000.38**
Future option - Illustrative example	Basic rate (+50)	615.70	662.00	840.10	662.00	560.80	560.80
	Rent assistance cap (unchanged)	139.60[1]	164.08[2]	164.08[2]	139.60[1]	131.60	164.08[2]
	FTB A (unchanged)		186.20	186.20			186.20
	FTB B (unchanged)		110.6	110.6			110.6
	Total	**755.30**	**1122.88**	**1300.98**	**801.60**	**692.40**	**1021.68**
	Increase vs current	20.40	13.50	11.00	13.50	21.70	21.70
Reference point	UNSW Budget Standard (max 1 child)	867.36	1350.36	1350.36	867.36	N/A	N/A

1. Or 93.07 if sharing a dwelling 2. Or $185.36 if three or more children 3. Assuming 1 child only, aged <12yo 4. Assumes a child 5-15 yo

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area Grandfather existing recipients	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area Grandfather existing recipients	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**Increase free area** • TBC
# of recipients with earnings as at Dec 2019	124,849 (17.1%) total Newstart Allowance population with earnings		60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	TBC	TBC

Note: Achieves consistency across payments, but future PP(S) recipients worse off

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests	
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices:** $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,188 free area • 50c per $1 over free area
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	TBD	TBD

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Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Member of a Couple – Three potential changes from today

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:

Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:

Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:

Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose not to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Backup: Member of a Couple Assessments and Compliance

Work-in-progress
This topic is a priority for Sprint 4: to dig deeper into the data and quantify the potential opportunity

Complex MOCA assessments see low return on investment today

Around 22 thousand (<1% of singles) complex MOCA assessments occur per year

MOCA assessments lead to a speculated compliance save of between 10-30m per year.

If a single accuracy prompt was applied with a 1 per cent success rate to 10 per cent of the single population to a wider population was completed, this save could increase to ~100m with little administrative outlays

Targeted MOCA compliance efforts often see low returns

Targeted member of a couple compliance activities provide low downward variation (1-6%) and cancellation rates (1-4%). SUOR reviews

- The taskforce integrity unit,
- MOCA high risk assessments,
- The random sample survey
- Third Party Verification

This probably reflects a success rate that would be achieved by accuracy prompts or nudge interventions.

Many member of a couple debts result in people forgetting to update Services Australia and a lack of clarity of own relationship status.

Modern relationships are becoming more complicated and subjectivity is greater than ever before.

Most promise seen so far in targeted & intensive reviews

Measure	Taskforce Desktop reviews	Taskforce In person reviews	RSS results	Third Party Verification
Type	Targeted / less-intrusive / less vigorous	Targeted/ more intrusive/ more vigorous	Random/ intrusive / vigorous	Broadly targeted / less-intrusive/ not vigorous
Cancellation %	1.5%	4%	2%	<1%
Downward minus Upward Variation %	1.6% (3.2% down, 1.6% up)	6% (10% down, 4% up)	2%	1.3% (no up)
Debt raised %	1%	20%		<1%
average debt $	$1,530	$2,540		$5,235
No. of Reviews,	400	9000		1820

Note: Some results on this table are from 2017-18 (taskforce integrity and TPV) but reflect current trends

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Two opportunities to streamline waiting periods (I)

Merging the Ordinary Waiting Period into the Liquid Assets Waiting Period

Context

Description:

- Claimants of JobSeeker payment, Youth Allowance (JobSeeker only) and Parenting Payment (Partnered and Single) must wait one week before receiving income support
- The OWP must be served in addition to other applicable waiting periods

Rationale for change

- The OWP could be seen as arbitrary and lacking a clear rationale, in that it makes only a limited reference to means and circumstances. The OWP has been criticized as unnecessary by stakeholders on these grounds
- The OWP can be waived for a number of reasons such as financial hardship. In the second half of 2017 (after changes intended to reduce OWP waivers) the OWP was still waived or exempted for over 46% of claimants

Rationale for proposal

- Incorporating the OWP in to the LAWP would better target waiting periods to those able to provide for themselves, without carrying significant costs for government

Costs

- Currently unknown, pending waiting period data for most recent period available

Potential change

Proposal:

- Lower LAWP reserve amounts by $500 (singles) and $1,000 (couples) to offset removal of OWP:
  - From $10,000 to $9,000 for coupled claimants/those with dependent children
  - From $5,000 to $4,500 for single claimants
- And increase maximum duration of LAWP from 13 to 14 weeks

Results:

- Claimants without liquid assets ($5,000< for singles) would experience no delay in claiming payment (advantaged)
- Claimants with moderate liquid assets ($5,000 - $11,500 for singles) would serve the LAWP from a lower reserve amount, but would avoid the OWP (no change)
- Claimants with a large amount of liquid assets ($11,500+ for singles) would wait an additional week before receiving income support (disadvantaged)

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WORK IN PROGRESS

Two opportunities to streamline waiting periods (II)

Abolishing the Seasonal Work Preclusion Period

Context

Description:

- The SWPP is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual and the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in XXXX-XX a total of XXXX SWPPs were applied compared to XXXXXX new claims
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work

Rationale for proposal:

- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs

- Currently unknown, pending waiting period data for most recent period available

Potential change

Proposal:

- Abolish the SWPP and rely on the LAWP to target waiting periods for income support instead

Results:

- System simplification through fewer waiting periods
- Increased incentive for individuals to undertake periodic and agricultural work

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Cohort analysis

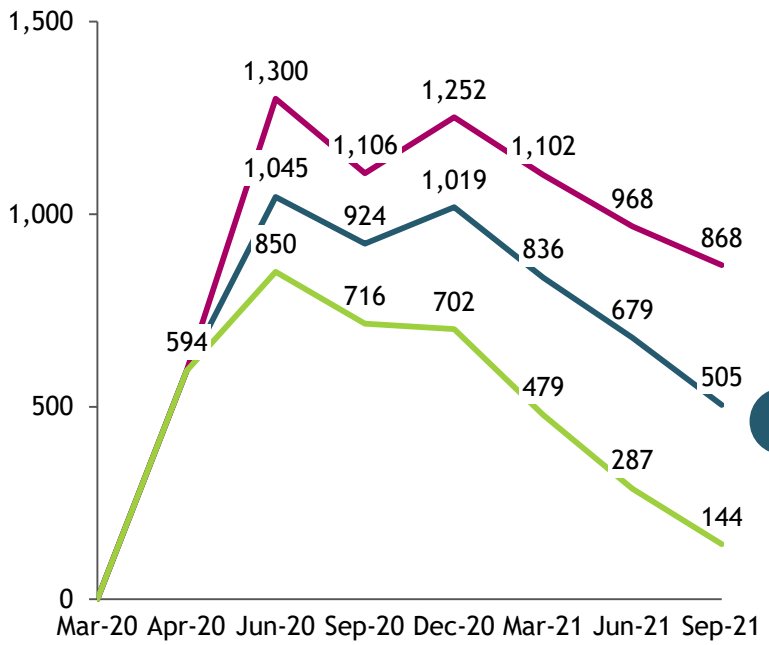
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We have considered three macroeconomic scenarios

Three scenarios for job recovery…

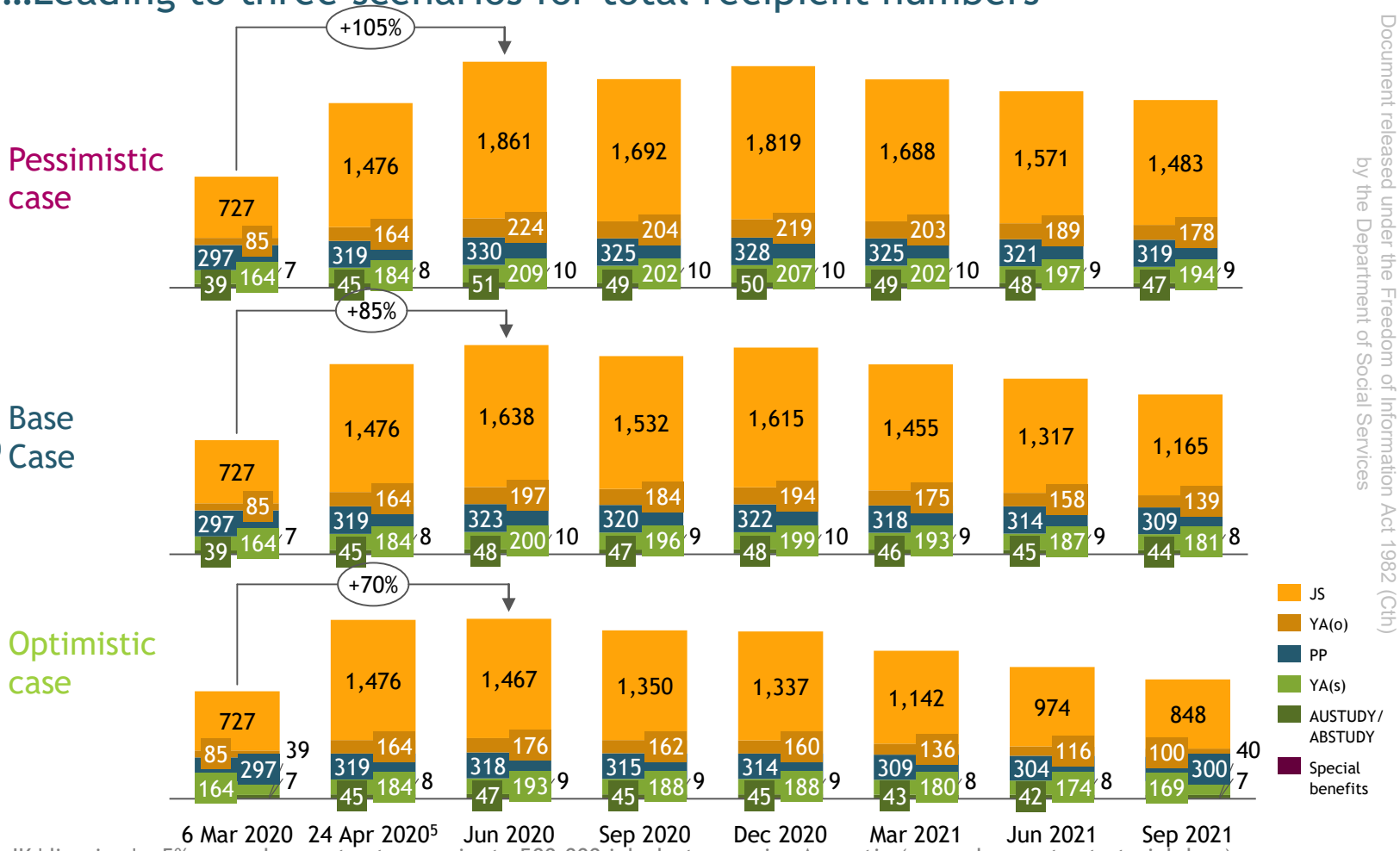
Job loss ('000s)[1]



Key assumptions:[2]

- Pessimistic case[3]: ~150k jobs to be lost post-JK
- Base case: ~225k jobs to be lost post-JK
- Optimistic case[4]: ~300k jobs to be lost post-JK

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 850k job loss in Jun 2020 aligns with Citibank forecasts (856k); 5. JS, YA(o) Apr includes claims on hand
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep
Source: ABS Data, DSS Data, Treasury estimates, RBA estimates, Senate media release, BCG analysis

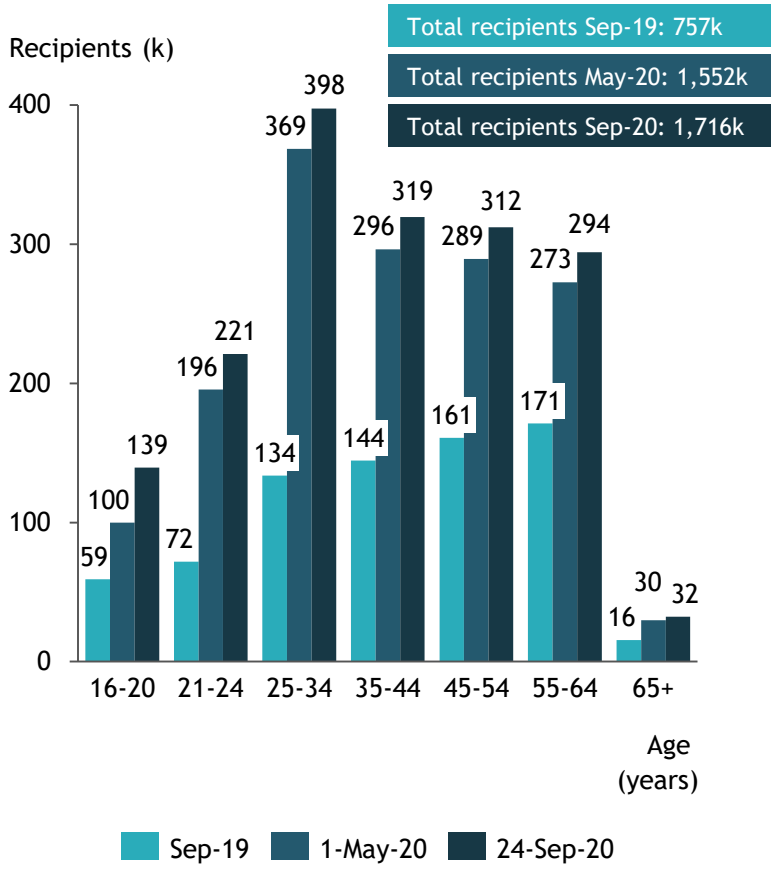
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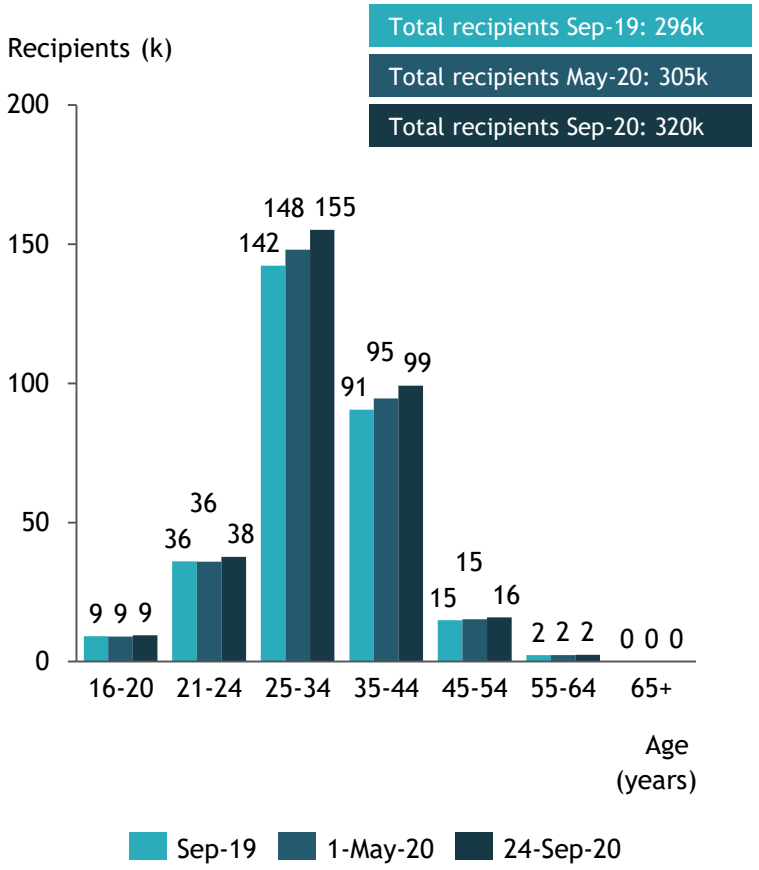
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These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

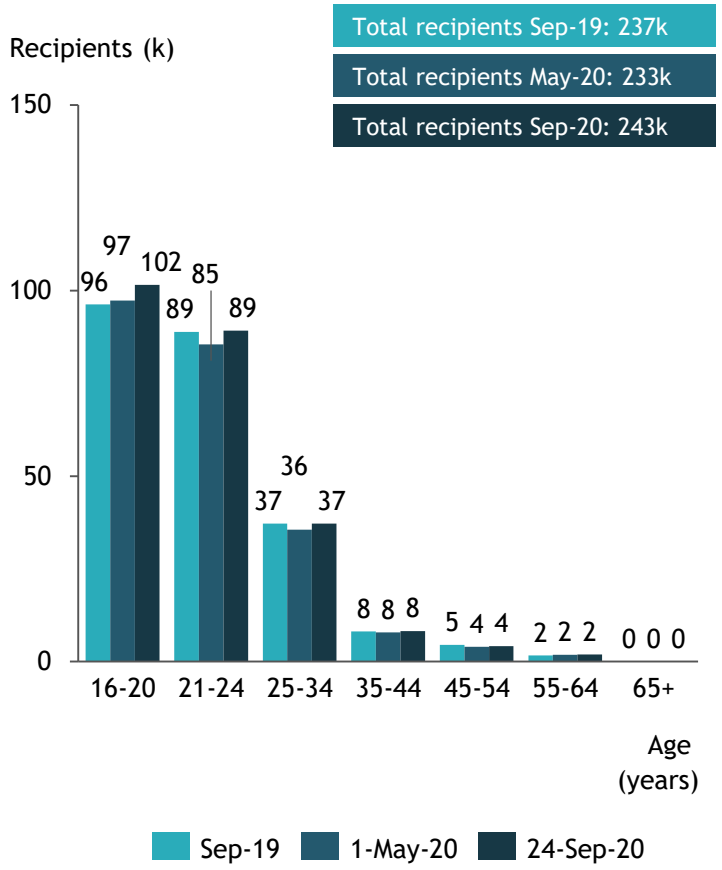
Jobseekers[1]



Parents of young children[2]



Students[3]



1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Source: DSS Data, BCG analysis

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Note: Impact of JobKeeper withdrawal and timing is not yet known

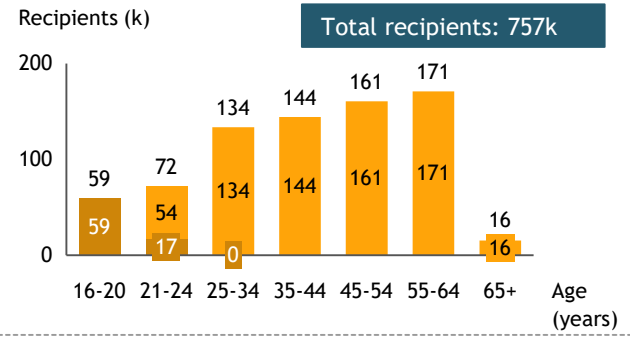
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Preliminary impact assessment – requires unit-level data to confirm and verify

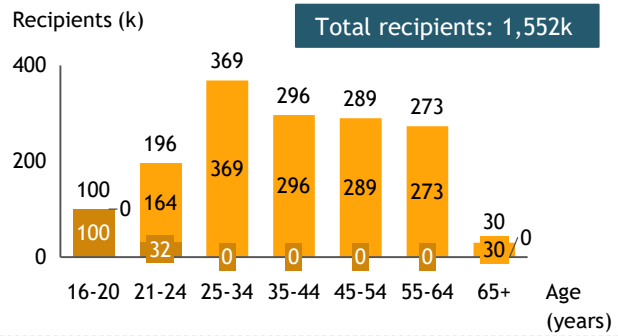
Back-up: Shape of welfare cohort by payment type

Jobseekers

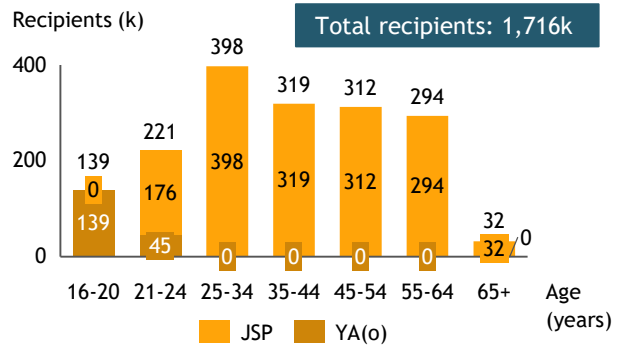
Pre-COVID (as at 13 Mar 2020)



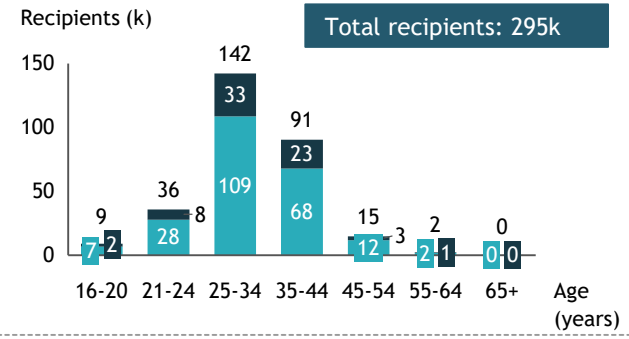
Current (as at 1 May 2020)

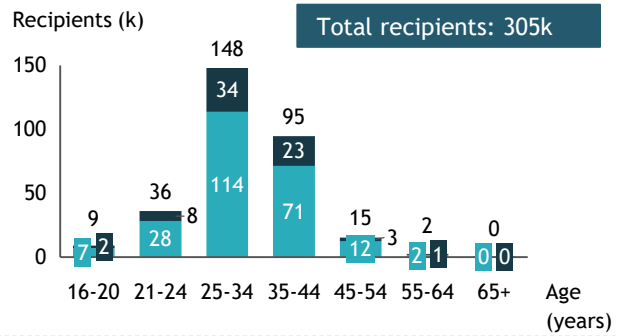


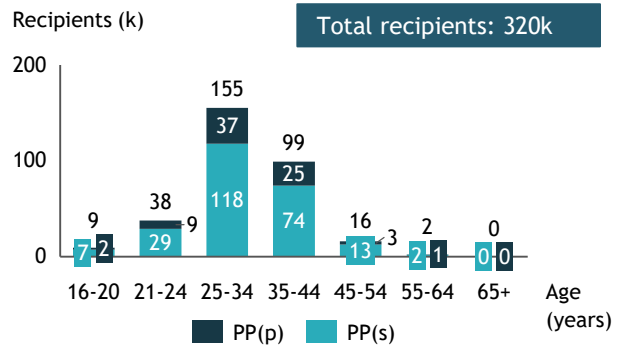
Expected at 24-Sep 2020



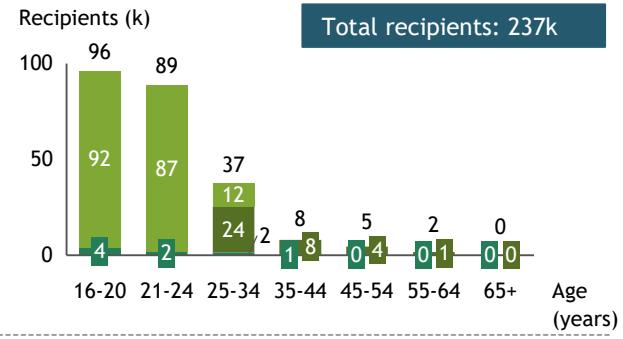
Parents of young children

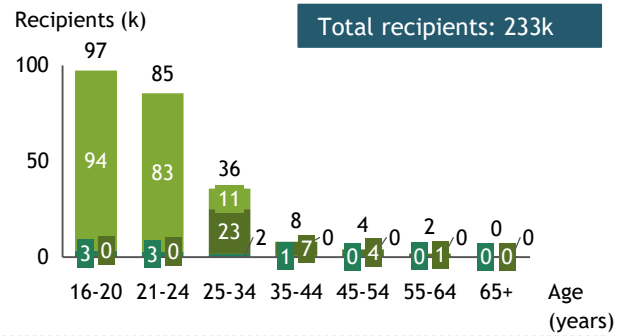


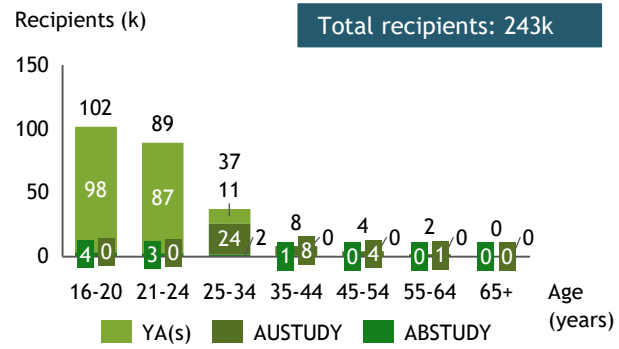




Students







Note: Excludes recipients aged <16 years old; assumes Sep 2020 age distribution is the same as May 2020; does not take into account impact of JobKeeper – timing not yet known
Source: DSS Data, BCG analysis

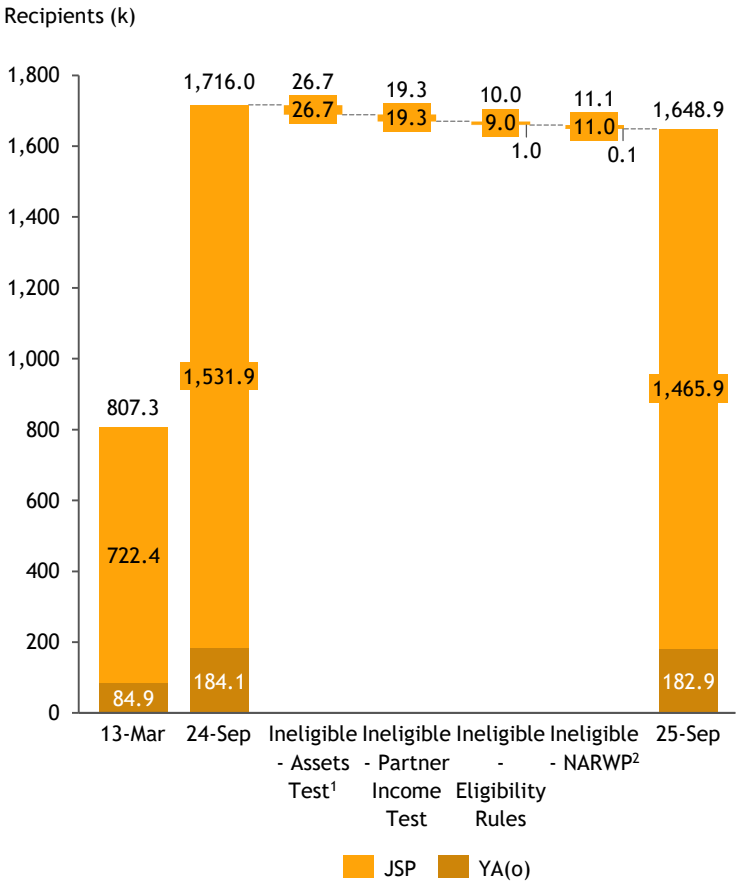
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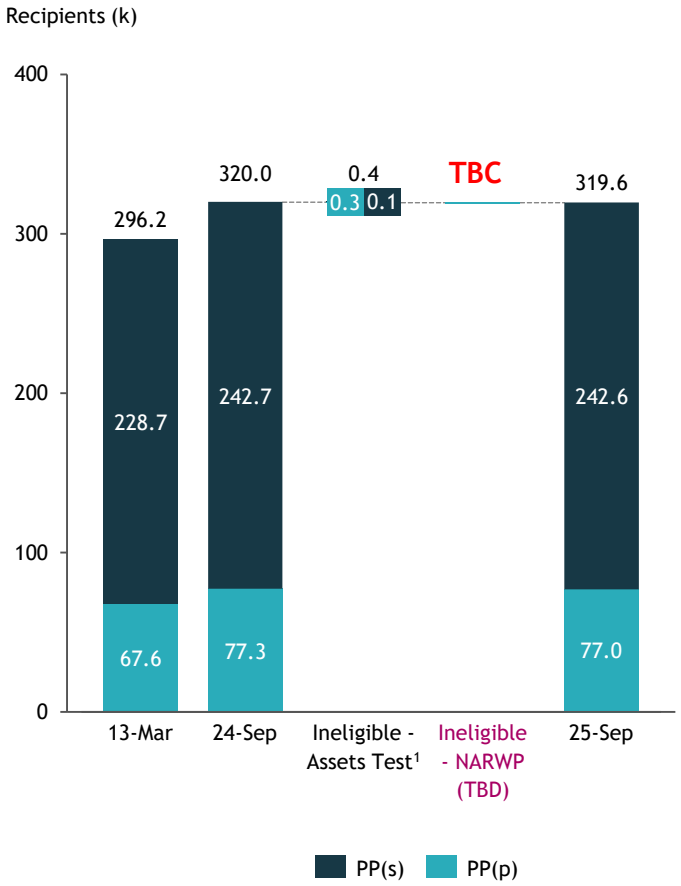
Preliminary impact assessment – requires unit-level data to confirm and verify

Current path: 68k+ recipients likely to be removed from payment

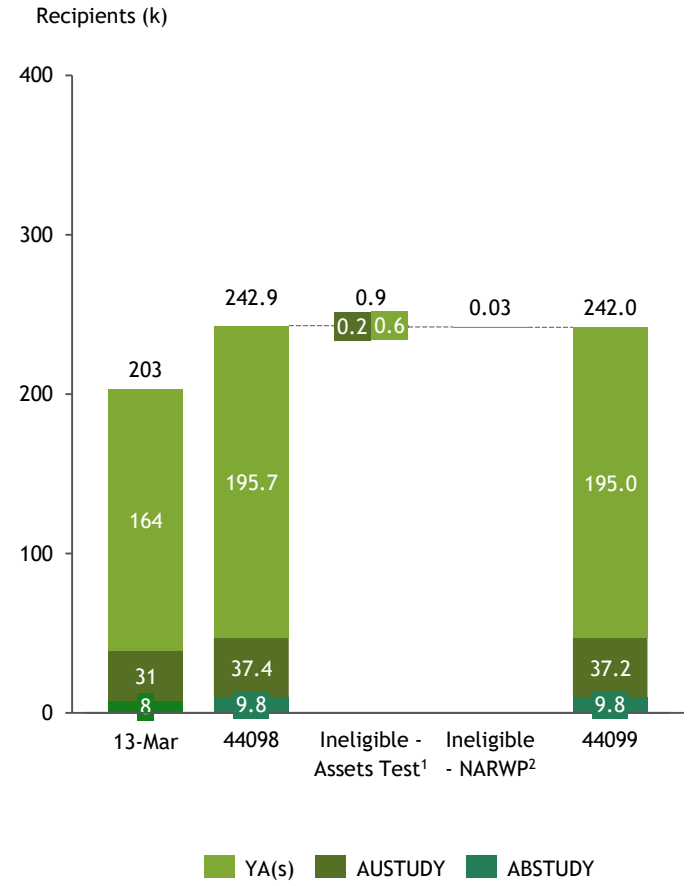
Jobseekers (66k+)



Parents of young children (1.1k+)



Students (0.9k+)



1. Financial asset data as at 8 May 2020 used as proxy for September 2020; YA(s) financial asset information assumed to be consistent with AUSTUDY and ABSTUDY 2. NARWP assessment based off 30 April 2020 NARWP estimates
Source: DSS Data, BCG Analysis

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Preliminary impact assessment – requires unit-level data to confirm and verify

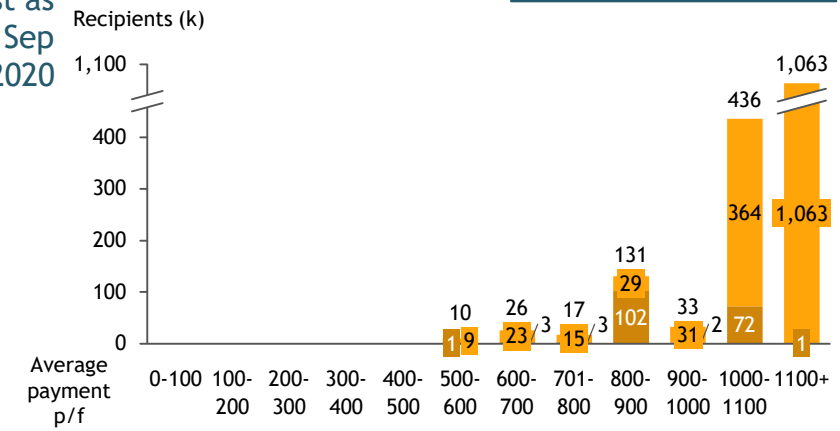
Average payments will drop by ~45-60%...

Jobseekers

Forecast as at 24 Sep 2020

Total recipients: 1,716k

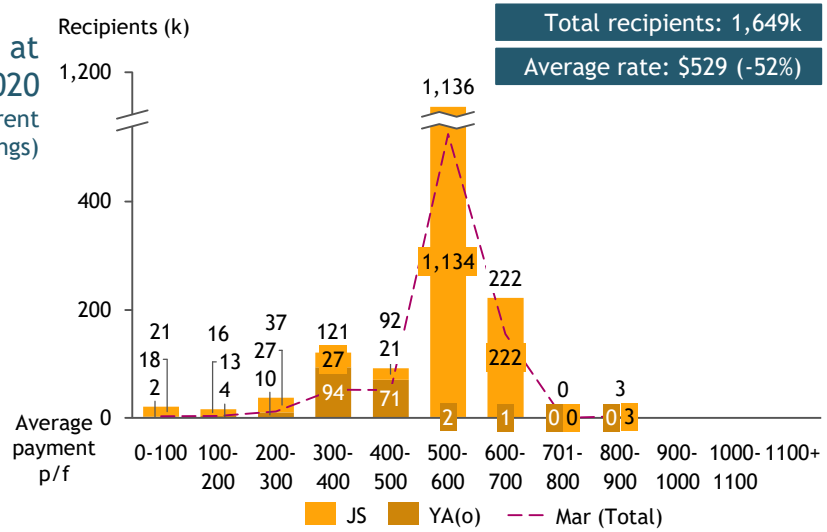
Average rate: $1,105



Forecast as at 25 Sep 2020 (under current policy settings)

Total recipients: 1,649k

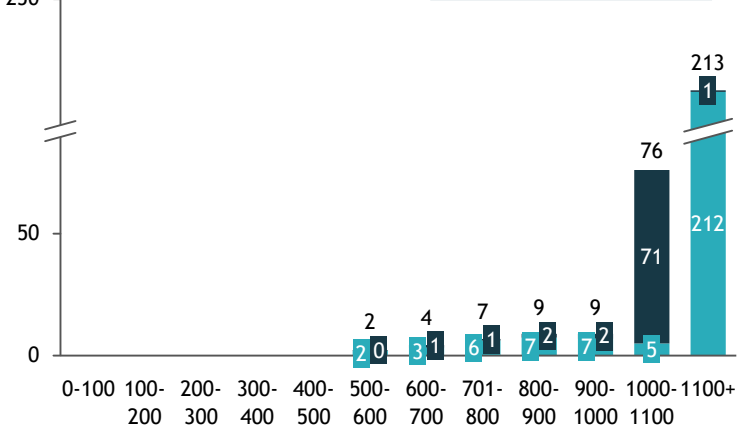
Average rate: $529 (-52%)



Parents of young children

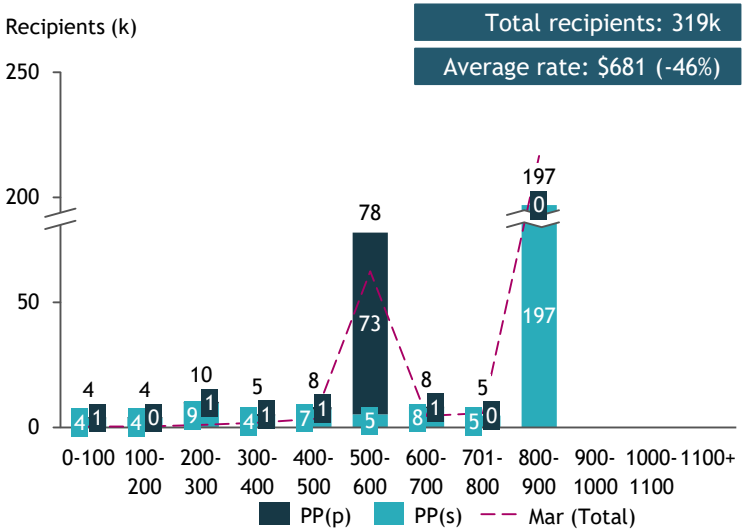
Total recipients: 320k

Average rate: $1,250



Total recipients: 319k

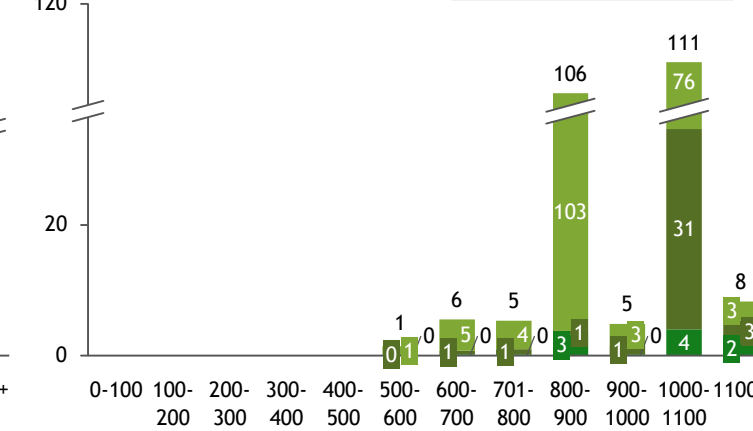
Average rate: $681 (-46%)



Students

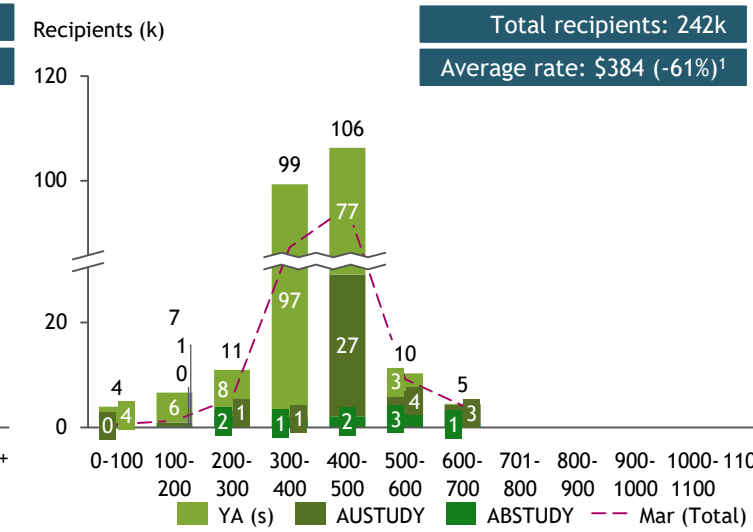
Total recipients: 243k

Average rate: $993[1]



Total recipients: 242k

Average rate: $384 (-61%)[1]



1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Weighted averages used; Total PP recipient numbers on 25 Sep do not take into account NARWP reinstatement; Pharmaceutical and Energy Supplements factored into average payments
Source: DSS Data, BCG analysis

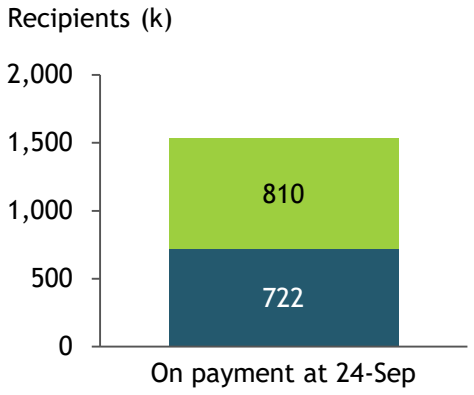
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…And 950k+ recipients likely required to update information

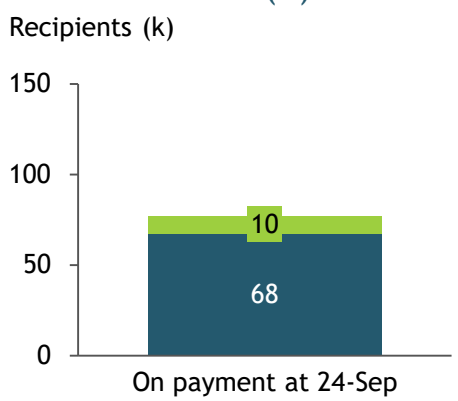
Jobseekers

JSP



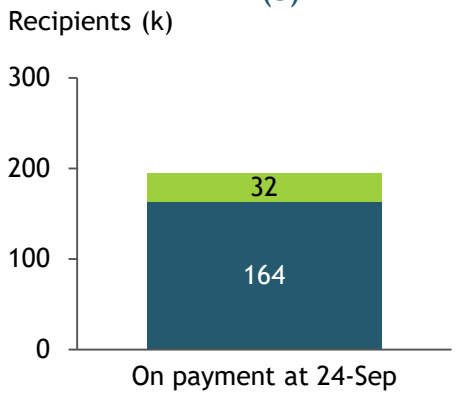
Parents

PP(P)

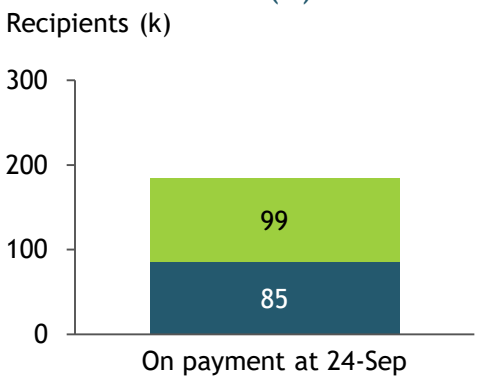


Students

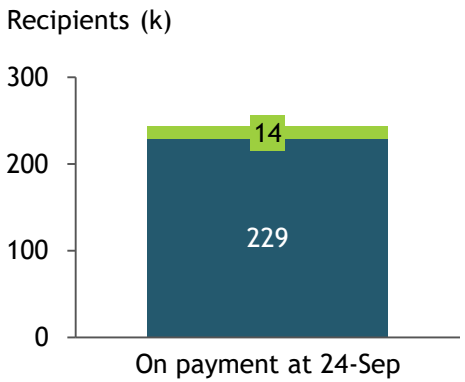
YA(s)



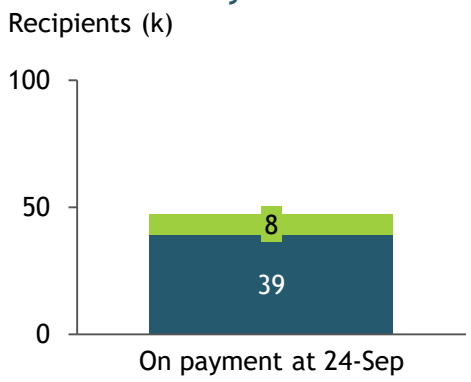
YA(o)



PP(S)



Austudy/ABSTUDY



"New" recipients, joined after 13-March-2020 "Old" recipients

Source: DSS Data, BCG analysis

Preliminary impact assessment – requires unit-level data to confirm and verify

Two key updates required

1. **Net assets held by recipients**
   - Services Australia has only collected data on financial assets
2. **Rental amounts being paid**
   - Currently only a self-declaration is required
   - Post 24-September, a lease or tenancy agreement must be provided

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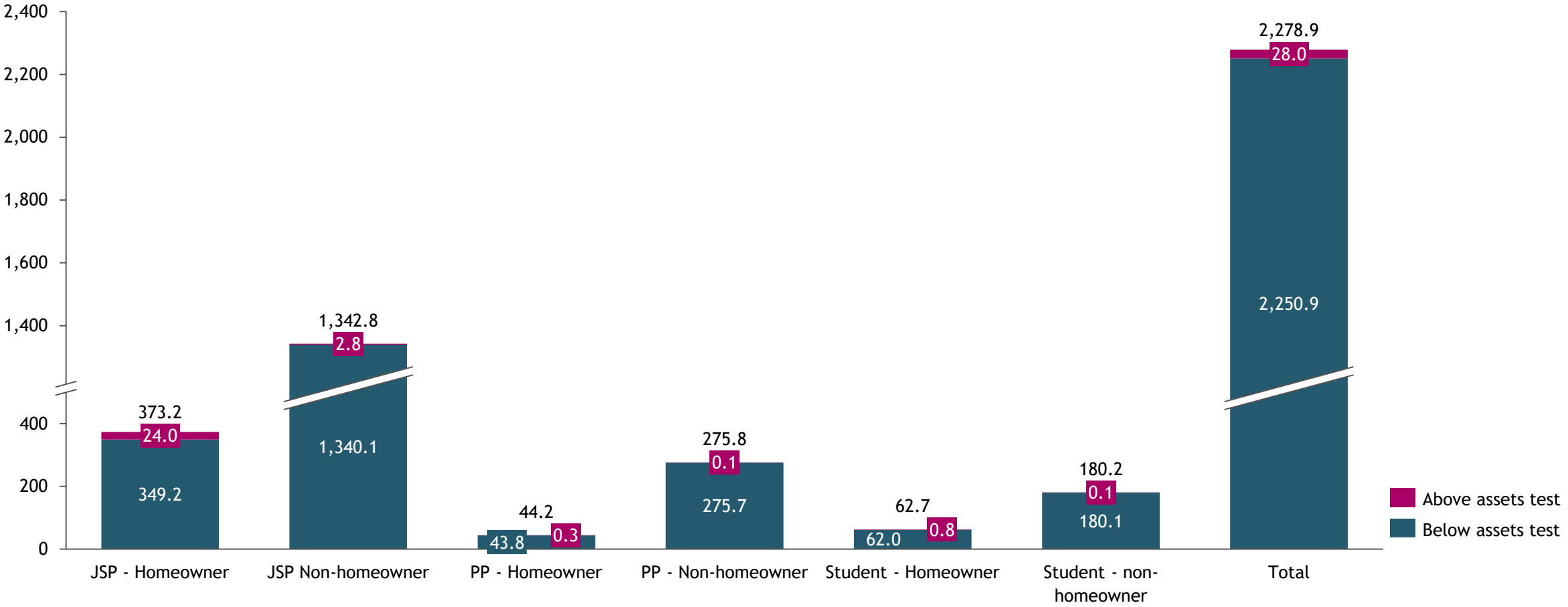
Preliminary impact assessment – requires unit-level data to confirm and verify

Backup: ~28k recipients expected to be ineligible under assets test

Based on currently available financial asset data collected by Services Australia. Actual numbers of ineligible recipients to be estimated

As at 24 Sep

Recipients (k)/(% above assets limit)



Note: Financial asset data as at 8 May 2020 used as proxy for September 2020; YA(s) financial asset information assumed to be consistent with AUSTUDY and ABSTUDY
Source: DSS Data, BCG analysis

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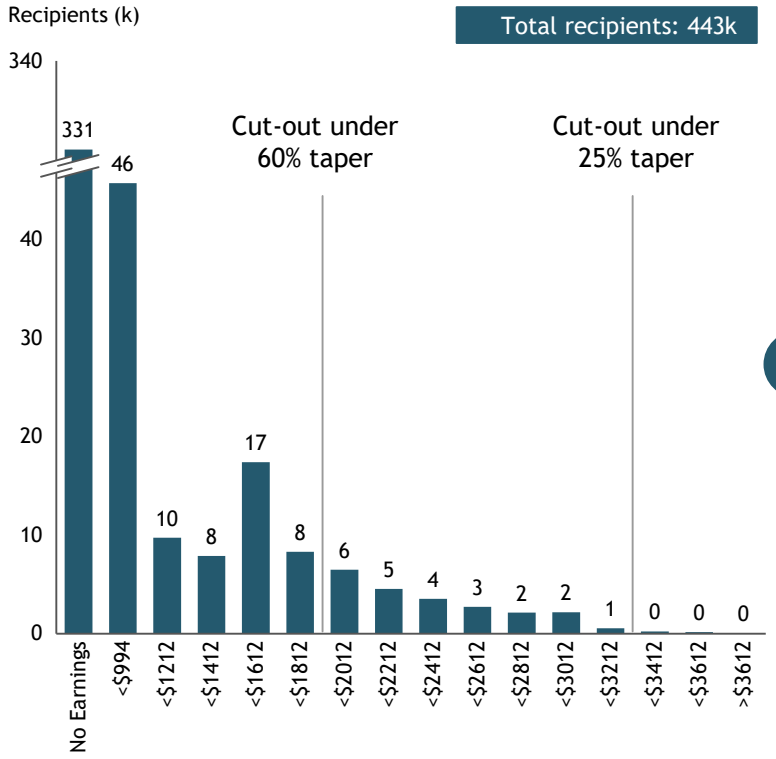
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Preliminary impact assessment – requires unit-level data to confirm and verify

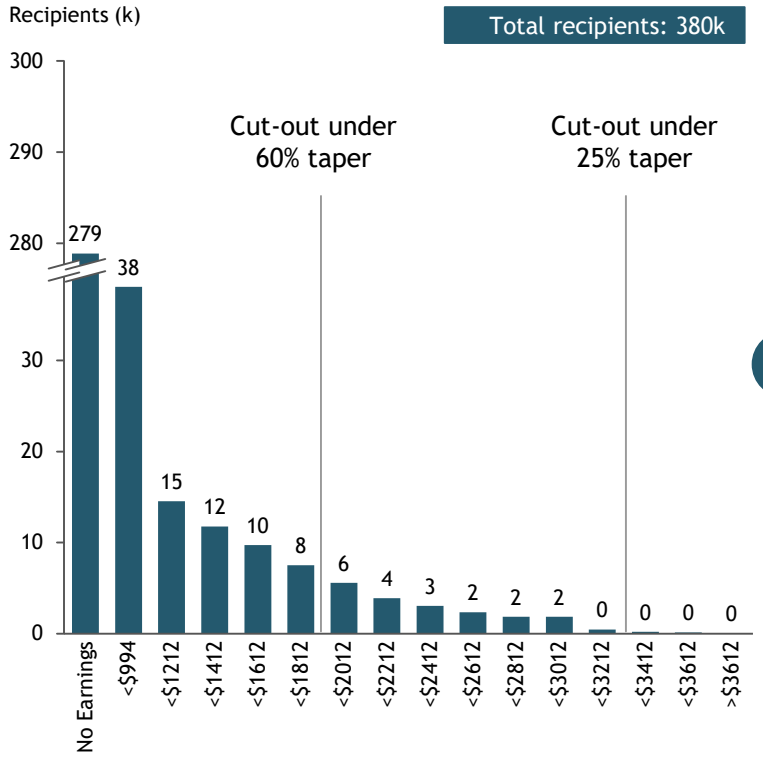
Backup: ~20k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

Note: Recent data indicates higher proportion of partnered JS; actual figures will likely be higher. Estimates to be updated with incoming data

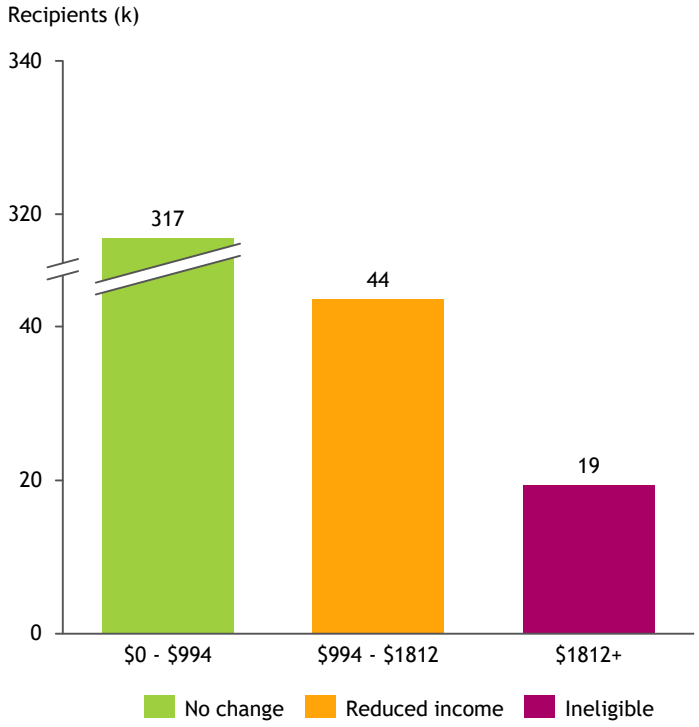
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at 25 Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, BCG analysis

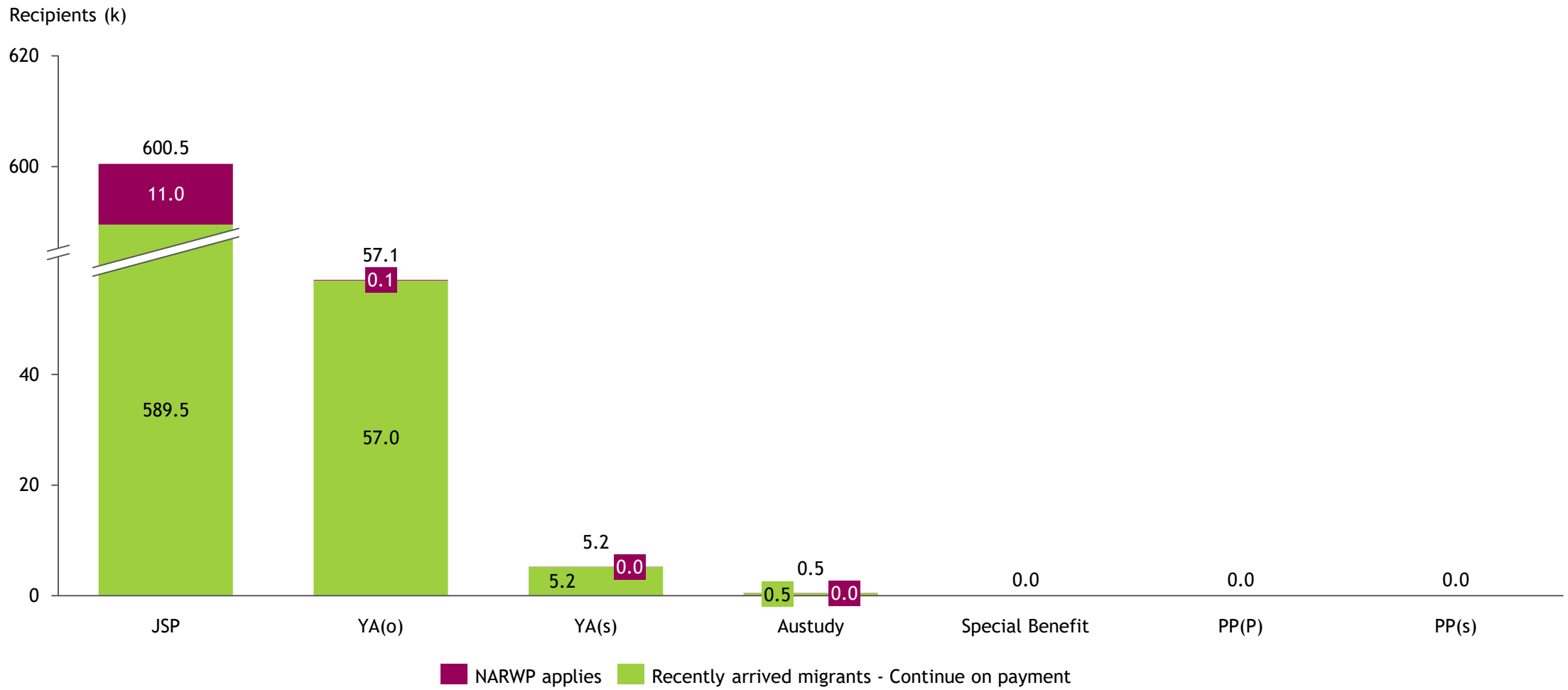
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Preliminary impact assessment – requires unit-level data to confirm and verify

Backup: Recipients removed from payment – NARWP

As at 25 Sep



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts
Source: DSS Data, BCG analysis

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Key verifications to be applied to recipients

Principles

Claims and means testing will re-commence without retrospectively applying claim information requirements to COVID JobSeekers.

Information relevant to ongoing eligibility will be sought.

Where verification demand is not able to be met by Services Australia, effort priority will focus on high compliance risk items (income) over low risk items (rent)

1) Rental details

Description:

- Self-declaration of rental amount is currently used for COVID supplement period
- From 25 September, recipients will need to have provided verification of rent amounts (e.g. uploaded lease, tenancy agreement)

Estimated # recipients affected:

- All new claims and circumstance changes
- [350k] of current cohort anticipated to require udpate[2]

Suggested service delivery approach and timing:

- Continue full online rent verification and change of circumstance reporting, noting low manual effort priority to apply backlogs

Note:

- Rent declaration error fraud is not considered a compliance high risk[1]
- Precise rental amounts do not necessarily provide increased accuracy as 78% of rent assistance eligible households are eligible for the maximum rate.

2) Assets verification

Description:

- Assets[3] test was waived during the period of the Coronavirus Supplement.

Estimated # recipients affected:

- All new claims will be required to report assets.
- All ~950,000 recipients who commenced on payment since 13 March 2020 will need to submit details on their net assets (only information on financial assets was collected during their claim processes)

Suggested service delivery approach and timing:

- Start full-scale data request and collection ~3 months prior to reinstatement of Assets Test
- Use outbound call program to notify recipients of the need to submit assets information, and to notify of ineligible after a decision is made

1 In a three month period assuming 197k JobKeeper claimants, proportionalised pre-covid claim churn and 75k change of rental address
2 Random Sample Survey
3 Liquid assets reported as part of the streamlined jobseeker claim.

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Scope of Sprint 3

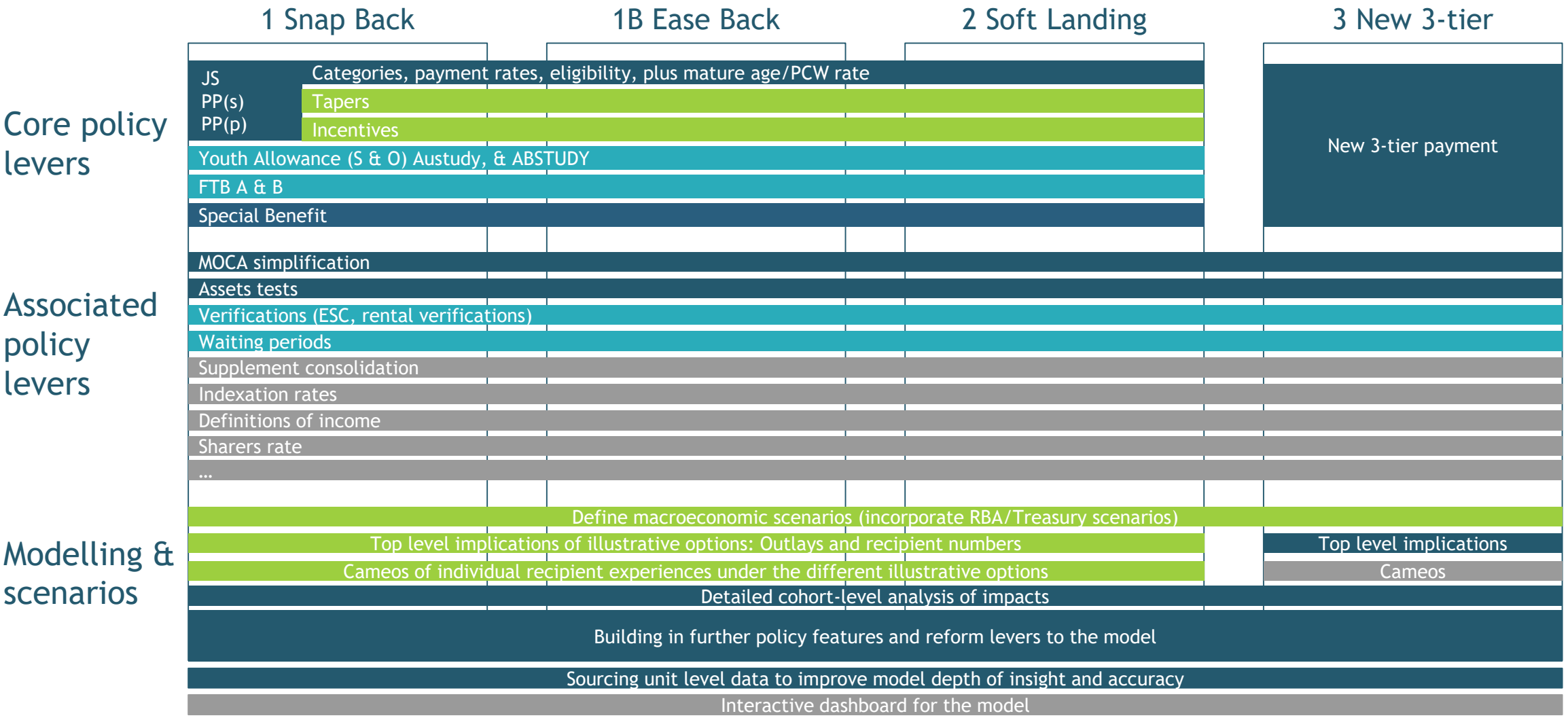
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Areas of focus in Sprint 3

Completed for now (excl. tidy ups)
Core focus for Sprint 3
Include in Sprint 3 if time permits
Focus for later Sprints



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Thank you

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From: s 22
To: WILLIAMSON, Nathan; PATON, Kath; BENNETT, Shane; MCLARTY, Mary
Subject: RE: Scope for Sprint 4 and next steps [SEC=OFFICIAL]
Date: Tuesday, 2 June 2020 9:29:06 AM
Attachments: image001.png
image002.png

Sure – we conveniently have a video con in 2 minutes.

From: WILLIAMSON, Nathan
Sent: Tuesday, 2 June 2020 9:28 AM
To: PATON, Kath ; BENNETT, Shane ; MCLARTY, Mary ; s 22
Subject: RE: Scope for Sprint 4 and next steps [SEC=OFFICIAL]

Yep agree.
s 22 – can you pls touch base with s 22 today and talk through the approach. If there are any dramas let me know.

From: PATON, Kath s 22 @dss.gov.au>
Sent: Tuesday, 2 June 2020 9:10 AM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>; BENNETT, Shane s 22 @dss.gov.au>; MCLARTY, Mary s 22 @dss.gov.au>; s 22 @dss.gov.au>
Subject: RE: Scope for Sprint 4 and next steps [SEC=OFFICIAL]

Hi Nathan
We have discussed and agree with you on the top two priorities. If there is a third priority we would think it is probably moving from sequential to combined income testing (not just the income free area and the taper rate).
Kath

Kath Paton
Branch Manager
Participation and Supplementary Payments
Participation Payments Group
Department of Social Services
P: s 22 | **M:** s 22 | **E:** s 22 @dss.gov.au
DSS acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to elders both past and present.

From: WILLIAMSON, Nathan s 22 @dss.gov.au>
Sent: Monday, 1 June 2020 2:35 PM
To: BENNETT, Shane s 22 @dss.gov.au>; MCLARTY, Mary s 22 @dss.gov.au>; PATON, Kath s 22 @dss.gov.au>; s 22 @dss.gov.au>
Subject: FW: Scope for Sprint 4 and next steps [SEC=OFFICIAL]

All – I'm inclined to get BCG to focus on those things that will most assist with the 11 June COPC i.e. anything around impact and cessation (including step down) of temporary measures. After that the model that we can use is the next priority.
I think things like sharer rate and implementation can be dropped. FTB is a nice to have but it's likely to be a longer term issue so we could pause that as well. I'm also not sure that they can do MOCA without really engaging with SAus so that's probably not possible either.
Thoughts?
Nathan

From: s 22 @bcg.com>
Sent: Sunday, 31 May 2020 5:28 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>
Cc: Clancy, Trish s 22 @bcg.com>; Carrasco, Miguel s 22 @bcg.com>; s 22 @dss.gov.au>
Subject: Scope for Sprint 4 and next steps

Hi Nathan
I hope your long weekend is going well.
Ahead of our discussion early this week on scope, I thought there may be value in providing a more detailed view than the summary provided in last Friday's slides.
I've set out below our current view of the scope for Sprint 4 as aligned with s 22 The key takeaway is while all these topics are seen as a priority and worth including in our scope of support, there is more work here than can feasibly be completed within the next two weeks. I've flagged with red stars the items that I think would be most at-risk in terms of completion.
Naturally there are a range of options to further prioritise or manage the scope within the two-weeks if that's the preferred pathway – and it will be good to discuss these more fully early this week.
I understand that s 22 is thinking that Wednesday might be the best day to discuss, which would work well.
Best
s 22

Current scope of Sprint 4 – for discussion and refinement

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To be commenced, but may not be completed within Sprint 4 | Not currently in plan for Sprint 4

Category	Topic	Description
Temporary measures	Coronavirus supplement extension	Revise options and model impact on outlays for: • A $100 supplement for four months • A $100 rate lift to foundation & mid-tier rates, ongoing (absorbing several supplements) • A $100 supplement for four months, with a $50 lift to foundation and mid-tier rates after that (absorbing several supplements)
	Step-down for C-19 temporary measures	Develop option for step-down in temporary measures rather than straight extension or cessation: Sole trader eligibility ends, partner income test taper steps down to something between 25-60%, consider asset test and NARWP grandfathering
	Update cohort analysis with unit-level data	Update analysis of cohort-level impacts when C-19 measures end, to now be based on unit-level data (e.g. # exits from welfare system due to assets, partner income, eligibility, and NARWP), required in order to be able to rely on the cohort analysis, in our view
Payment structures	Complete FTB option development and modelling	Iterate analysis of FTB policy options, including modelling options with a wider range of financial impacts, drawing in additional DSS expertise. Include consideration of Child Support impacts, and volume impacts
	Consider options for a sharer rate	Develop options for creation of a sharer rate, which could be introduced alongside a consolidation of various working age payments into JobSeeker
Rates	Household income test	Explore a policy option to replace the individual + partnered income tests for allowance recipients with a household income test, more akin to that used for Pension recipients
Service delivery measures	Waiting periods (quant focus)	Develop costings for absorption of OWP into LAWP, and abolition of SWPP, and incorporate into overall model
	MOCA (quantification as the focus)	Detail out a potential shift in MOCA approach, moving effort/resources from up-front assessment to proactive risk-based compliance, enabled to by predictive analytics. Needs to be grounded in the data on impact of MOCA compliance to-date
Implementation	Timing constraints and sensitivities	High level assessment of likely timing constraints in implementation (e.g. time required for system changes, legislation), and update modelling of illustrative options accordingly
Modelling	Welfare payments model	Progression of the model, to support the above items, as well as: Integrate unit-level data, to increase model accuracy and allow deeper dives on cohort-level impacts (e.g. for income distributions, eligibility, household demographics) • Build an interactive dashboard to allow live testing of policy options • New feature to model increased/decreased recipient volumes when payment rates and/or taper rates change • Updates to increase rigour of model on finer policy detail (e.g. incorporate independence/dependence test for youth allowance, incorporating eligibility criteria for energy supplement, pharama allowance, other supplements)
	Macroeconomic scenarios	Update macroeconomic scenarios and forecast of recipient numbers based on latest labor force and recipient data (e.g. May 2020 Labor Force Survey released during Sprint 4)
Further items, not currently a priority for Sprint 4	Indexation	Consider options for aligning/simplifying indexation rates
	Definition of income	Consider options for simplifying definitions of income across different payments/supplements incl. FTB
	Consolidation of supplements	Consider options for further consolidation of supplements beyond those considered above (e.g in the $100 rate lift)
	Prep for briefing materials	Support preparation of briefing materials as required

—

s 22
Project Leader
M s 22
Melbourne, Australia

BCG BOSTON CONSULTING GROUP

The Boston Consulting Group Pty. Ltd.

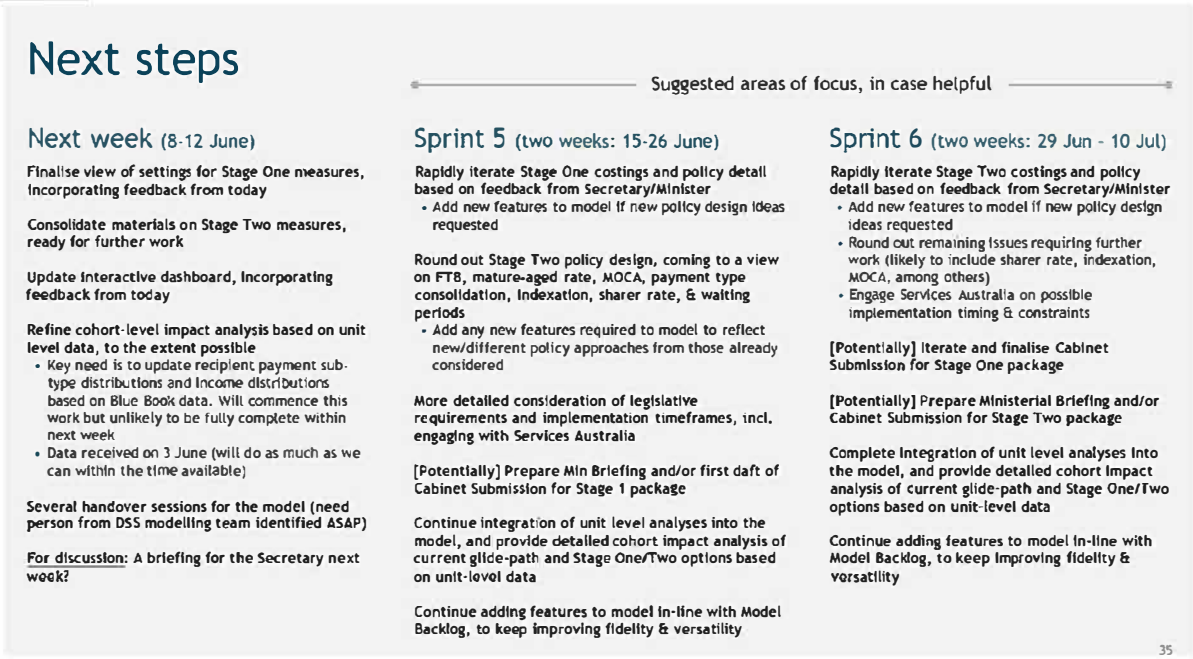
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We may share your contact details with other BCG entities and our third party service providers. Please see BCG privacy policy https://www.bcg.com/about/privacy-policy.aspx for further information.
Thank you.

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From: s 22
To: MCLARTY, Mary
Subject: Re: Project Canoe: Material for check-in
Date: Friday, 5 June 2020 6:58:15 PM
Attachments: image003.png
image005.png
image006.png
Sprint 4 - Mid-sprint read-out vF.pdf

Hi Mary
Thanks again for your time in our working session earlier this week.
It would be great to have your reflections on the topics in the attached mid-sprint materials after the weekend when time permits. If Nathan is not available to go through them on Tuesday/Wednesday it would be terrific if we could have a catch up with yourself and Kath to work through the key questions.
I thought I would draw your attention to slide 35 (copied below), which sets out a view of the next steps that may be needed on this project. I've discussed this with s 22 and he is aligned on these as the key priorities moving forward.
It may be worth giving consideration to how this effort is resourced in the coming weeks. s 22 kindly set up an initial session with the DSS policy modelling directors this afternoon, but I suspect more will be needed to mobilise a dedicated expert modeller, which is needed to truly handover the model in the four days available next week and have an "owner" in a good position to take it forward.
Looking forward to catching up next week!
Best
s 22



Next steps

Suggested areas of focus, in case helpful

Next week (8-12 June)

Finalise view of settings for Stage One measures, incorporating feedback from today

Consolidate materials on Stage Two measures, ready for further work

Update interactive dashboard, incorporating feedback from today

Refine cohort-level impact analysis based on unit level data, to the extent possible
- Key need is to update recipient payment sub-type distributions and income distributions based on Blue Book data. Will commence this work but unlikely to be fully complete within next week
- Data received on 3 June (will do as much as we can within the time available)

Several handover sessions for the model (need person from DSS modelling team identified ASAP)

For discussion: A briefing for the Secretary next week?

Sprint 5 (two weeks: 15-26 June)

Rapidly iterate Stage One costings and policy detail based on feedback from Secretary/Minister
- Add new features to model if new policy design ideas requested

Round out Stage Two policy design, coming to a view on FTB, mature-aged rate, MOCA, payment type consolidation, indexation, sharer rate, & waiting periods
- Add any new features required to model to reflect new/different policy approaches from those already considered

More detailed consideration of legislative requirements and implementation timeframes, incl. engaging with Services Australia

[Potentially] Prepare Min Briefing and/or first daft of Cabinet Submission for Stage 1 package

Continue integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two options based on unit-level data

Continue adding features to model in-line with Model Backlog, to keep improving fidelity & versatility

Sprint 6 (two weeks: 29 Jun - 10 Jul)

Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister
- Add new features to model if new policy design ideas requested
- Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
- Engage Services Australia on possible implementation timing & constraints

[Potentially] Iterate and finalise Cabinet Submission for Stage One package

[Potentially] Prepare Ministerial Briefing and/or Cabinet Submission for Stage Two package

Complete integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two options based on unit-level data

Continue adding features to model in-line with Model Backlog, to keep improving fidelity & versatility

35

—

s 22
Project Leader
M s 22
BCG BOSTON CONSULTING GROUP

From: s 22
Sent: Friday, 5 June 2020 5:58 PM
To: 'WILLIAMSON, Nathan'
Cc: s 22 Clancy, Trish ; Carrasco, Miguel ; 'MCLARTY, Mary' ; 'PATON, Kath'
Subject: Project Canoe: Material for check-in
Hi Nathan
As foreshadowed, attached are the materials covering a couple of the key topics that we've been working on this week where it would be helpful to share and test our views with you.
The pack also introduces the Interactive Dashboard in the model we're building, and we're ready to give you a demonstration of that whenever time permits.
Looking forward to touching base briefly on Tuesday morning, let us know if it makes sense to set up a further session at

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any point, and I'll look forward to speaking then.
Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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From: s 22
To: CAMPBELL, Kathryn; BENNETT, Shane; WILLIAMSON, Nathan
Cc: MCLARTY, Mary; PATON, Kath; s 22 CARRASCO, Miguel; CLANCY, Trish; s 22
Subject: [Project Canoe] Materials from Phase II [SEC=OFFICIAL]
Date: Friday, 7 August 2020 9:16:21 PM
Attachments: Phase II - Executive Summary vFD2.pdf
Discussion Paper vFD.pdf
Single Parents Addendum vFD.pdf
Phase II - Compendium vFD.pdf

Dear Secretary, Nathan, Shane

Terrific to discuss the work from Project Canoe earlier today.

As foreshadowed, please find attached:

- The Phase II Executive Summary (minor updates)
- The Phase II Compendium (updated)
- A draft Discussion Pack, as requested by Nathan and Shane
- A brief addendum regarding Single Parents, and the potential choices around a rate lift for PPS, as requested (this is also incorporated into the Compendium)

Separately I will provide versions of these to s 22 in powerpoint format so they can be edited as required in the coming months.

Nathan, the additional item of analysis you requested this morning regarding how the "23% of brand-new entrants during the GFC" have fared since then, has been framed up together with s 22 and I understand he is able to progress it with the DSS data team next week.

It's been a real privilege to work with your team on this topic over recent months, and one that we have greatly valued. Thank you for your sponsorship and guidance of this work, and please let us know if there is anything we can do to assist with further questions or clarifications. We'll look forward to the potential briefing for the Minister in the coming weeks as well.

Quick note: We may not have access to check our DSS email addresses next week, so best to email us direct on our BCG addresses rather than reply to this email.

Best

s 22

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s 22

From: PATON, Kath
Sent: Thursday, 23 April 2020 1:53 PM
To: s 22
Subject: FW: 2.00 Canoe Catch-up [SEC=OFFICIAL]
Attachments: Project Plan on a page v2.pdf

Kath Paton
Branch Manager
Participation and Supplementary Payments
Participation Payments and Families Group
Department of Social Services
P: s 22 | **M:** s 22 | **E:** s 22 @dss.gov.au

DSS acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to elders both past and present.

From: s 22 @bcg.com>
Sent: Thursday, 23 April 2020 1:49 PM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>; BENNETT, Shane s 22 @dss.gov.au>; MCLARTY, Mary s 22 @dss.gov.au>; PATON, Kath s 22 @dss.gov.au>
Cc: Carrasco, Miguel s 22 @bcg.com>; s 22 @bcg.com>
Subject: RE: 2.00 Canoe Catch-up [SEC=OFFICIAL]

Hi All

Looking forward to speaking at 2pm. I have attached a one-page overview of how we're thinking about approaching the coming weeks which we are keen to hear your comments on (Nathan, note this is a slight update to yesterday's version).

In terms of agenda, I can suggest as a starting point:

- Approach – comments on the "project plan on a page"
- Data – which source(s) to use, how to securely transmit/transport
- Cadence - Scheduling a daily check-in?
- Anything else on your mind?

Very happy to adjust the above in line with your preference and anything else you'd like to discuss.

Best
s 22

—

s 22
Project Leader
M s 22

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-----Original Appointment-----
From: WILLIAMSON, Nathan s 22 @dss.gov.au]
Sent: Thursday, 23 April 2020 10:27 AM
To: WILLIAMSON, Nathan; s 22 BENNETT, Shane; MCLARTY, Mary; PATON, Kath; s 22
Subject: 2.00 Canoe Catch-up [SEC=OFFICIAL]
When: Thursday, 23 April 2020 2:00 PM-2:30 PM (UTC+10:00) Canberra, Melbourne, Sydney.
Where: Teleconference

Teleconference Details
Phone: 1800 850 744 (Australia toll free) or +61261469069 (if calling from outside Australia)
Enter the Call ID: 70026210#
Enter the Participant passcode: 5678#
Nathan to enter the Host passcode: 1234#

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Project Plan: Propose to work in fortnightly sprints

Note: Plan would be reviewed & updated at end of each weekly Sprint

	20 April – 2 weeks – 4 May	4 May – 2 weeks – 18 May	18 May – 2 weeks – 1 Jun	1 Jun – 2 weeks
Workstreams	Logic, data, payment rates & volumes	Taper rates and cut-in levels, supplement rates & volumes	E.g. Income definitions & tests, waiting periods, MOCA	E.g. Income banks, working credit …
Problem definition	Assess pain points and issues • Review of reviews • Input from select DSS executives	Update, add, refine view of pain points as further views shared		
Options & policy choices	Align on policy goals Develop 3 high level options, with "modular" features	Detail out each option • Defining more feature "modules" that can be added • Incorporating feedback	Continue refining option definitions, and adding features Develop implementation approach: Sequencing, staging, resourcing	
Modelling	Develop model architecture & logic, source data Basic model build incl. payment rates and volumes for the 3 options	Add features in-line with weekly focus topics, and improve model fidelity		
Decision support			Prepare briefings for senior leaders • Ministers • Secretaries • Other stakeholders	

Key meetings

Week 1
- Kickoff
- Align on pain points
- Initial view of policy goals and high level options

Week 2
- Option definitions
- Baseline assumptions on volumes
- Payment rate parameters

Week 3
- Supplement rate and eligibility parameters

Week 4
- Taper rate settings and implications

Week 5
- Income definitions & tests
- Early view of implementation

Week 6
- Waiting periods
- MOCA
- Review sequencing & staging

Week 7
- Income banks
- Review briefing materials for Ministers etc.

Week 8
- …

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s 22

From: s 22
Sent: Wednesday, 29 April 2020 9:30 AM
To: s 22
Subject: FW: 10.30 Brainstorming Session [SEC=OFFICIAL]
Attachments: Brainstorm discussion 22 Apr 2020 vSent.pdf

Morning all,
Please see attached some slides that were discussed last week. I understand BCG have been updating over the last couple of days based on some early feedback.

s 22 - we'll give you a call after the telecom to have a quick intro and talk through.

s 22

From: s 22 @bcg.com>
Sent: Friday, 24 April 2020 10:28 AM
To: WILLIAMSON, Nathan s 22 @dss.gov.au>; MCLARTY, Mary s 22 @dss.gov.au>; PATON, Kath s 22 @dss.gov.au>; s 22 @dss.gov.au>; s 22 s 22 @bcg.com>; BENNETT, Shane s 22 @dss.gov.au>; Carrasco, Miguel s 22 @bcg.com>; Clancy, Trish s 22 @bcg.com>
Subject: RE: 10.30 Brainstorming Session

Morning all

Looking forward to our brainstorming discussion shortly.

In case it assists, I have attached a few slides with illustrative content, that we can use as thought-starters to guide the discussion.

Very happy to adjust how we use the time today according to what works.

Best
s 22

—

s 22
Project Leader
M s 22

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-----Original Appointment-----
From: WILLIAMSON, Nathan s 22 @dss.gov.au]
Sent: Thursday, 23 April 2020 4:23 PM
To: WILLIAMSON, Nathan; MCLARTY, Mary; PATON, Kath; s 22
Cc: BENNETT, Shane; Carrasco, Miguel
Subject: 10.30 Brainstorming Session [SEC=OFFICIAL]

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When: Friday, 24 April 2020 10:30 AM-12:00 PM (UTC+10:00) Canberra, Melbourne, Sydney.
Where: Teleconference

Teleconference Details
Phone: 1800 850 744 (Australia toll free) or +61261469069 (if calling from outside Australia)
Enter the Call ID: 70026210#
Enter the Participant passcode: 5678#
Nathan to enter the Host passcode: 1234#

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Project Canoe

Brainstorm

24 APRIL 2020

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Focus for today

Recap policy goals and current pain points (20 min)

Brainstorm high level scenarios for further consideration (70 min)

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Recap: Six high level policy goals

WORK IN PROGRESS

- A smooth/staged transition away from C-19 measures
- Simplification: Reduce number of primary payments and supplements
- Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates
- Incentives to work: Reduce EMTRs, better align payment levels with differentiated capacity to work, and ensure clarity that all working-age recipients will be better off for every dollar earned
- Appropriately manage the overall fiscal envelope
- Streamline administration of the welfare system and improve the citizen experience

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Recap: Initial view of current pain points

WORK IN PROGRESS

Category	Description
Adequacy	• Perceptions of adequacy of JobSeeker base rate • …
Complexity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP) • …
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • …
Incentives for work	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive / employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be high in some instances. Other models such as Universal Credit offer potential alternatives • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper • Potential need to ensure that FTB A/B are focussed as a benefit for raising children • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Potential approach to breaking down each payment type

Payment Profile: Jobseeker – Pre-COVID

WORK IN PROGRESS

Eligibility

Age
- Over 22, under Age Pension age

Employment status
- Unemployed or so regarded; or
- Temp. unable to work/study

Capacity to work
- >8 hours per week (or else would be eligible for DSP)

Residence
- Australian resident

Other
- xxx

Payment rates p/f

No Dependent Children	With Dependent Children	Aged 60 or over, after 9 months on payment	Single principal carer + exemption	Member of a Couple	Partnered & separated by illness or prison
$565.7	$612	$612	$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance
- Education Entry Payment
- Work for the Dole supplement
- xxx
- xxx

Income Tests / taper rates

Income Free Area p/f
- $104

Taper rate 1
- 50% above Income Free Area

Taper rate 2
- 60% above $254 p/f

Other
- Single principal carers have taper rate of 40% above $104

Partner income
- 60% taper over $994 p/f if partner is >22
- 60% taper over $944 if partner is <22 with no dependent children

Other factors

Waiting periods
- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP

Mutual Obligations
- Approved activities and/or job search, unless exempt

Assets Test
- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

Indexation rates

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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For brainstorming: Three illustrative scenarios post C-19

1 Snap Back

Payments	Rate	JS	PP	YA	FTB-A	
Maximum rates	Single no child	565.7		253-462	0-12 child	186.2
	Single w. child	612.0	790.1	606.0	13-19 child	242.2
	>60, 9 mths+	612.0			FTB-B	
	Princ. carer	790.1		790.1	Eldest child <5	158.34
	Couple	510.8	510.8	462-508	Eldest ch. 5-18	110.6
Key suppl-ements		Rent Assistance; Pharma All.[1]; Phone All.[1]		Fare A[2]; YDS[3]	Need to identify full list of supplements to consider	
Tapers / income tests		50% above $104 60% above $254	Single: 40% above $189 (plus $24.6 per extra child) Partnered: same as JSP	JS: 50% above $143, 60% above $250 Students: 50% above $437, 60% above $524		

"Modular" policy adjustments
- N/A

2 Soft Landing

	Rate	JS	PP	YA	FTB-A	
	Single no child	+35		+35	0-12 child	186.2
	Single w. child	+35	+35	+35	13-19 child	242.2
	>60, 9 mths+	+35			FTB-B	
	Princ. carer	+35		+35	Eldest child <5	158.34
	Couple	+35	+35	+35	Eldest ch. 5-18	110.6
Key suppl-ements		Rent Assistance; Pharma All.[1]; Phone All.[1]		Fare A[2]; YDS[3]		
Tapers / income tests		50% above $104 ~~60% above $254~~	Single: 40% above $189 (plus $24.6 per extra child) Partnered: same as JSP	JS: 50% above $143, ~~60% above $250~~ Students: 50% above $437, ~~60% above $524~~	What about changes to mutual obligations?	

"Modular" policy adjustments
- Single definition of income
- Streamline waiting periods (LAWP & SWPP)
- Asset tests
- Simplify income banks / working credit
- Streamline relationship verification
- Streamline proof of rental arrangements
- …

3 New three tier payment

Rate	Tier 1 (30+ hrs)	Tier 2 (14-30 hrs)	Tier 3 (8-14 hrs)	FTB-A	
Single	600	680	745	0-12 child	+ XX
Sharer	570	635	715	13-19 child	+ XX
Couple	510	615	650	FTB-B	
				Eldest child <5	+ XX
				Eldest ch. 5-18	+ XX
Key suppl-ements	Rent Assistance		Fare A[2]		
Tapers / income tests	50% above $XXX [Maybe higher cut-in for students]	50% above $XXX	40% above $XXX	What about changes to mutual obligations?	

"Modular" policy adjustments
- Single definition of income
- Streamline waiting periods (LAWP & SWPP)
- Asset tests
- Simplify income banks / working credit
- Align indexation rates
- Streamline relationship verification
- Streamline proof of rental arrangements
- …

Illustrative

1. For Parenting Payment, applies only if single; For JobSeeker Payment, applies only if have partial capacity to work 2. Applies only if living away from home for study 3. Applies if assessed as having partial capacity to work

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s 22

From: s 22 @bcg.com>
Sent: Wednesday, 29 April 2020 9:51 AM
To: s 22
Subject: CTM 28 Apr 2020 v2.pptx
Attachments: CTM 28 Apr 2020 v2.pptx

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Project Canoe

CTM Materials

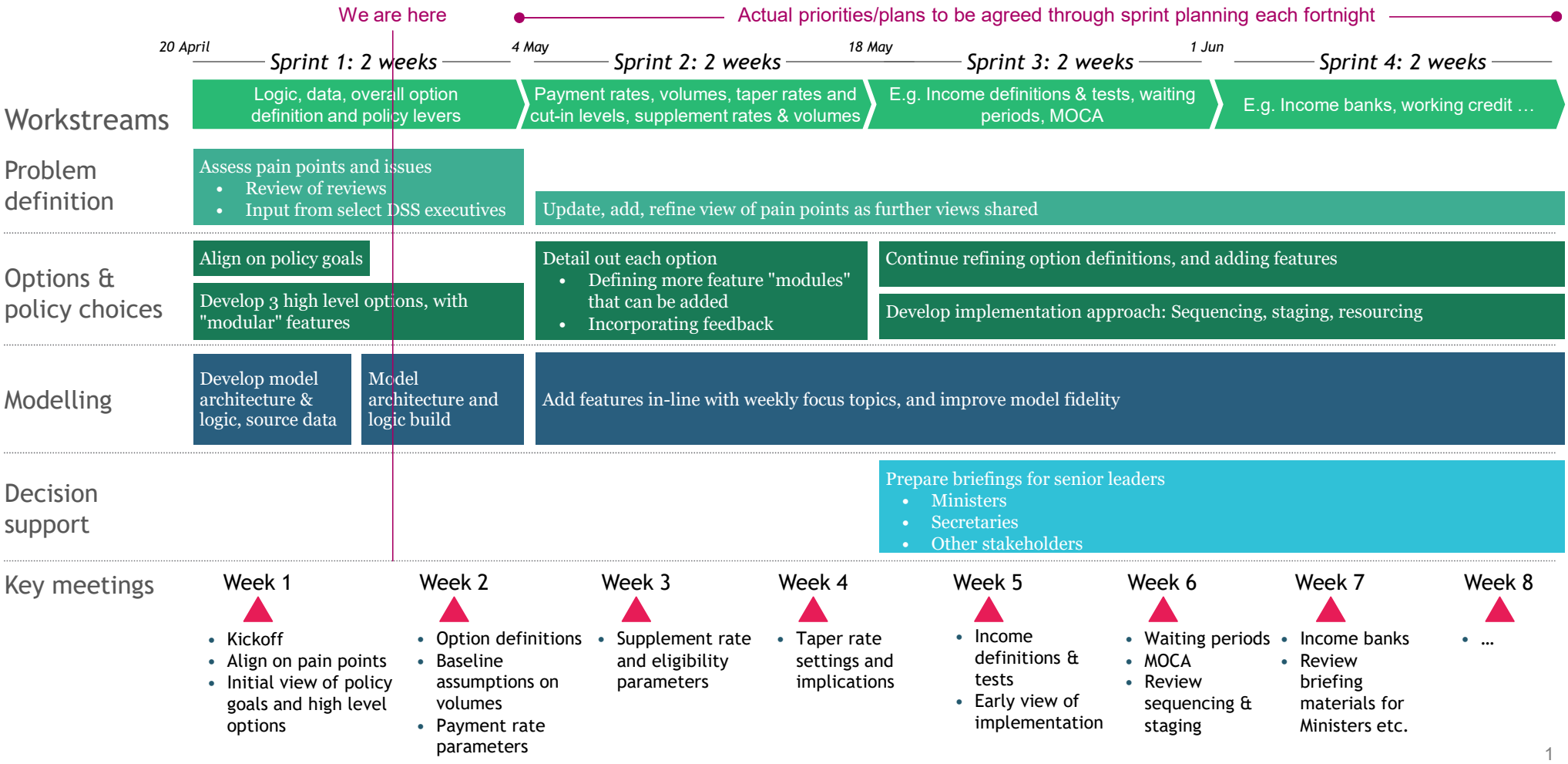
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Recap: Working in fortnightly sprints



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Recap: Six high level policy goals



Effectiveness & adequacy: Appropriate transition away from C-19 measures, which targets welfare system support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Address causes of unnecessary administrative workload, improve the citizen experience, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Recap: Initial view of key pain points

(X) Pending legislation runs counter to COVID response measures

Category	Description
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here (X) • …
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive / employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear this drives behavioural change, but perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential need to ensure that FTB A/B are focussed as a benefit for raising children • Minor policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • …
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID (X) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Three illustrative options for post C-19

1 Snap Back

Payments	Rate	JS	PP	YA
Maximum rates	Single no child	565.7		253-462
	Single w. child	612.0	790.1	606.0
	>60, 9 mths+	612.0		
	Princ. carer	790.1		790.1
	Couple	510.8	510.8	462-508

FTB-A	
0-12 child	186.2
13-19 child	242.2
FTB-B	
Eldest child <5	158.34
Eldest ch. 5-18	110.6

Key suppl-ements: Rent Assistance; Pharma All.[1]; Phone All.[1]; Fare A[2]; YDS[3]

Need to identify full list of supplements to consider

Tapers / income tests:
- JS: 50% above $104, 60% above $254
- PP: Single: 40% above $189 (plus $24.6 per extra child) Partnered: same as JSP
- YA: JS: 50% above $143, 60% above $250 Students: 50% above $437, 60% above $524

"Modular" policy adjustments:
- N/A

2 Soft Landing

Rate	JS	~~PP~~ (rolled into JS)	YA
Single no child	565.7	-	253-462
Single w. child	612.0	-	606.0
>60, 9 mths+, or partial capacity to work[4]	612.0	-	
Princ. Carer & single parents <8yo	790.1	-	790.1
Couple	510.8	-	462-508

FTB-A	
0-12 child	186.2
13-19 child	242.2
FTB-B	
Eldest child <5	158.34
Eldest ch. 5-18	110.6

Key suppl-ements: Rent Assistance (higher cap); Pharma All.[1]; Phone All.[1]; Fare A[2]; YDS[3]

Tapers / income tests:
- JS: 50% above $104, ~~60% above $254~~
- PP: Single: 40% above $189 (plus $24.6 per extra child) Partnered: same as JSP
- YA: JS: 50% above $143, ~~60% above $250~~ Students: 50% above $437, ~~60% above $524~~

What about changes to mutual obligations?

"Modular" policy adjustments:
- Simplify definitions of income
- Streamline waiting periods (LAWP, SWPP, IMP). *Note: May be better way of achieving intent of drawing on own resources first than LAWP)*
- Align indexation rates
- Asset tests
- Simplify income banks / working credit
- Streamline relationship verification
- Streamline proof of rental arrangements

3 New three tier payment

Rate	Tier 1 (30+ hrs)	Tier 2 (14-30 hrs, & parents))	Tier 3 (<14 hrs)
Single – living alone	600	680	745
Single – sharing a dwelling	570	645	705
Couple	510	615	650

Illustrative

FTB-A	
0-12 child	+ XX
13-19 child	+ XX
FTB-B	
Eldest child <5	+ XX
Eldest ch. 5-18	+ XX

Key suppl-ements: Rent Assistance; Fare A[2]

Tapers / income tests:
- Tier 1: 50% above $XXX [Maybe higher cut-in for students]
- Tier 2: 50% above $XXX
- Tier 3: 40% above $XXX

Could we pay FTB to salary earners via STP, and then roll FTB into the Tier 2 base rate?

What about changes to mutual obligations?

"Modular" policy adjustments:
- Single definition of income
- Streamline waiting periods (LAWP & SWPP)
- Asset tests
- Simplify income banks / working credit
- Align indexation rates
- Streamline relationship verification
- Streamline proof of rental arrangements
- …

1. For Parenting Payment, applies only if single; For JobSeeker Payment, applies only if have partial capacity to work 2. Applies only if living away from home for study 3. Applies if assessed as having partial capacity to work 4. Would require a strengthened ESAT process (link to DES Review work)

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Illustrative option 1: Snap Back

Red text shows changes relative to Pre-COVID

	Jobseeker	Parenting Payment	Youth Allowance	FTB A & B
Eligibility	• Unemployed or regarded as unemployed	• Single parents, youngest child <8yo • Coupled parents, youngest child <6yo	• Unemployed or studying/apprentice <22yo	• [Same as today]
Maximum rates	Single no child 565.7 Single w. child 612.0 >60, 9 mths+ 612.0 Princ. carer 790.1 Couple 510.8	Single w. child <8yo 790.1 Couple w. child <6yo 510.8 Couple w. child <6yo, separated due to illness or prison 612.0	Single no child 253-462 Single w. child 606.0 Princ. carer 790.1 Couple 462-508	FTB A 0-12 child 186.2 FTB B 13-19 child 242.2 FTB B Eldest child <5 158.34 FTB B Eldest ch. 5-18 110.6
Key suppl-ements	• Rent Assistance • Education Entry Payment • Pharmaceutical allowance • Work for the Dole supplement	• Rent Assistance • Pharmaceutical Allowance (if single) • Education Entry Payment • Pensioner Education Supplement • Pension Supplement if at Age Pension Age • Mobility Allowance • Work for the dole supplement	• Rent Assistance • Pharmaceutical Allowance • Education Entry Payment • Work for the Dole supplement	Rent Assistance FTB-A Supplement Newborn Supplement Newborn Upfront Payment FTB-B Supplement
Tapers / income tests	Self: • 50% above $104 • 60% above $254 Partner: • 60% taper over $994 p/f if partner is >22 • 60% taper over $944 if partner is <22 with no dependent children	• If single: 40% above $189 (plus $24.6 per extra child) • If partnered: same as JSP • Partner: - Partner IFA: $994 - Taper of 60%	• JS: 50% above $143, 60% above $250 • Students: 50% above $437, 60% above $524 • Partner: - 60% over $994 p/f if partner is >22 - 60% taper over $944 if partner is <22 with no dependent children • Parental: [insert]	FTB-A – household income taper: • 20% over $54,677 • 30% over $98,988 FTB-B: • Higher income earner must earn below $100,000 • Taper of 20% over $5,694 in income for secondary earner
"Modular" policy adjustments	• N/A			

1. For Parenting Payment, applies only if single; For JobSeeker Payment, applies only if have partial capacity to work 2. Applies only if living away from home for study 3. Applies if assessed as having partial capacity to work 4. Would require a strengthened ESAT process (link to DES Review work)

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Illustrative option 2: Soft Landing

Red text shows changes relative to Pre-COVID

	Jobseeker (& PP)	~~Parenting Payment~~	Youth Allowance	FTB A & B
Eligibility	• Unemployed or regarded as unemployed	• ~~Single parents, youngest child <8yo~~ • ~~Coupled parents, youngest child <6yo~~	• Unemployed or studying/apprentice <22yo	• [Same as today]
Maximum rates	Single no child 565.7 Single w. child >8yo, or couple w. child but separated due to illness/prison 612.0 >60, 9 mths+, or partial capacity to work 612.0 Princ. Carer, and single w. child <8yo 790.1 Couple 510.8	~~Single w. child <8yo 790.1~~ ~~Couple w. child <6yo 510.8~~ ~~Couple w. child <6yo, separated due to illness or prison 612.0~~	Single no child 253-462 Single w. child 606.0 Princ. carer 790.1 Couple 462-508	FTB A 0-12 child 186.2 FTB B 13-19 child 242.2 FTB B Eldest child <5 158.34 FTB B Eldest ch. 5-18 110.6
Key suppl-ements	• Rent Assistance (cap increased) • Education Entry Payment • Pharmaceutical allowance • Work for the Dole supplement • [Include others from PP]	• ~~Rent Assistance~~ • ~~Pharmaceutical Allowance (if single)~~ • ~~Education Entry Payment~~ • ~~Pensioner Education Supplement~~ • ~~Pension Supplement if at Age Pension Age~~ • ~~Mobility Allowance~~ • ~~Work for the dole supplement~~	• Rent Assistance (cap increased) • Pharmaceutical Allowance • Education Entry Payment • Work for the Dole supplement	Rent Assistance FTB-A Supplement Newborn Supplement Newborn Upfront Payment FTB-B Supplement
Tapers / income tests	Self: • 50% above $104 • ~~60% above $254~~ Partner: • 60% taper over $994 p/f if partner is >22 • 60% taper over $944 if partner is <22 with no dependent children If single parent: 40% above $189 (plus $24.6 per extra child)	• ~~If single: 40% above $189 (plus $24.6 per extra child)~~ • ~~If partnered: same as JSP~~ • ~~Partner:~~ - ~~Partner IFA: $994~~ - ~~Taper of 60%~~	• JS: 50% above $143~~, 60% above $250~~ • Students: 50% above $437, ~~60% above $524~~ • Partner: - 60% over $994 p/f if partner is >22 - 60% taper over $944 if partner is <22 with no dependent children • Parental: [insert]	FTB-A – household income taper: • 20% over $54,677 • 30% over $98,988 FTB-B: • Higher income earner must earn below $100,000 • Taper of 20% over $5,694 in income for secondary earner
"Modular" policy adjustments	• Simplify definitions of income • Streamline waiting periods (LAWP, SWPP, IMP) • Align indexation rates • Asset tests		• Simplify income banks / working credit • Streamline relationship verification • Streamline proof of rental arrangements	

1. For Parenting Payment, applies only if single; For JobSeeker Payment, applies only if have partial capacity to work 2. Applies only if living away from home for study 3. Applies if assessed as having partial capacity to work 4. Would require a strengthened ESAT process (link to DES Review work)

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Key question is whether YA should be wrapped up into this or not

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Illustrative option 3: New 3-tier working age payment

Red text shows changes relative to Pre-COVID

	Tier 1	Tier 2	Tier 3	FTB A & B
Eligibility	• Unemployed or regarded as unemployed • Capacity to work >30 h/w	• Single parents, youngest child >8yo • Coupled parents with dependent child • Coupled but separated from illness/prison • Partial capacity to work – 14-30 h/w	• Single parents, youngest child <8yo • Principal carer w. exemption • Partial capacity to work - <14 h/w	• [Same as today]
Maximum rates	<22, living at home Single – living alone Single – sharing a dwelling Couple	Single – living alone Single – sharing a dwelling Couple	Single – living alone Single – sharing a dwelling Couple	FTB A 0-12 child 186.2 FTB B 13-19 child 242.2 FTB B Eldest child <5 158.34 FTB B Eldest ch. 5-18 110.6
Key suppl-ements	• Rent Assistance • Education Entry Payment • Work for the Dole supplement	• Rent Assistance • Education Entry Payment • Work for the Dole supplement • Mobility Allowance	• Rent Assistance • Education Entry Payment • Work for the Dole supplement • Mobility Allowance	Rent Assistance FTB-A Supplement Newborn Supplement Newborn Upfront Payment FTB-B Supplement
Tapers / income tests	Self: • 50% above $XXX Partner: • 60% taper over $994 If <22 and dependent, Parental income test: • XXX	Self: • 40% above $XXX Partner: • 60% taper over $994	Self: • 40% above $XXX Partner: • 60% taper over $994	FTB-A – household income taper: • 20% over $54,677 • 30% over $98,988 FTB-B: • Higher income earner must earn below $100,000 • Taper of 20% over $5,694 in income for secondary earner

"Modular" policy adjustments

- Single definition of income
- Streamline waiting periods (LAWP & SWPP)
- Asset tests
- Simplify income banks / working credit
- Align indexation rates
- Streamline relationship verification
- Streamline proof of rental arrangements
- …

1. For Parenting Payment, applies only if single; For JobSeeker Payment, applies only if have partial capacity to work 2. Applies only if living away from home for study 3. Applies if assessed as having partial capacity to work 4. Would require a strengthened ESAT process (link to DES Review work)

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Approach to modelling: Building out key features

	Feature	Description	Sprint plan	Next steps
CORE	#1 Macroeconomic outlook	Adjust recipient volumes to reflect ABS P10, P50 and P90 forecasts for under / unemployment	Backlog	• Source latest macroeconomic modelling from ABS / Treasury
	#2 Max payment rates	Increase rates to meet adequacy benchmarks post COVID supplement (e.g, Rent Assistance)	Sprint 1 (done)	***Focus this week***
	#3 Income limits and tapers	Standardise income limits and tapers for recipients, partners and parents across payments	Sprint 1 (wip)	• Test logic with Alex and team
	#4 Asset limits and tapers	Standardise asset limits and tapers for recipients, partners and parents across payments	Sprint 1 (wip)	• Test logic with Alex and team
	#5 Eligibility requirements	Relax eligibility requirements trialed during COVID period (e.g. sole trader, self-employed)	Sprint 1 (wip)	• Request Alex and team to track down forecast volume changes
	#6 Indexation rules	Standardise indexation rules and apply over forward estimates (ignore gap to pension for first version)	Backlog	• Request Alex and team share indexation rules documentation
ADD-ON	#7 "Bitsy" supplements	Roll small, overlapping supplements into core payments and update rates (e.g. utilities, energy)	Backlog	• Ask for Nathan for complete list of relevant supplements
	#8 Income definitions and assessment period	Standardise income definitions (ordinary vs taxable) and periods over which income is assessed	Backlog	• Request Alex and team share income definition documentation
	#9 Waiting periods	Reduce LAWP and SWPP, which effectively reduces average payment duration, and therefore volumes	Backlog	• Request Alex and team share waiting period documentation
	…	…	…	…
	…	…	…	…

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Pre-Covid

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: Jobseeker (Pre-COVID)

Eligibility

Typical Cohorts
- Unemployed/underemployed without children
- Coupled parents of children >6yo,
- Single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age
- Over 22, under Age Pension age

Employment status
- Unemployed or so regarded; or
- Temp. unable to work/study

Residence
- Australian resident

Payment rates p/f

Single, no Dependent Children	Single, Dependent Children >8yo	Aged 60 or over, after 9 months on payment	Single principal carer + exemption	Member of a Couple	Partnered & separated by illness or prison
$565.7	$612	$612	$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance
- Education Entry Payment
- Work for the Dole supplement
- xxx
- xxx

Income Tests / taper rates

Income Free Area p/f
- $104

Taper rate 1
- 50% above Income Free Area

Taper rate 2
- 60% above $254 p/f

Other
- Single principal carers have taper rate of 40% above $104

Partner income
- 60% taper over $994 p/f if partner is >22
- 60% taper over $944 if partner is <22 with no dependent children

Other factors

Waiting periods
- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations
- Mutual obligations apply

Assets Test
- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: Parenting Payment (Pre-COVID)

Eligibility

Typical Cohorts
- Unemployed/underemployed, coupled parents of children >6yo, single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age
- Over 18, under Pension age

Employment status
- N/A

Residence
- Australian resident

Payment rates p/f

Single parent	Partnered Parents	Partnered & separated by illness or prison
$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance (if single)
- Education Entry Payment
- Pensioner Education Supplement
- Pension Supplement if at Age Pension Age
- Mobility Allowance
- Work for the dole supplement

Income Tests / taper rates

Single Parents
- IFA: $188.6 plus $24.60 for each extra child
- Taper of 40%

Partnered, Partner is not a pensioner
- IFA: $104
- Taper of 50% over $104
- Taper of 60% over $254
- Partner IFA: $994
- Taper of 60%

Partnered, Partner is a pensioner
- IFA: $208
- Taper of 25% over $208
- Taper of 30% over $508

Other factors

Waiting periods
- Newly Arrived Res. WP

Mutual Obligations
- May be required to participate in ParentsNext, or a Jobs Plan

Assets Test
- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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Payment profile: Youth Allowance (Pre-COVID)

Eligibility

Typical Cohorts | Age | Employment status | Residence

[redacted]

Payment rates p/f

Single, no Dependent Children | Single, Dependent Children >8yo | Aged 60 or over, after 9 months on payment | Single principal carer + exemption | Member of a Couple | Partnered & separated by illness or prison

$[redacted]

Supplements potentially available

[redacted]

Income Tests / taper rates

[redacted]

$104 dependent children

Other factors

Waiting periods

- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations

- Mutual obligations apply

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: FTB A (Pre-COVID)

Eligibility

Typical Cohorts
- Parents single/partnered, with children
- Lower income households

Age
- xxx

Employment status
- xxx

Residence
- Australian resident

Payment rates p/f

xxx	xxx	xxx	xxx	xxx	xxx
xxx	xxx	xxx	xxx	xxx	xxx

Supplements potentially available

- N/A

Income Tests / taper rates

Income Free Area p/f
- xxx

Taper rate 1
- xxx

Other factors

Waiting periods
- xxx

Mutual Obligations
- xxx

Assets Test
- xxx

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: FTB B (Pre-COVID)

Eligibility

Typical Cohorts
- Parents single/partnered, with children
- Low-middle income households

Age
- xxx

Employment status
- xxx

Residence
- Australian resident

Payment rates p/f

xxx	xxx	xxx	xxx	xxx	xxx
xxx	xxx	xxx	xxx	xxx	xxx

Supplements potentially available

- N/A

Income Tests / taper rates

Income Free Area p/f
- xxx

Taper rate 1
- xxx

Other factors

Waiting periods
- xxx

Mutual Obligations
- xxx

Assets Test
- xxx

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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During COVID

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Jobseeker (COVID)

Eligibility

Typical Cohorts
- Unemployed/underemployed without children
- Coupled parents of children >6yo,
- Single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age
- Over 22, under Age Pension age

Employment status
- Unemployed or so regarded; or
- Temp. unable to work/study
- Sole Traders and impacted self-employed
- Stood down employees
- People caring for the infected/isoldated

Residence
- Australian resident

Payment rates p/f

Single, no Dependent Children	Single, Dependent Children >8yo	Aged 60 or over, after 9 months on payment	Single principal carer + exemption	Member of a Couple	Partnered & separated by illness or prison
$565.7	$612	$612	$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance
- Education Entry Payment
- Work for the Dole supplement
- COVID-19 Supplement ($550 p/f)
- xxx

Income Tests / taper rates

Income Free Area p/f
- $104

Taper rate 1
- 50% above Income Free Area

Taper rate 2
- 60% above $254 p/f

Other
- Single principal carers have taper rate of 40% above $104

Partner income
- 25% taper over $994 p/f if partner is >22
- 25% taper over $944 if partner is <22 with no dependent children

Red text shows changes relative to Pre-COVID

Other factors

Waiting periods
- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations
- Not required

Assets Test
- Suspended

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: Parenting Payment (COVID)

Eligibility

Typical Cohorts
- Unemployed/underemployed, coupled parents of children >6yo, single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age
- Over 18, under Pension age

Employment status
- N/A

Residence
- Australian resident

Payment rates p/f

Single parent	Partnered Parents	Partnered & separated by illness or prison
$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance (if single)
- Education Entry Payment
- Pensioner Education Supplement
- Pension Supplement if at Age Pension Age
- Mobility Allowance
- Work for the dole supplement
- COVID-19 Supplement ($550 p/f)

Income Tests / taper rates

Single Parents
- IFA: $188.6 plus $24.60 for each extra child
- Taper of 40%

Partnered, Partner is not a pensioner
- IFA: $104
- Taper of 50% over $104
- Taper of 60% over $254
- Partner IFA: $994
- Taper of 25%

Partnered, Partner is a pensioner
- IFA: $208
- Taper of 25% over $208
- Taper of 30% over $508

Red text shows changes relative to Pre-COVID

Other factors

Waiting periods
- Newly Arrived Res. WP

Mutual Obligations
- Not required

Assets Test
- Suspended

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment profile: Youth Allowance (COVID)

Eligibility

Typical Cohorts | Age | Employment status | Residence

[redacted]

Payment rates p/f

Single, no Dependent Children | Single, Dependent Children >8yo | Aged 60 or over, after 9 months on payment | Single principal carer + exemption | Member of a Couple | Partnered & separated by illness or prison

$[redacted]

Supplements potentially available

[redacted]

Income Tests / taper rates

[redacted]

$104 dependent children

Other factors

Waiting periods

- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations

- Mutual obligations apply

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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Snap Back

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Jobseeker (Snap Back)

Impact on policy goals

Smooth trans.	*Simplification*	*Coherence*	*Incentives*	*Fiscal*	*Administration*
L	L	L	M	M	L

Eligibility

Typical Cohorts
- Unemployed/underemployed without children
- Coupled parents of children >6yo,
- Single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age
- Over 22, under Age Pension age

Employment status
- Unemployed or so regarded; or
- Temp. unable to work/study

Residence
- Australian resident

Payment rates p/f

Single, no Dependent Children	Single, Dependent Children >8yo	Aged 60 or over, after 9 months on payment	Single principal carer + exemption	Member of a Couple	Partnered & separated by illness or prison
$565.7	$612	$612	$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance
- Education Entry Payment
- Work for the Dole supplement
- xxx
- xxx

Income Tests / taper rates

Income Free Area p/f
- $104

Taper rate 1
- 50% above Income Free Area

Taper rate 2
- 60% above $254 p/f

Other
- Single principal carers have taper rate of 40% above $104

Partner income
- 60% taper over $994 p/f if partner is >22
- 60% taper over $944 if partner is <22 with no dependent children

Red text shows changes relative to Pre-COVID

Other factors

Waiting periods
- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations
- Mutual obligations apply

Assets Test
- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Parenting Payment (Snap Back)

Impact on policy goals

Smooth trans.	*Simplification*	*Coherence*	*Incentives*	*Fiscal*	*Administration*
L	L	L	M	M	L

Eligibility

Typical Cohorts

- Unemployed/underemployed, coupled parents of children >6yo, single parents of children >8yo
- Partial capacity to work but not DSP-eligible

Age

- Over 18, under Pension age

Employment status

- N/A

Residence

- Australian resident

Payment rates p/f

Single parent	Partnered Parents	Partnered & separated by illness or prison
$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance
- Pharmaceutical Allowance (if single)
- Education Entry Payment
- Pensioner Education Supplement
- Pension Supplement if at Age Pension Age
- Mobility Allowance
- Work for the dole supplement

Income Tests / taper rates

Single Parents

- IFA: $188.6 plus $24.60 for each extra child
- Taper of 40%

Partnered, Partner is not a pensioner

- IFA: $104
- Taper of 50% over $104
- Taper of 60% over $254
- Partner IFA: $994
- Taper of 60%

Partnered, Partner is a pensioner

- IFA: $208
- Taper of 25% over $208
- Taper of 30% over $508

Red text shows changes relative to Pre-COVID

Other factors

Waiting periods

- Newly Arrived Res. WP

Mutual Obligations

- May be required to participate in ParentsNext, or a Jobs Plan

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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Youth Allowance (Snap Back)

Impact on policy goals

Smooth trans.	Simplification	Coherence	Incentives	Fiscal	Administration
L	L	L	M	M	L

Eligibility

Typical Cohorts | Age | Employment status | Residence

[redacted]

Payment rates p/f

Single, no Dependent Children | Single, Dependent Children >8yo | Aged 60 or over, after 9 months on payment | Single principal carer + exemption | Member of a Couple | Partnered & separated by illness or prison

$[redacted]

Supplements potentially available

[redacted]

Income Tests / taper rates

[redacted]

$104 dependent children

Other factors

Waiting periods

- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations

- Mutual obligations apply

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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Soft Landing

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Jobseeker & PP (Soft Landing)

Impact on policy goals

Smooth trans.	*Simplification*	*Coherence*	*Incentives*	*Fiscal*	*Administration*
M	M	M	M	L	M

Eligibility

Typical Cohorts

- Unemployed/underemployed without children
- Coupled parents of children ~~>6yo~~
- Single parents of children ~~>8yo~~
- Partial capacity to work but not DSP-eligible

Age

- Over 22, under Age Pension age

Employment status

- Unemployed or so regarded; or
- Temp. unable to work/study
- Sole Traders and impacted self-employed
- Stood down employees
- People caring for the infected/isoldated

Residence

- Australian resident

Payment rates p/f

Single, no Dependent Children	Single, Dependent Children >8yo	Aged 60 or over, after 9 months on payment or partial capacity to work	Single principal carer + exemption, or single parent with <8yo	Member of a Couple	Partnered & separated by illness or prison
$565.7	$612	$612	$790.1	$510.8	$612

Supplements potentially available

- Rent Assistance (increased cap to $XXX)
- Pharmaceutical Allowance
- Education Entry Payment
- Work for the Dole supplement
- xxx
- xxx

Income Tests / taper rates

Income Free Area p/f

- $104

Taper rate 1

- 50% above Income Free Area

~~Taper rate 2~~

- ~~60% above $254 p/f~~

Other

- Single principal carers have taper rate of 40% above $104

Partner income

- 25% taper over $994 p/f if partner is >22
- 25% taper over $944 if partner is <22 with no dependent children

Red text shows changes relative to Pre-COVID for Jobseeker Payment

Other factors

Waiting periods

- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations

- Mutual obligations apply

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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Youth Allowance (Soft Landing)

Impact on policy goals

Smooth trans.	*Simplification*	*Coherence*	*Incentives*	*Fiscal*	*Administration*
M	M	M	M	L	M

Eligibility

Typical Cohorts | Age | Employment status | Residence

[redacted]

Payment rates p/f

Single, no Dependent Children | Single, Dependent Children >8yo | Aged 60 or over, after 9 months on payment | Single principal carer + exemption | Member of a Couple | Partnered & separated by illness or prison

$[redacted]

Supplements potentially available

[redacted]

Income Tests / taper rates

[redacted]

$104 dependent children

Other factors

Waiting periods

- Liquid Assets WP
- Seasonal Work PP
- Newly Arrived Res. WP
- Income Maintenance Per.

Mutual Obligations

- Mutual obligations apply

Assets Test

- $263,250 - $605,000 depending on circumstances
- Hard cut-off

Income banks

- xxx

Indexation rates

- xxx

Key statistics (1/3/20)

Recipients

- x

Ave $ p/f

- x

Total outlay p/f

- x

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New 3-tier payment

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New three tier payment

Impact on policy goals

Smooth trans.	*Simplification*	*Coherence*	*Incentives*	*Fiscal*	*Administration*
-	H	H	-	-	-

Eligibility

Typical Cohorts | Age | Employment status | Residence

To come

Payment rates p/f

	Tier 1	Tier 2	Tier 3
Single	600	680	745
Sharer	570	655	715
Couple	510	615	650

Illustrative

Supplements potentially available

To come

Income Tests / taper rates

Income Free Area p/f
- xxx

Taper rate 1
- 50% above Income Free Area

Partner income
- 25% taper over $994 p/f if partner is >22

Red text shows changes relative to Pre-COVID

Other factors

Waiting periods
- xxx

Mutual Obligations
- xxx

Assets Test
- xxxx

Income banks
- xxx

Indexation rates
- xxx

Key statistics (1/3/20)

Recipients
- x

Ave $ p/f
- x

Total outlay p/f
- x

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s 22

From: s 22 @bcg.com>
Sent: Friday, 1 May 2020 10:37 AM
To: s 22
Cc: MCLARTY, Mary; PATON, Kath; s 22
Subject: Meeting notes
Attachments: End of Sprint 1 discussion 1 May 2020 vMeeting Notes.pptx

Hi s 22

Thanks for a really fruitful discussion in the meeting just now.

As discussed, attached are the slides with the updates and annotations.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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Project Canoe

End of Sprint 1 Discussion

1 MAY 2020

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Objectives for today

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1. Share outcomes from Sprint 1 of this work (the past fortnight)
2. Ensure alignment on scope, and the "illustrative options" we are using to guide the work
3. Share and hear feedback on the priorities for Sprint 2 (the coming fortnight)

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Summary: Progress and next steps

Progress in Sprint 1 (past fortnight)

Aligned on policy goals, and consolidated an initial view of pain points to consider

Refined our view of in-scope and out-of-scope payments and supplements

Completed a quick "review of reviews"

Developed and refined three "illustrative options" for working age payments post C-19

Built the base logic and architecture for the model (to be refined as we progress)

Joint team now established and in-flight

Focus for Sprint 2 (next fortnight)

Further exploration and research on policy options and pain points – focussed on four "key questions"

- FTB: Potential models to align with policy intent
- Youth Allowance (S & O): Keep or separate
- [illegible]/consolidate
- [illegible]t to more

Soft Landing needs to be a priority for Sprint 2 - with the focus on Jobseeker

Work incentives, e.g. tapers etc. would be higher in priority than waiting periods

Scope of JS we need to get to: rates, tapers, work incentives like income banks

Pro[illegible] on outlays given specified recipient volumes, payment rates, income distributions, taper rates *(further features to be built in future sprints)*

Detail out the three illustrative options in line with the above, including indicative cost estimates

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Recap: Six high level policy goals

Note: A set of principles are being developed to sit alongside these goals, which are more suited to being included in a later public narrative

Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most

Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned

Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll

Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates

Fiscal responsibility: Appropriately manage the overall fiscal envelope

Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Progress in Sprint 1

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Recap: Initial view of key pain points (I/II)

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive / employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age)
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Recap: Initial view of key pain points (II/II)

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Payments and supplements in/out of scope

In scope
Out of scope
xx # recipients at 1/12/19

Payments

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (S)	229k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Austudy	28k
Youth Allowance (s)	134k
ABSTUDY Allowance	27k
FTB-A	1,350k
FTB-B	1,087k
Farm Household Allowance	~7k

Supplements

Crisis Payment	TBC
Remote Area Allowance	80k
Pension Work Bonus	TBC
Rent Assistance	1,292k
Approved Program of Work Sup'ment	81k
Pharmaceutical Allowance	881k
Energy Supplement	5,975k
Language, Literacy and Numeracy Supplemen	16k
Essential Medial Equipment Payme	TBC
Economic Support Payment	TBC
Double Orphan Pension	1k
Pension Bonus Scheme	TBC
Mobility Allowance	15k
Carer Allowance	611k
Carer Supplement	TBC
Pensioner Education Supplemer	22k
Education Entry Payment	133k
Assistance for Isolated Childre	12k
Telephone Allowance	561k
Utilities Allowance	29k
Relocation Scholarship	TBC

Concession cards

C'th Seniors Health Card	387k
Pension Concession Card	4,201k
Health Care Card	1,312k
Low Income Health Card	163k

Approved program of work supplement - also a focus for S2

AA 01.May.20:

Worth looking at whether Special Benefit should be rolled into Jobseeker

If we took the upper age limit of Jobseeker, Jobseeker could become the payment of last resort

Rate would be the same.

But it would shift to a 50% taper rather than 100%

Source: DSS data

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Progress in Sprint 1

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Three illustrative options for post COVID-19

Four questions identified to support progress to next level of detail

☆ Next questions to resolve

	1 Snap Back	2 Soft Landing	3 New three tier payment
Core changes (payments, rates, supplements, tapers)	• Return to Pre-COVID policy settings, for eligibility, assets and income tests, and payment rates • Potentially, roll Parenting Payment (Partnered) into Jobseeker, with MO exemptions	• Create new partial capacity to work rate within JS Payment • Roll Parenting Payments into JS • Convert all 60% tapers to 50% • Increase rent assistance cap **AA 01.May.20: Overarching priority for S2**	• Roll JS and PP into new 3-tier working age payment, with Single, Sharer, and Couple rates • Potentially, include YA(o) in the new working age payment, and merge YA(s) with Austudy ☆ • Potentially, roll part of FTB-A/B into base payments and have a single supplement only, with payment to non-income support recipients via the tax system (enabled by STP) ☆ • Ensure maximum tapers of 50%, even after income test stacking (e.g. ISP + FTB)
Potential further features	• N/A	• Potential to streamline waiting periods (given cost implications) ☆ • Potential to align indexation rates ☆ • Simplify income banks / WC • Simplify definitions of income	• Potential to streamline waiting periods (given cost implications) • Potential to align indexation rates • Potential to align assets tests • Simplify income banks / WC • Streamline MOCA & verifications • Single definition of income
Impact on policy goals (very initial view)	Effectiveness & Adeq. L Self-reliance M Simplification L Coherence L Fiscal M Administration L	Effectiveness & Adeq. M Self-reliance M Simplification M Coherence M Fiscal L Administration M	Effectiveness & Adeq. ? Self-reliance H Simplification H Coherence H Fiscal ? Administration H

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Backup: Illustrative resulting payment structures

In scope
Out of scope

1. Snap Back (same as today)

- Age Pension
- Disability Support Pension
- Carer Payment
- Wife Pension
- Widow Pension
- Bereavement Allowance
- Sickness Allowance
- Widow Allowance
- Partner Allowance
- Special Benefit
- Jobseeker Payment
- Parenting Payment (S)
- Parenting Payment (P)
- Youth Allowance (o)
- Austudy
- Youth Allowance (s)
- ABSTUDY Allowance
- FTB-A
- FTB-B
- Farm Household Allowance
- Crisis Payment
- Remote Area Allowance
- Pension Work Bonus
- Rent Assistance
- Approved Program of Work Supplement
- Pharmaceutical Allowance
- Energy Supplement
- Language, Literacy and Numeracy Supplement
- Essential Medial Equipment Payment
- Economic Support Payment
- Double Orphan Pension
- Pension Bonus Scheme
- Mobility Allowance
- Carer Allowance
- Carer Supplement
- Pensioner Education Supplement
- Education Entry Payment
- Assistance for Isolated Children
- Crisis Payment
- Telephone Allowance
- Utilities Allowance
- Relocation Scholarship

Concession cards
- C'th seniors health card
- Pension Concession Card
- Health Care Card
- Low Income Health Card

2. Soft Landing

- Age Pension
- Disability Support Pension
- Carer Payment
- Wife Pension
- Widow Pension
- Bereavement Allowance
- Sickness Allowance
- Widow Allowance
- Partner Allowance
- Special Benefit
- Jobseeker Payment
- Youth Allowance (o)
- Austudy
- Youth Allowance (s)
- ABSTUDY Allowance
- FTB-A
- FTB-B
- Farm Household Allowance
- Supplements - TBC

Concession cards
- C'th seniors health card
- Pension Concession Card
- Health Care Card
- Low Income Health Card

3. New 3-tier payment

- Age Pension
- Disability Support Pension
- Carer Payment
- Wife Pension
- Widow Pension
- Bereavement Allowance
- Sickness Allowance
- Widow Allowance
- Partner Allowance
- Special Benefit
- New Working Age 3-tier Payment
- Austudy
- ABSTUDY Allowance
- Child & youth supplement
- Farm Household Allowance
- Supplements - TBC

Concession cards
- C'th seniors health card
- Pension Concession Card
- Health Care Card
- Low Income Health Card

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Progress in Sprint 1

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Modelling approach: Options built from modular features

Will start with "core" set of features, can add more with time to increase fidelity and breadth

Core feature
Modular feature

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Should include a Base macro scenario - so we can see the delta from the pre-COVID budget numbers. Use figures from 19-20 MYEFO

Should inform our scenarios based on GFC recovery - who returned to workforce first, which sectors recovered best, who is still on

Model logic

Illustrative policy options

"Snap Back"
Revert to policy settings per-COVID

"Soft Landing"
Partially maintain rate increases for most vulnerable and some standardisation

"New 3-tier payment"
Broader reform of working age payments, focused around a new 3-tier payment

Calculations

Policy features

- Macroeconomic Outlook
- Eligibility Requirements
- Max Payment Rates
- Income Limits & Tapers
- Asset Limits & Tapers
- Indexation Rules
- Supplements
- Income definitions & assessment period
- Waiting Periods
- ...

AAsten to source perspectives from BHI on likely shape/balance of recovery pathway

Data sources
(current view)

- Dummy data
- Social Security Guide
- Social Security Guide
- Dummy data
- Dummy data
- Dummy data
- N/A
- N/A
- N/A
- N/A

Next steps

- Source Treasury scenarios
- Sense check logic
- Sense check logic
- Add Blue Book data
- Add Blue Book data
- Source ABS index forecasts
- Draft feature logic
- Draft feature logic
- Draft feature logic
- ...

JC and AAbel to discuss on data sources / best approach to sharing

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Next steps



Focus areas for Sprint 2

Further research to develop a view on four "key questions":

- **FTB**: Potential models to refresh alignment with policy intent
- **Youth Allowance (S & O)**: Preferred model to achieve simplification, and encourage self-reliance
- JS & Soft Landing are prioritised (payment categories, rates, tapers, incentives, income banks, rent assistance).
- Perhaps everyone to focus on different aspects of this first.
- Adequacy by itself is a few days worth of research

Modelling: Progress the model to deliver output on outlays given specified recipient volumes, payment rates, income distributions, taper rates *(further features to be built in future sprints)*

Options: Detail out the three illustrative options in line with the above, including indicative cost estimates



Backlog for future sprints

Impact of different settings for payment rates, taper rates, eligibility criteria

Potential to align/simplify assets tests across payment types

Approaches to simplify income banks / working credit, and strengthen incentives

Simplify MOCA, and streamline other verifications (e.g. for rental)

Simplify definitions of income

Progressing the modelling to incorporate the above

…

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Focus for Sprint 2

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Backup: Initial perspectives on our "four key questions", to explore in Sprint 2

Key questions	Initial perspectives, for further exploration
FTB: Potential models to refresh alignment with policy intent	**Four illustrative options to consider pros/cons:** • Roll FTB A & B into base welfare payments (achieves simplification, targets support to lowest income households) • Roll FTB B into base welfare payments, and rebalance FTB A levels to reduce distributional impacts (some simplification) • Combine FTB A and B into a new means tested supplement (some simplification, targets support toward larger families) • Combine FTB A and B into a new means tested supplement, AND pay an FTB amount to non-income support recipients through the tax system, enabled by STP (removes large number of families from the welfare system)
Youth Allowance (S & O): Preferred model to achieve simplification, and encourage self-reliance	**Two illustrative options to consider pros/cons:** • Retaining Youth Allowance as a youth-specific payment, aiming for minor simplifications • Merging YA(s) with Austudy (retaining the independence test for <22s), and merging YA(o) with Jobseeker (retaining the independence test for <22s)
Waiting periods: Potential to align/consolidate four of the waiting periods (LAWP, SWPP, IMP, OWP)	**Given overlapping policy intent of the the four waiting periods, consider potential for consolidation** • E.g. Merging OWP into LAWP, especially considering that OWP is waived on hardship grounds 50% of the time, usually do to lack of liquid assets • E.g. Considering whether SWPP is required given very low number of applications captured per year (<500) • E.g. Considering overlap between LAWP and IMP, and whether consolidation into a single test or waiting period would be possible
Indexation: Potential to align indexation rates	**Explore potential for shift to more precise/relevant indexation methods for allowances and supplements** • E.g. Moving allowances to an index that reflects the basket of goods typically purchased in lower income households • E.g. Potential to shift rent assistance to a housing cost index, with a ratchet mechanism to protect lessees

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s 22

From: s 22 @bcg.com>
Sent: Friday, 8 May 2020 1:55 PM
To: CAMPBELL, Kathryn; WILLIAMSON, Nathan
Cc: MCLARTY, Mary; PATON, Kath; s 22 Carrasco, Miguel; Clancy, Trish
Subject: Project Canoe: Materials for 3:30pm meeting
Attachments: Sprint 2 - Mid-sprint read out - Appendix vF.pdf; Sprint 2 - Mid-sprint read out vF.pdf

Dear Secretary, Nathan

We are looking forward to the discussion with you on Project Canoe at 3:30pm today.

I have attached a set of materials to support the discussion, together with a separate appendix.

Our suggested agenda is to start with a quick overview of progress so far, and then spend the bulk of the time on the illustrative policy options we have been exploring.

For a quick reference, slide #3 of the attached PDF is a good summary of these illustrative options.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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Project Canoe

Sprint 2: Mid-sprint readout - Appendix

8 May 2020

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What's in this appendix

1. Key outputs from Sprint 1
   - Policy goals & pain points
   - Payments in/out of scope
   - Key architecture of the model
   - Three high level illustrative options
2. Scope for Sprint 2, and future Sprints
3. Income tests - IFA & taper rate charts
4. Macroeconomic scenarios - further detail
5. Financial implications - further detail

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1. Key outputs from Sprint 1

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Recap: Six high level policy goals

Note: A set of principles are being developed to sit alongside these goals, which are more suited to being included in a later public narrative



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system - employment services, DES, skills/apprenticeships, etc.

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Recap: Initial view of key pain points (I/II)

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive / employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age) • Child support tests can overlap with welfare payment income tests to produce EMTRs >100%
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs - which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • You can be on JSP if a casual working 40 hours/week, but can't be on JSP if permanent employee working 40 hours/week

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Recap: Initial view of key pain points (II/II)

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Payments and supplements in/out of scope

In scope
Out of scope
XX # recipients at 1/12/19

Payments

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (S)	229k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Austudy	28k
Youth Allowance (s)	134k
ABSTUDY Allowance	27k
FTB-A	1,350k
FTB-B	1,087k
Farm Household Allowance	~7k

Supplements

Crisis Payment	TBC
Remote Area Allowance	80k
Pension Work Bonus	TBC
Rent Assistance	1,292k
Approved Program of Work Sup'men	81k
Pharmaceutical Allowance	881k
Energy Supplement	5,975k
Language, Literacy and Numeracy Supplemen	16k
Essential Medial Equipment Payme	TBC
Economic Support Payment	TBC
Double Orphan Pension	1k
Pension Bonus Scheme	TBC
Mobility Allowance	15k
Carer Allowance	611k
Carer Supplement	TBC
Pensioner Education Supplemer	22k
Education Entry Payment	133k
Assistance for Isolated Childre	12k
Telephone Allowance	561k
Utilities Allowance	29k
Relocation Scholarship	TBC

Concession cards

C'th Seniors Health Card	387k
Pension Concession Card	4,201k
Health Care Card	1,312k
Low Income Health Card	163k

Source: DSS data

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Modelling approach: Options built from modular features

Will start with "core" set of features, can add more with time to increase fidelity and breadth

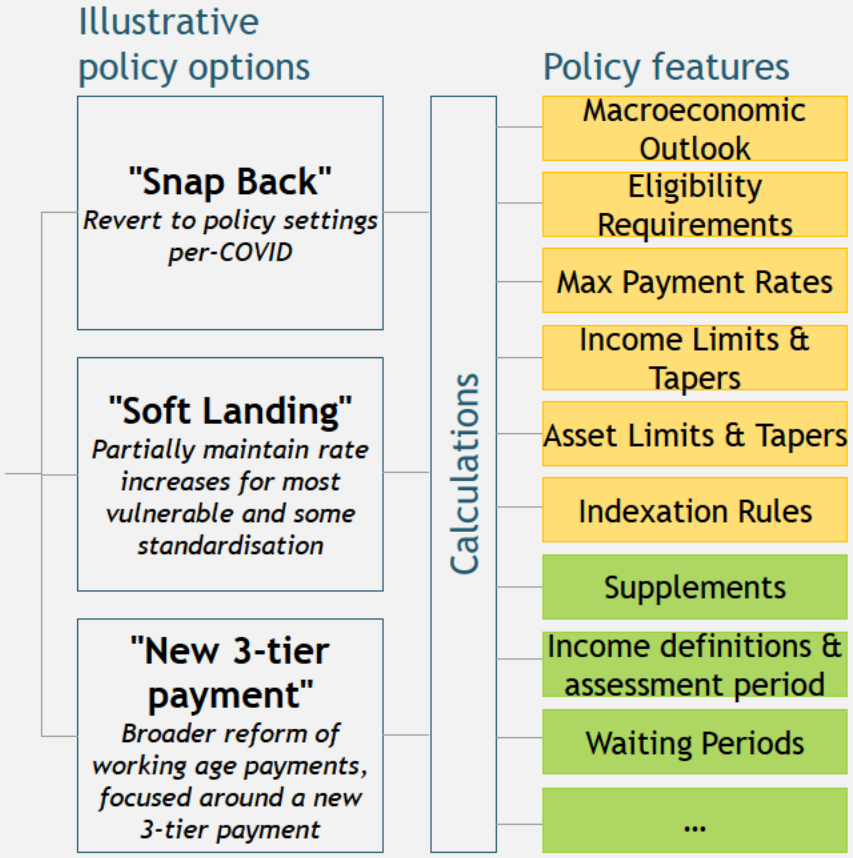
Core feature
Modular feature

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- Dummy data
- Social Security Guide
- Social Security Guide
- Dummy data
- Dummy data
- Dummy data
- N/A
- N/A
- N/A
- N/A

Next steps

- Source Treasury scenarios
- Sense check logic
- Sense check logic
- Add Blue Book data
- Add Blue Book data
- Source ABS index forecasts
- Draft feature logic
- Draft feature logic
- Draft feature logic
- ...

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OUTDATED

Three illustrative options for post COVID-19

Four questions identified to support progress to next level of detail

☆ Next questions to resolve

	1 Snap Back	2 Soft Landing	3 New three tier payment
Core changes (payments, rates, supplements, tapers)	• Return to Pre-COVID policy settings, for eligibility, assets and income tests, and payment rates • Potentially, roll Parenting Payment (Partnered) into Jobseeker, with MO exemptions	• Create new partial capacity to work rate within JS Payment • Roll Parenting Payments into JS • Convert all 60% tapers to 50% • Increase rent assistance cap	• Roll JS and PP into new 3-tier working age payment, with Single, Sharer, and Couple rates • Potentially, include YA(o) in the new working age payment, and merge YA(s) with Austudy ☆ • Potentially, roll part of FTB-A/B into base payments and have a single supplement only, with payment to non-income support recipients via the tax system (enabled by STP) ☆ • Ensure maximum tapers of 50%, even after income test stacking (e.g. ISP + FTB)
Potential further features	• N/A	• Potential to streamline waiting periods (given cost implications) ☆ • Potential to align indexation rates ☆ • Simplify income banks / WC • Simplify definitions of income	• Potential to streamline waiting periods (given cost implications) • Potential to align indexation rates • Potential to align assets tests • Simplify income banks / WC • Streamline MOCA & verifications • Single definition of income
Impact on policy goals (very initial view)	Effectiveness & Adeq. L Self-reliance M Simplification L Coherence L Fiscal M Administration L	Effectiveness & Adeq. M Self-reliance M Simplification M Coherence M Fiscal L Administration M	Effectiveness & Adeq. ? Self-reliance H Simplification H Coherence H Fiscal ? Administration H

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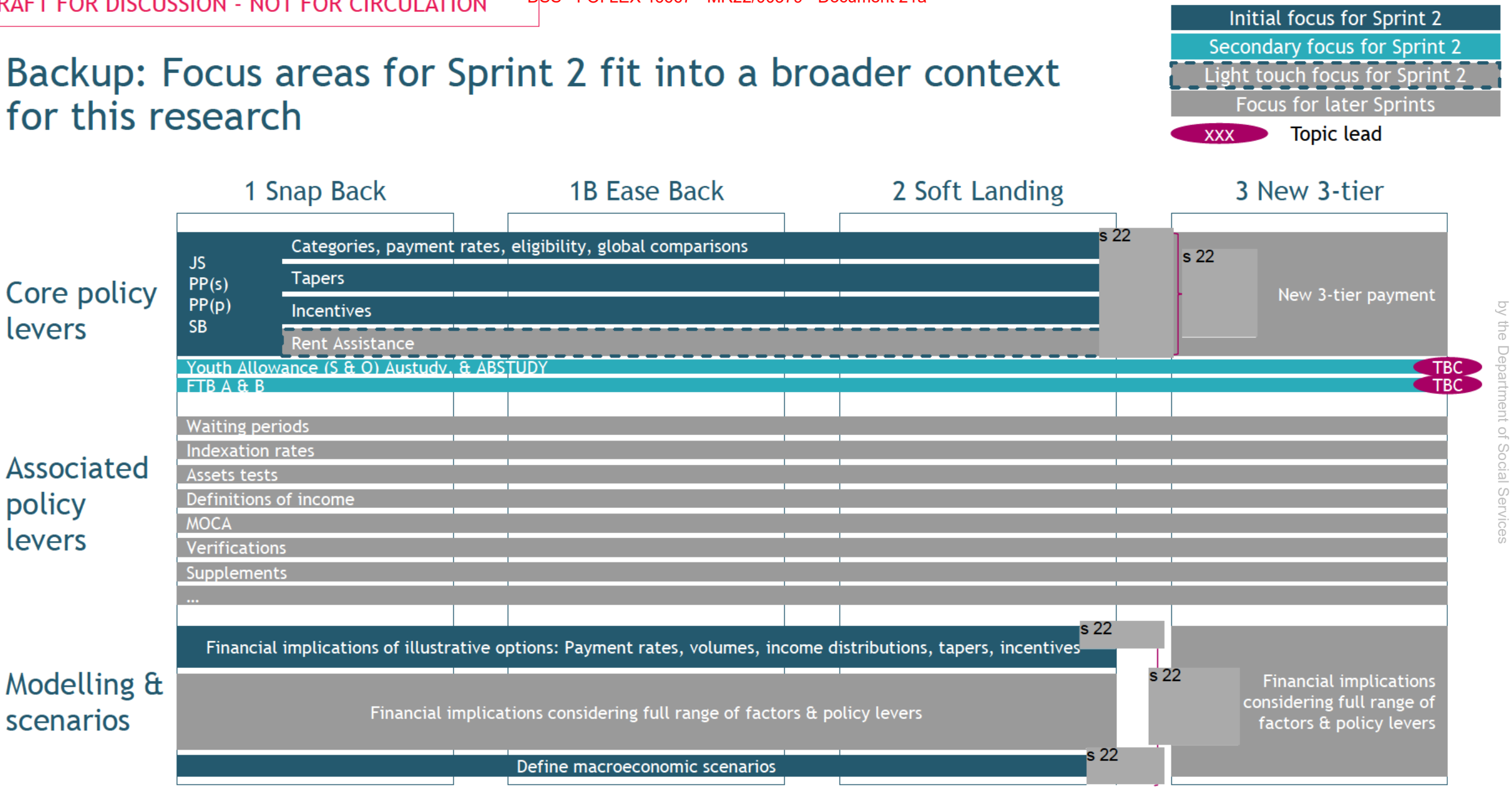
2. Scope for Sprint 2, and future Sprints

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Backup: Focus areas for Sprint 2 fit into a broader context for this research



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3. Income tests – IFA & taper rate charts

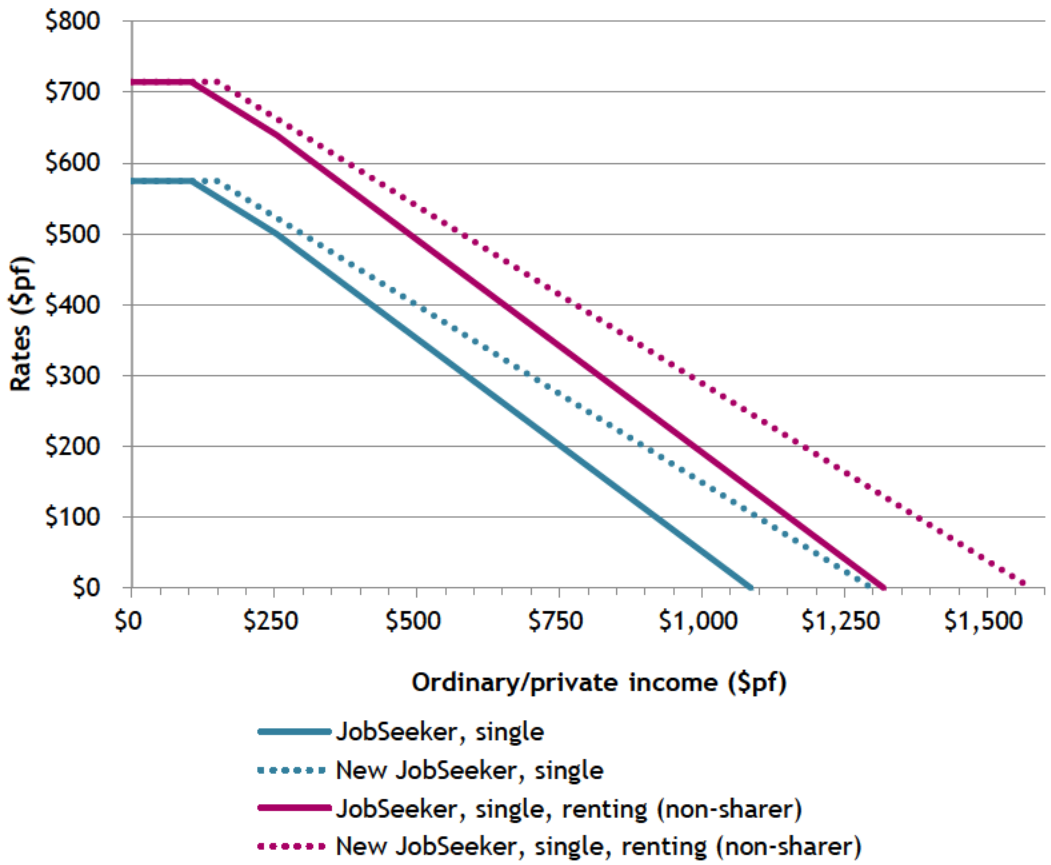
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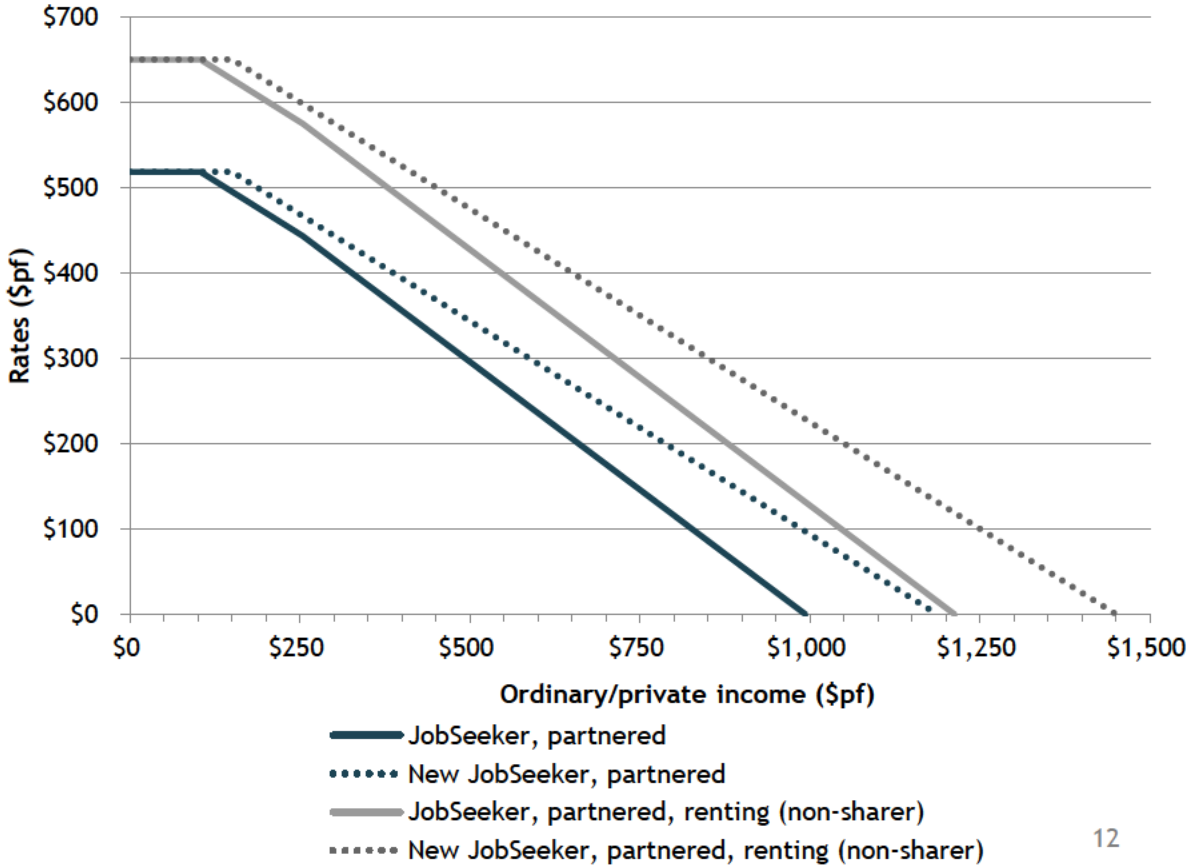
Backup: Income test charts (Jobseeker)

Increasing the free area to $150 and reducing the taper to a single taper rate of 50c for every $1 of private income earnt would extend the income test cut-out by approximately $200 for both single and partnered recipients and would bring the withdrawal of income support closer to the minimum wage.
Single recipients who are renting would be able to earn an extra $250 before their income is reduced to zero.

JobSeeker Payment Single - with and without Rent Assistance



JobSeeker Payment Partnered - with and without Rent Assistance



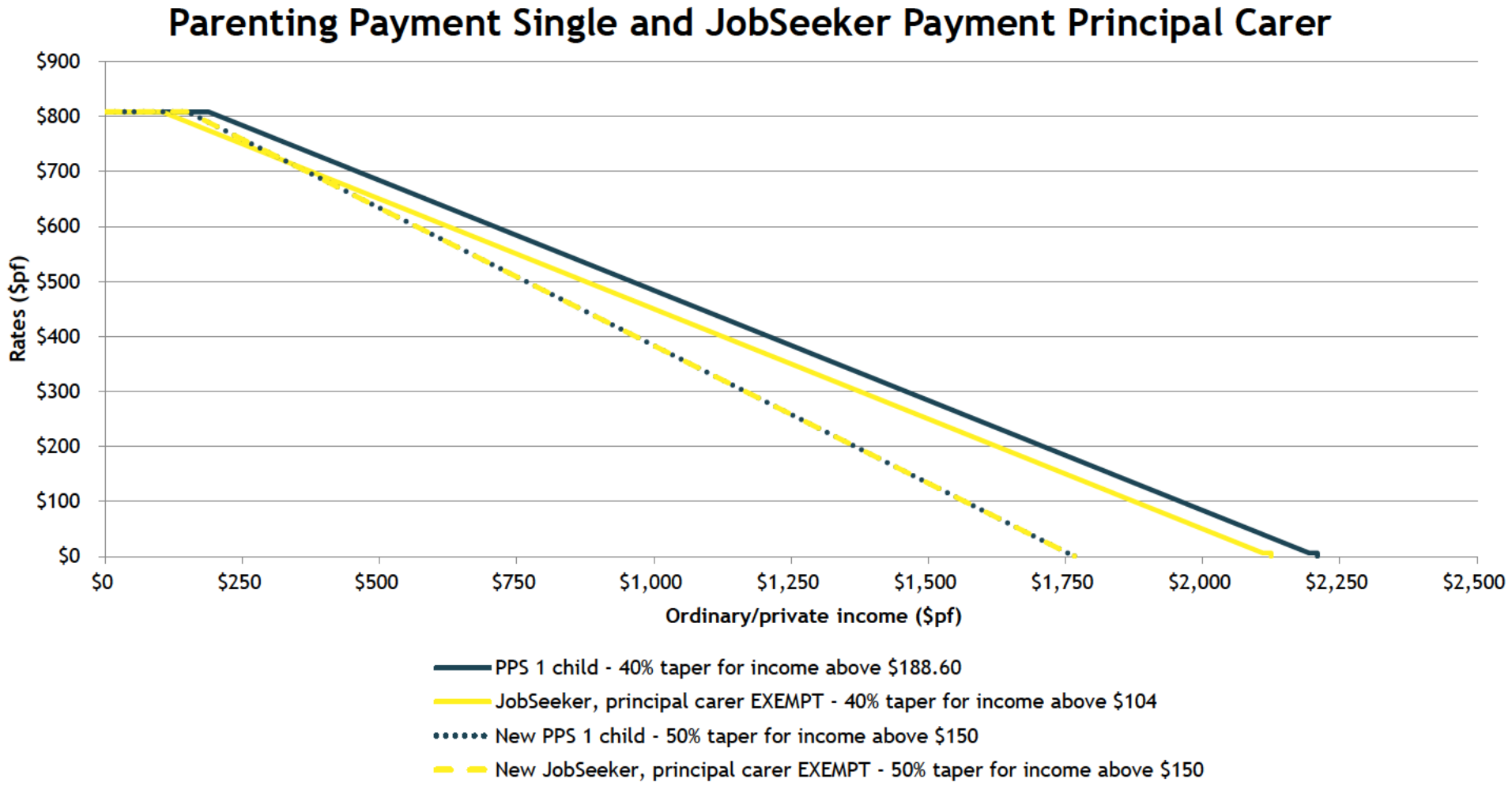
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Backup: Income test charts (Parenting Payment & Principal Carer)

Reducing the free area to $150 for both PPS and Principal Carer to align free areas across all working age payments would result in an earlier income cut out for both payments. The Principal Carer cohort would have a more generous income free area but due to the harsher taper rate the point at which income support payments are withdrawn would be reduced by approximately $350. The Parenting Payment Single cohort would receive a reduction in both the income free area and a harsher taper rate resulting in the income cut out point reducing by just under $450.

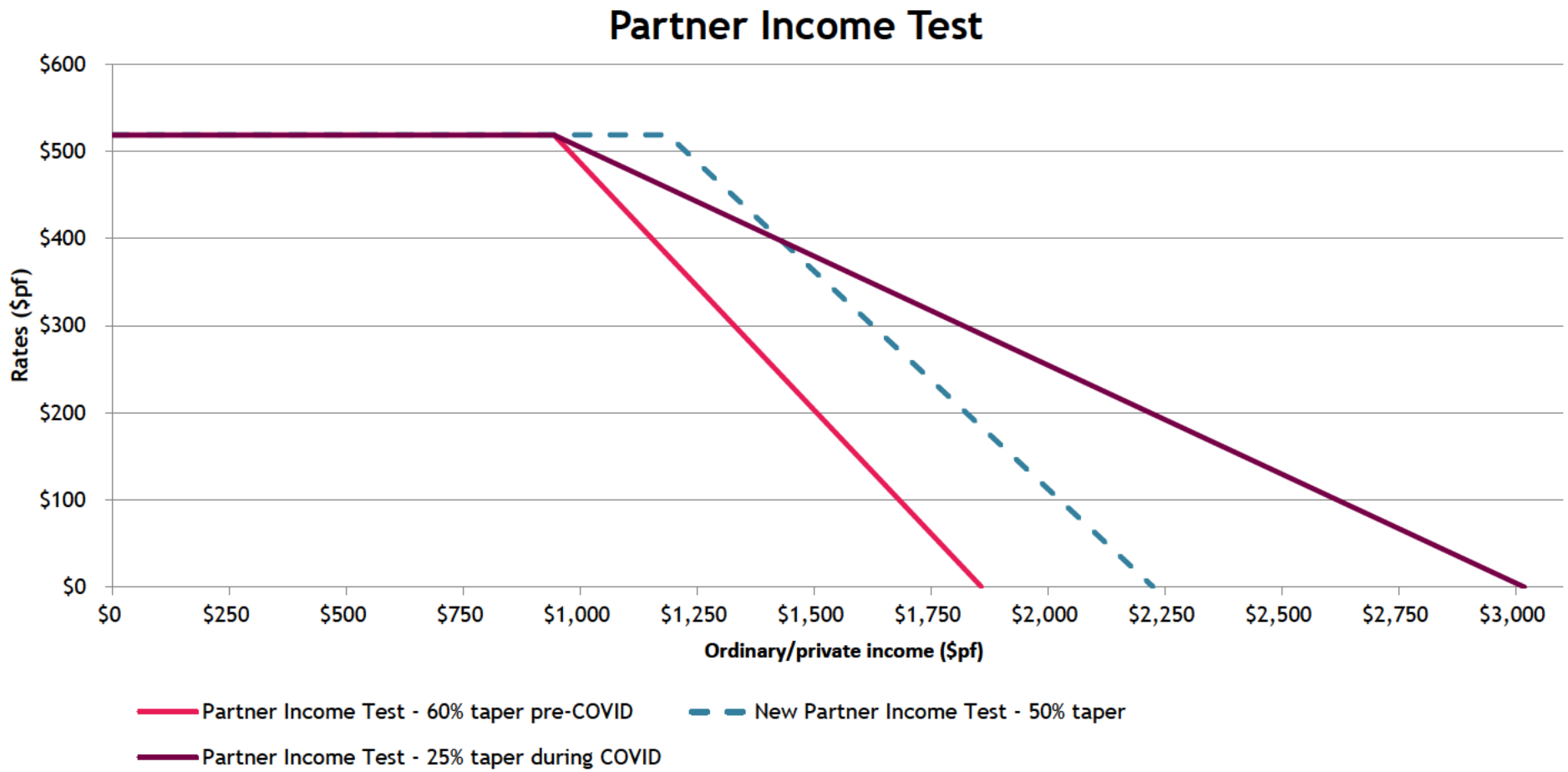


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Backup: Income test charts (Partner Income Test)

Increasing the free area to the new partner income cut out of $1,188 per fortnight would keep the rationale of the free area consistent with previous settings. This in combination of reducing the taper from 60c to 50c for every $1 of private income earnt by the partner would extend the income limit from $1,858.50 to $2,225.40.



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4. Macroeconomic scenarios

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Backup: Macroeconomic scenarios focus on potential COVID-19 recovery pathways

Optimistic case

- Virus is suppressed; people movements are safe
- Continuation of favourable fiscal policies; limited challenges with global trade
- Workforce embraces new flexibility in remote working, driving higher productivity levels
- High consumer confidence and an increase in discretionary spending

- Unemployment rate expected to rise to 10%, with expectation to recover by end of 2021
- Most sectors expected to recover by Q1 FY22, with significant recovery made by highly impacted sectors, incl., Arts and Recreation Services, Accommodation and Food Services

Base case (likely)

- Virus slowly eradicated; staged unwinding of social distancing restrictions
- Some favourable fiscal policies; some challenges with global trade
- Slow workforce adoption of remote-working with mixed results; little improvements in productivity
- Declining consumer confidence and discretionary spending

- Unemployment rate expected to rise to 11.5%, with expectation to recover by end of 2022
- Most sectors expected to recover by Q1 FY22, with the exception of highly impacted sectors

Pessimistic case

- Wave 2/3 of virus; continued social distancing restrictions
- Lack of effective fiscal policies; increased protectionism in global trade
- Absenteeism and declining productivity due to remote working
- Low consumer confidence, drastic cutbacks in discretionary spending

- Unemployment rate expected to rise to 13%, with expectation to recover by end of 2023
- Sectors slow to recovery, with sustained job loss for highly impacted sectors

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Back-up: Methodology applies unemployment rate scenarios to current recipient numbers, to derive scenarios for recipient volumes

Modelling approach

Develop 18 month scenarios for unemployment rate	Determine April 2020 actuals for recipient #s	Quantify likely impact of unempl. rate on recipient #s	Apply unempl. f'cast to actuals to forecast recipient #s
• Forecasted job losses conducted using sector by sector analysis, and likely recovery pathway (e.g. V or U) • Translate job losses into unemployment rate, triangulate using estimates from Treasury, Grattan Institute, industry experts • Adjust unemployment rate to reflect additional losses when JobKeeper ceases (Oct-Sep 2020)	• Assess extent of increase in recipient numbers for each payment type post-shutdown using Apr 2020 actuals	• Adjust to reflect unique features of C-19 crisis and likely near-term trajectory (e.g. travel/tourism hit hardest, with more young people)	• Determine impact of changes in unemployment rate on recipient numbers for each payment type • Calibrate trajectory according to likely response when JK and coronavirus supplements end (in Sep)

Forecasted recipient numbers

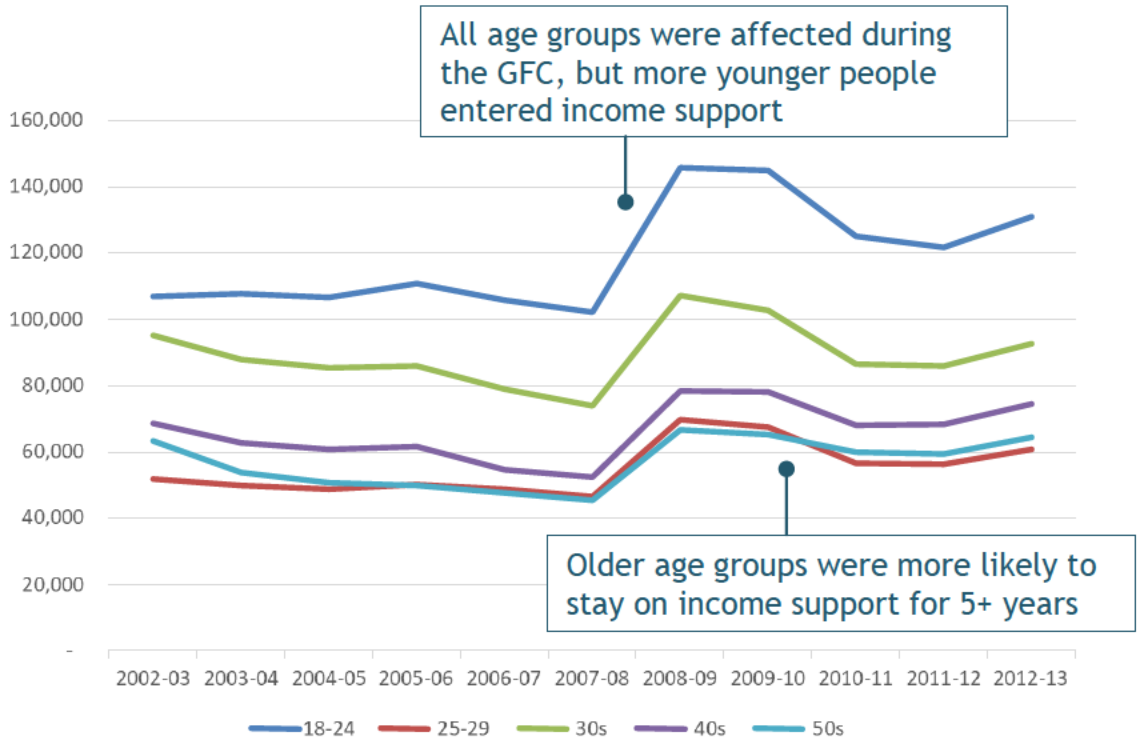


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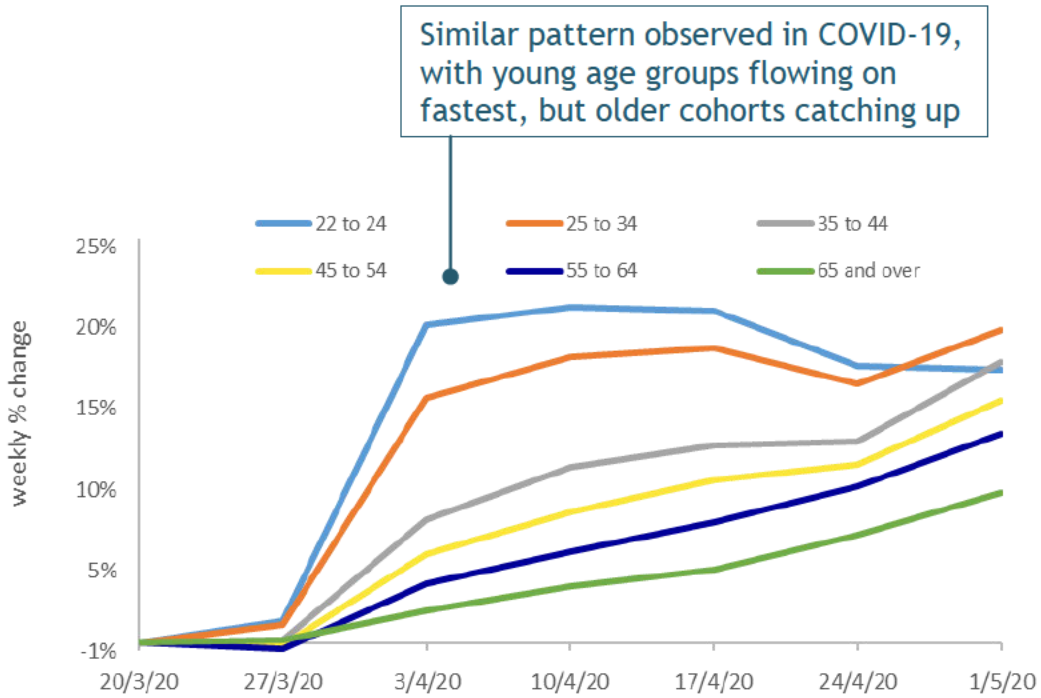
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 crisis is following a similar pattern so far

GFC: New entrants to income support, by age group



Today: Entrants to Jobseeker Payment, by age group

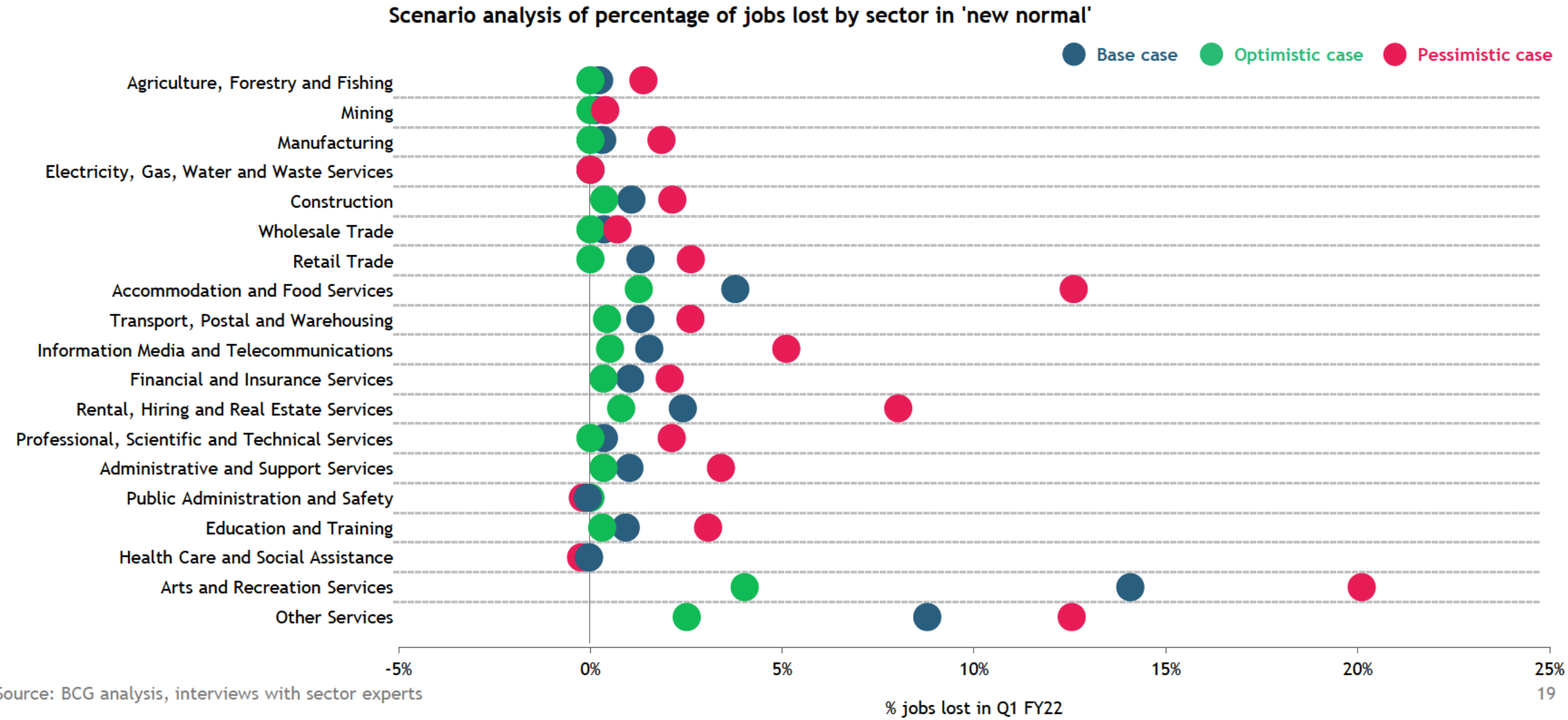


Source: DSS data

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Back-up: Unemployment rate forecasts were informed by job loss predictions for 19 sectors



Source: BCG analysis, interviews with sector experts

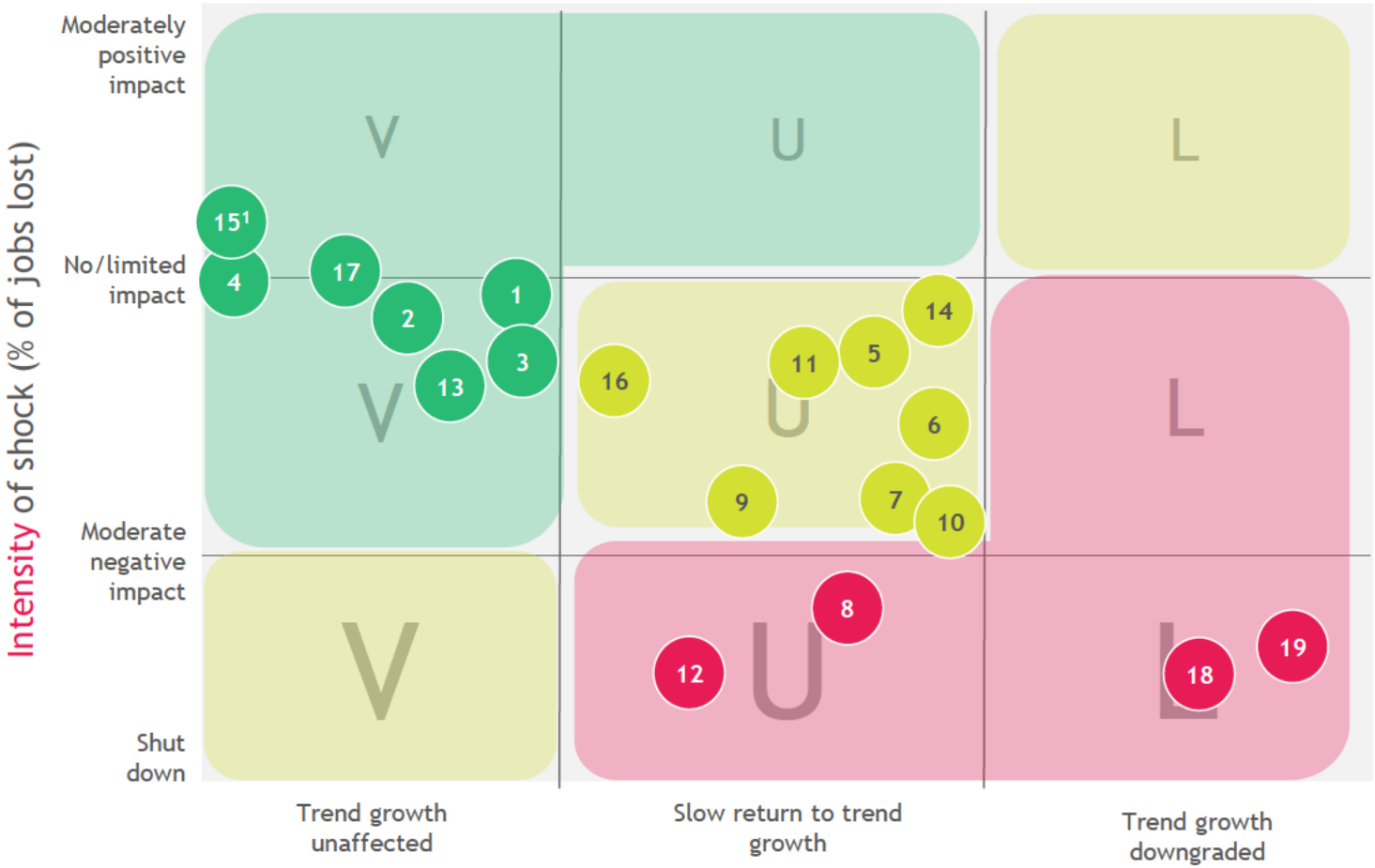
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Backup: Under the base case scenario, we would expect 2 sectors to have an L-shaped recovery, and 7 sectors to have a V-shape

Intensity and Geometry of each sector at max impact



1. Agriculture, Forestry and Fishing
2. Mining
3. Manufacturing
4. Electricity, Gas, Water and Waste Services
5. Construction
6. Wholesale Trade
7. Retail Trade
8. Accommodation and Food Services
9. Transport, Postal and Warehousing
10. Information Media and Telecommunications
11. Financial and Insurance Services
12. Rental, Hiring and Real Estate Services
13. Professional, Scientific and Technical Services
14. Administrative and Support Services
15. Public Administration and Safety
16. Education and Training
17. Health Care and Social Assistance
18. Arts and Recreation Services
19. Other Services

1. Public administration and safety is estimated to see job increases (positive intensity) and so will not adopt a V-shape recovery
Source: BCG analysis, interviews with sector experts

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5. Financial implications – further detail

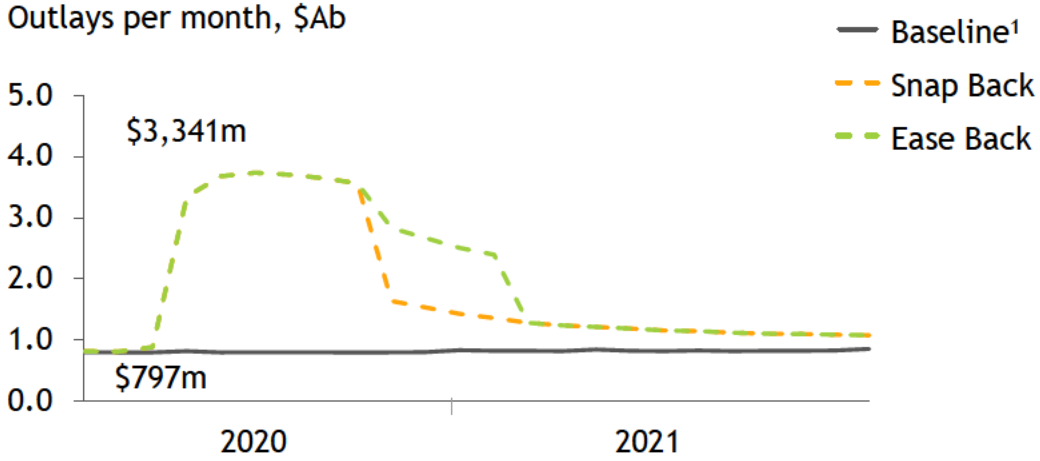
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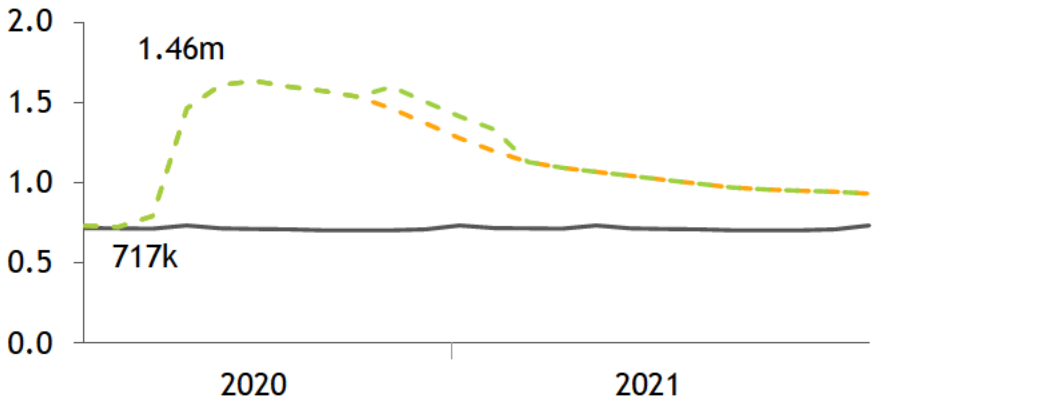
JobSeeker: Baseline, Snap Back and Ease Back (tbd)

JobSeeker under "base" macroeconomic forecast

Outlays per month, $Ab



Volumes, millions



Sense checking outputs

Baseline:

- JobSeeker outlays were ~$10b in 2019, implying $833m pm run-rate. Modelling Jan 2020 actual volumes and pre-COVID policy settings, we get $797m pm (within 5%)

Snap Back:

- Prior to COVID, JobSeeker volumes were approx. 0.8m. April senate inquiry has JobSeeker (1.46m) and YA (JobSeeker) (0.16m) together at approx. 1.6m[2]
- Govt. announced COVID supplement and eligbility relaxation would cost $14.1b across JobSeeker, YA, PP, etc. We account for $15b in JobSeeker alone. Likely due to high rate of uptake than expected

Ease Back:

- Outlays delta with Snap Back during 4 month period from Oct 2020 to Feb 2021 from extending supplement at $300 and maintaining COVID eligibility settings
- Volume delta with Snap Back during 4 month period from Oct 2020 to Feb 2021 where eligibility for self-employed, sole traders and coronavirus related carers extended

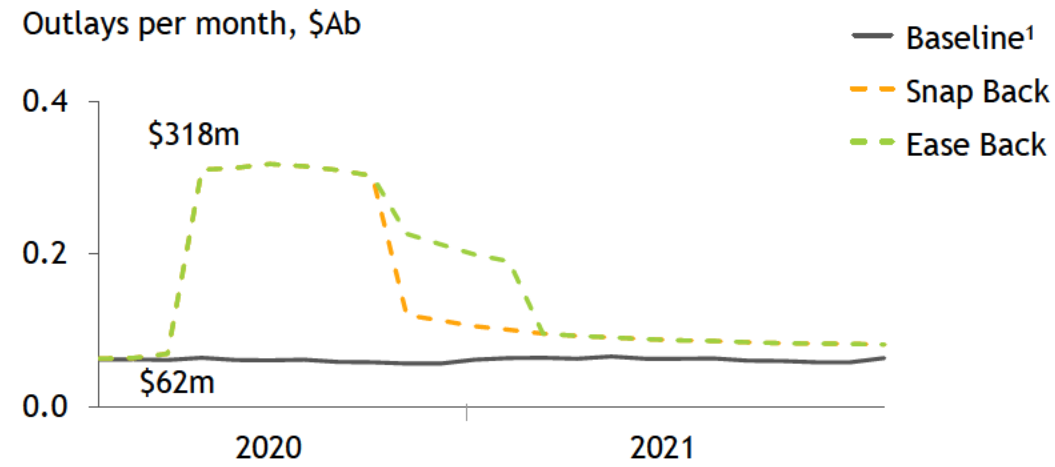
1. 2019 calendar year used as baseline. 2. 1.3m claims processed and 0.3m claims pending Note: Assumes "Base Case" macroeconomic outlook

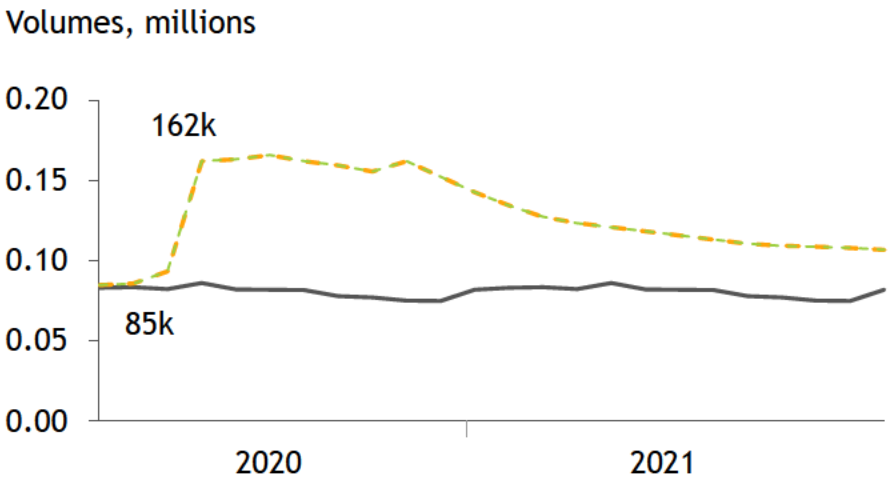
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YA (JobSeeker): Baseline, Snap Back and Ease Back (tbd)

YA (JobSeeker) under "base" macroeconomic forecast





Sense checking outputs

Baseline:

- YA (JobSeeker) outlays were ~$0.9b in 2019, implying $74m pm run-rate. Modelling Jan 2020 actual volumes and pre-COVID policy settings, we get $62m pm

Snap Back:

- Prior to COVID, JobSeeker volumes were approx. 0.8m. April Senate inquiry has JobSeeker (1.46m) and YA (JobSeeker) (0.16m) together at approx. 1.6m[2]
- Govt. announced COVID supplement and eligbility relaxation would cost $14.1b across JobSeeker, YA, PP, etc. We account for $1.2b in YA (JobSeeker) alone

Ease Back:

- Outlays delta with Snap Back during 4 month period from Oct 2020 to Feb 2021 from extending supplement at $300 and maintaining COVID eligibility settings

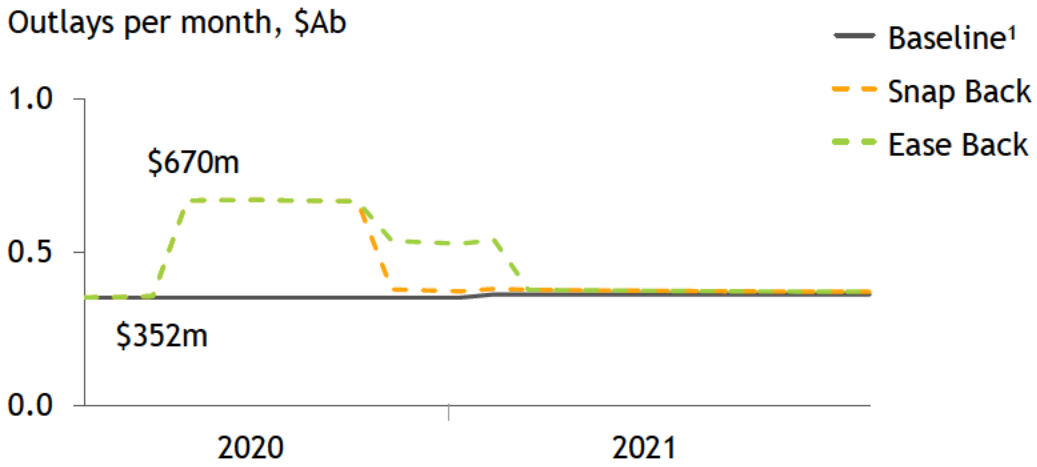
1. 2019 calendar year used as baseline. 2. 1.3m claims processed and 0.3m claims pending Note: Assumes "Base Case" macroeconomic outlook

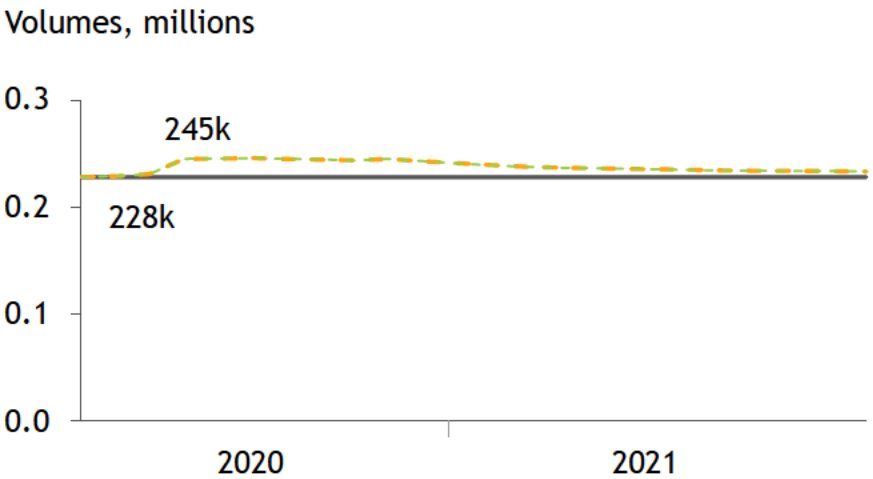
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PP (Single): Baseline, Snap Back and Ease Back (tbd)

PP (Single) under "base" macroeconomic forecast





Sense checking outputs

Baseline:

- PP (Single) outlays were ~$4.5b in 2019, implying $375m pm run-rate. Modelling Jan 2020 actual volumes and pre-COVID policy settings we get $352m pm (within 5%)

Snap Back:

- Prior to COVID, PP (Single) volumes were ~228k. For Snap Back, we scaled this in line with unemployment rate
- Govt. announced COVID supplement and eligbility relaxation would cost $14.1b across JobSeeker, YA, PP, etc. We account for $1.9b in PP (Single) alone

Ease Back:

- Outlays delta with Snap Back during 4 month period from Oct 2020 to Feb 2021 from extending supplement at $300 and maintaining COVID eligibility settings

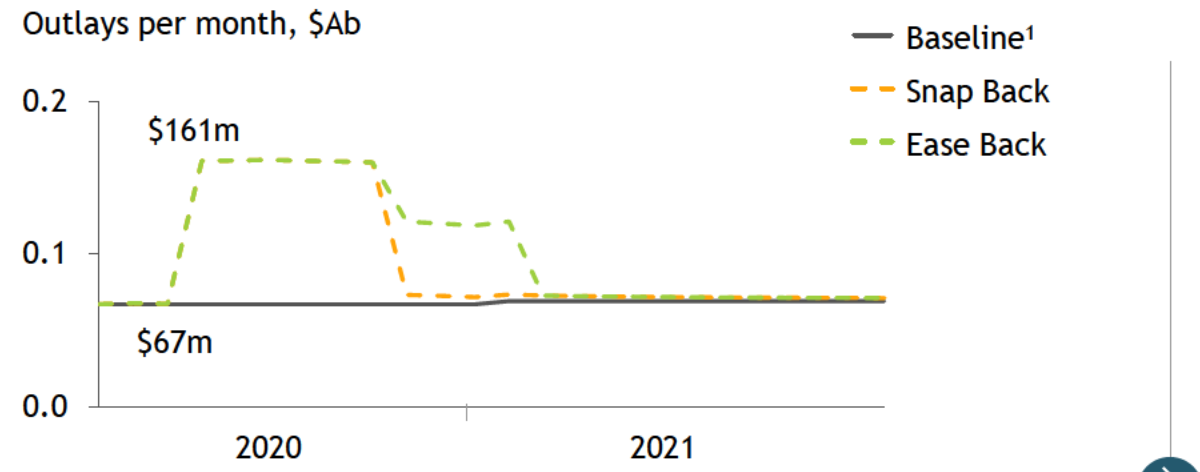
1. 2019 calendar year used as baseline. Note: Assumes "Base Case" macroeconomic outlook

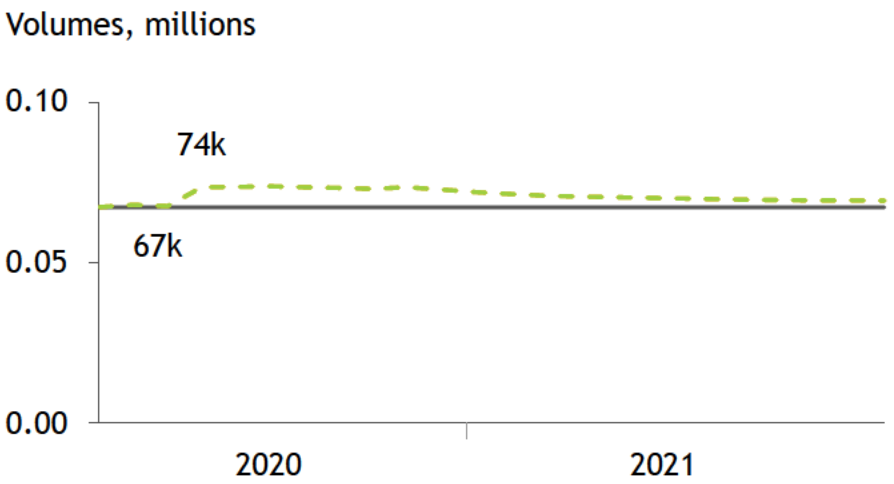
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PP (Partnered): Baseline, Snap Back and Ease Back (tbd)

PP (Partnered) under "base" macroeconomic forecast





1. 2019 calendar year used as baseline. Note: Assumes "Base Case" macroeconomic outlook

Sense checking outputs

Baseline:

- PP (Partnered) outlays were ~$0.8b in 2019, implying $66m pm run-rate Modelling Jan 2020 actual volumes and pre-COVID policy settings we get $67m pm (within 5%)

Snap Back:

- Prior to COVID, PP (Partnered) volumes were ~67k. For Snap Back, we scaled this in line with unemployment rate
- Govt. announced COVID supplement and eligbility relaxation would cost $14.1b across JobSeeker, YA, PP, etc. We account for $0.4b for PP (Partnered) alone

Ease Back:

- Outlays delta with Snap Back during 4 month period from Oct 2020 to Feb 2021 from extending supplement at $300 and maintaining COVID eligibility settings

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Thank you

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Project Canoe

Sprint 2: Mid-sprint read out

8 MAY 2020

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Objectives for today

Update on progress from Sprint 1

Focus for this Sprint 2

Current view of 3 illustrative options:

- 1: Snap Back
- 1A: Ease Back
- 2: Soft Landing

Initial view of macroeconomic scenarios

Initial view of financial implications of each illustrative option

Next steps and priorities for next week (incl. FTB, youth allowance, rent assistance)

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Context: Progress and next steps

See appendix for focus areas flagged for future sprints

Progress in Sprint 1 (20 Apr to 1 May)

Aligned on policy goals, and consolidated an initial view of pain points to consider

Refined our view of in-scope and out-of-scope payments and supplements

Completed a quick "review of reviews"

Developed and refined three "illustrative options" for working age payments post C-19

Built the logic and architecture for the model

Joint team now established and in-flight

Content in appendix

Focus for Sprint 2 (4 May to 15 May)

Explore settings for 3 illustrative policy options: (1) Snap Back, (1A) Ease Back, and (2) Soft Landing

Develop macroeconomic scenarios to inform assessment of policy options, drawing on DSS and BCG inputs

Progress the model to deliver a view of the financial implications of the above

Focus for today

Explore illustrative policy settings for Rent Assistance, FTB and Youth Allowance (S&O), and how they might be integrated into the above illustrative options

Focus for next week

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Key questions for discussion
- Are we covering all the required policy **dimensions/levers?**
- Have we got the right **spectrum** of options?
- Are the emerging **settings in the individual options** looking right?

Note: Option 3 (New 3-tier working age payment) will be developed next sprint

Illustrative options for post COVID-19

Blue text indicates where legislation required

	1 Snap Back (No leg. needed)	1A Ease toward Snap back (Modest leg. req'd)	2 Soft Landing (Major leg. req'd)
Underlying principles	• Return rapidly to pre-COVID policy settings • Minimise fiscal outlays	• Provide 4-6 month transition period for currently unemployed, back to pre-COVID settings	• Capture moderate reform opportunities • Target additional support to recipients currently under most pressure
Changes to payments, eligibility, rates & supplements	• Return to Pre-COVID policy settings: – No Coronavirus supplement – JSP eligibility and partner income tests reverting – MOCA, rental verifications, and asset tests applying to current and new recipients	• Transition measures for 4 months: – Extend Coronavirus supplement at [$200/$300] p/f, [and include it in Income Test] – Grandfather current recipients re: eligibility, assets test, partner income test, verifications • Roll Parenting Payment Partnered into Jobseeker (permanent change)	• Create new partial capacity to work rate within JS Payment • Targeted lifts to payment rates by [$50], part funded by ceasing Energy Supplement and Pharma Allowance for these payments • Increase rent assistance cap by [$110] • Roll Parenting Payments (S&P) into JS
Income tests/tapers	• Unchanged from pre-COVID settings	• Unchanged from pre-COVID settings	• Recipient: Higher IFA, max 50% tapers • Partners: Higher IFA, max 50% tapers
Work incentives	• Unchanged from pre-COVID settings	• Unchanged from pre-COVID settings	• Either: – Shift JSP to YA Income Banks; or – Modernise Working Credit (faster accrual, higher cap)
Financial impact	Cost of JS, PP(s&p), YA(o), excl. supplements: In FY21: $27-37b (vs. $12-18b pre-COVID) In FY22: $14-23b (vs. $12-18b pre-COVID)	Cost of JS, PP(s&p), YA(o), excl. supplements: In FY21: $32-42b (+$5b vs. Snap Back)[1] In FY22: $14-23b (same as Snap Back)	*TBC - initial view available early next week*

Figures are very initial, to inform early discussions, require significant further work before being relied upon

1. Assumes COVID supplement of $300 for 4 months, and not incorporated into income test.

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Summary: Illustrative Option 1 – Snap Back

Key features

Late Sep 2020: JobKeeper and Coronavirus supplement cease	• 24 September - Coronavirus Supplement ends, no extension • 27 September - JobKeeper end date
Temporary changes cease alongside supplement	• Temporary changes to JobSeeker Eligibility, assets test, partner income test, waiting periods, verifications, crisis payment, would all lapse in-line with the supplement • Even though s40A power end in Dec
Authorisations	• No legislation required • Authorisation occurs automatically (sunset of legislation and instruments)

Implications

Everyone on Coronavirus supplement loses $550	• Immediate shock for every SS recipient • Likely demand on support services • Crisis payments and advance payments required • “new” adequacy issues
Significant challenges for service delivery	• Immediate need to reapply previous asset testing and verifications on existing recipients – a second shock • Millions of reviews, letters, and income support changes = service delivery strain, and cancellations
Broader implications	• Potential added challenge for recipients to engage with the labor market while managing changes to their income support • Reputational and political risk

Key decisions to discuss

- N/A – this illustrative option is provided for reference

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Summary: Illustrative Option 1A – Ease Back

Key features

Late Sep 2020: Coronavirus supplement extended	• From 25 September, Coronavirus supplement extended for 4 months to 1 February 2021 • Rate decreased to $200 or $300 • Potentially included in Income Test (noting it would require a system change)
Late Sep 2020: Grandfather existing recipients on s40A changes	• Extend for current recipients, until 1 Feb 2021 the changes to JobSeeker Eligibility, assets test, partner income test, waiting periods, verifications • New claimants snap back to old rules
Roll parenting payment (P) into Jobseker	• Combine Parenting Payment partnered into Jobseeker • At existing rates, & MO exemptions
Authorisations	• Legislation required to: – Bring supplement into income test – Grandfather current recipients on the s40A changes – Roll PP(P) into Jobseeker

Implications

Smooths economic changes for recipients	• Meaningful shock for recipients, but less than pure Snap Back • Potential inclusion of supplement in income test reduces EMTR cliff as people start returning to work
Reduces service delivery challenges	• Delays need to impose previous means testing and verifications on existing recipients • Hopefully, many will exit SS before 1 Feb 2020
Broader implications	• Requires very clear communication to explain the relevant end-dates to recipients • Still retains a significant EMTR cliff

Key decisions to discuss

- Rate & duration of Coronavirus supplement extension
- Whether to include Coronavirus supplement in the income test
- Whether to extend changes to:
  - Jobseeker eligib.[1]
  - Assets test
  - Partner income test
  - Crisis payment

1. May be a case to remove sole-traders & self-employed from eligibility from 25-Sep, but extend other s40A measures

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Key decisions on Option 1A – Ease Back

Deep dive on next slide

Decisions for discussion

Topic	Current policy settings	Current duration	If no treatment	Potential transition measure	Pros/Cons of transition measure
Coronavirus Supplement	A Coronavirus Supplement of $550 is being provided to new and existing people receiving working age income support payments	27 April to 24 September	Individuals will no longer receive Coronavirus Supplement	Extend supplement for 4 months until 1 Feb 2021, at either $200 or $300 p/f. Could move to include it in Income Tests	✓ More gradual withdrawal to reduce one-off impact on family budgets ✓ Reduces EMTR cliff x Additional cost x Including in income test would requires a system change, and increases income cut-out, expanding eligibility
JobSeeker Eligibility Extension	Unemployment eligibility requirements extended to sole traders, self-employed, casual workers who qualify for the income test. This could also include a person required to care for someone who is affected by the Coronavirus.	For the Period of the Coronavirus Supplement	Individuals within these subcategories will be ineligible for payment	Grandfather existing recipients for period in which Coronavirus Supplement is extended to. Clearly communicate with recipients what the implications are of the end of this grace period. Apply pre-COVID settings to new claimants from 25 September onwards <u>Note</u>: Could phase out JS eligibility for sole traders and self-employed earlier, while grandfathering other changes	✓ Minimise impact on small business x Increased expenditure
Waived Assets Test	Asset testing for JobSeeker Payment, Youth Allowance and Parenting Payment is waived	For the Period of the Coronavirus Supplement	The Assets Test will be removed and all new recipients will be required to report, some no longer eligible.		✓ Access for additional people who may have additional assets but less income x Facilitates access to payment for people with significant personal assets.
Relaxing the Partner Income Test	The JobSeeker Payment Partner Income Test taper rate is reduced from 60 cents to 25 cents	For the Period of the Coronavirus Supplement	The Partner Income Test would revert to previous settings		✓ Provides support to additional people while labour market conditions are challenging x Additional cost

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Backup: Options for extending Coronavirus Supplement

	Included in income test	Excluded from income test
$300 p/f for 4 months	A Additional cost: $TBC Implications: • **Higher cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $500 p/f or $13,000 p.a.	B Additional cost: $4-6b Implications: • **Highest cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$200 p/f for 4 months	C Additional cost: $TBC Implications: • **Lowest cost**; sharpest reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $333 p/f or $8,666 p.a.	D Additional cost: $2-4b Implications: • **Lower cost**, sharper reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Source: BCG analysis, DSS data

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Summary: Illustrative Option 2 – Soft Landing

Key features

Roll Parenting Payment (P&S) into Jobseeker Payment	• From 25 September, move Parenting Payment recipients onto Jobseeker payment, transitioned at their current payment rates • With relevant MO exemptions
New partial capacity to work rate	• Create new payment category within Jobseeker for people with Partial Capacity to Work (<22 hours/week, comprising 70% of PCW cohort)
Lift basic rates and rent assistance, smooth tapers & incentives	• Lift basic rates by [$50] across payments • Lift Rent Assistance caps by [$110] • Abolish all 60% tapers, make 50%, and lift most Income Free Areas • Simplify/improve Working Credit

Implications

Provides cushioning for recipients	• Key rates increase for those recipient cohorts under most pressure pre-COVID (e.g. single renters)
Supports self-reliance	• Simpler, clearly, stronger incentives through taper rates and working credit
Authorisations	• Legislation required for many of these changes. Some aspects likely to be considered sensitive

Key decisions to discuss

- Rolling parenting payment into Jobseeker
- Creation of partial capacity to work rate
- Lifting basic payment rates and Rent Assistance Cap
- Changes to IFAs and taper rates
- Changes to Working Credit

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Key decision: Rolling Parenting Payment into Jobseeker

Rationale

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Simplified experience for recipients - Eliminate requirement to transfer from parenting payment to Jobseeker when children reach 6 or 8
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying obligations to parents
- x Disconnect with Youth Allowance recipients w/ dependents (small cohort)

	From				To	
	Jobseeker		Parenting Payment		Jobseeker	
Eligibility	Unemployed Aged 22 to Age Pension age		Principal carer of qualifying child <6 if partnered or <8 if single		Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]	
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity		May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single Single w/children / mature Mutual obs exempt Partnered	$565.70 $612.00 $790.10 $510.80	Single Partnered	$790.10 $510.80	Single Single w child >8 / mature Mutual obs exempt / single parent[1] Partnered	$565.70 $612.00 $790.10 $510.80
Supplements	Individual circumstances		As per JSP + Pension Supplement and Pensioner Education Supplement		Individual circumstances	
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP		As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single		Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single	

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Key decision: Creation of a PCW rate in Jobseeker

70% of all JSP PCW recipients have <22 hr/week capacity

	No PCW	PCW 0 to 7	PCW 8 to 14	PCW 15 to 22	PCW 23 to 29	Total
Total	**416,608**	**1,996**	**6,677**	**221,081**	**82,043**	**728,405**
% NSA pop	57.2%	0.3%	0.9%	30.4%	11.3%	100%

70% of all JSP PWC recipients

Propose to extend eligibility for mid-tier JSP rates to this cohort

Eligibility for the current $612/fn rate helps provide for recipients who have additional responsibilities or costs (e.g. a single parent, or being older and long-term unemployed)

Today, recipients with a PWC are eligible for additional supplements

Creating a partial capacity to work basic rate provides an opportunity to provide additional targeted support, and contribute to eliminating some small legacy supplements

Note: Figures are as at end December 2019
Source: DSS data

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Key decision: Setting rates in Soft Landing

Key elements for discussion:
- Spreading uplift across basic rates and CRA
- Quantum of uplift – levels to model
- Selection of supplements to sweep up
- Initial views on rolling part of FTB into the base

		Single adult, no children	Single adult, with children >=8yo	Single adult with children <8yo	Single, partial capacity to work	Single, 60+, over 9 mths on payment	Couple, no children	Couple, with children
Current rates	Basic rate	565.70	612.00	790.10	Rate does not currently exist	612.00	510.80	510.80
	Energy supplement	8.80	9.50	12.00		9.50	7.90	7.90
	Pharma allowance	-	6.20	6.20		6.20	-	-
	Rent assistance cap	139.60[1]	164.08[2]	164.08[2]		139.60[1]	131.60	164.08[2]
	FTB A	-	186.20[3]	186.20[3]		-	-	186.20[3]
	FTB B	-	110.60[4]	110.60[4]		-	-	110.60[4]
	Total	**714.10**	**1088.58**	**1269.18**		**767.30**	**650.30**	**979.58**
Future option - Illustrative example	Basic rate (+50)	615.70	662.00	840.10	662.00	662.00	560.80	560.80
	Rent assistance cap (+110)	249.60	274.08	274.08	249.60	249.60	241.60	274.08
	FTB A (unchanged)		186.20	186.20				186.20
	FTB B (unchanged)		110.6	110.6				110.6
	Total	**865.30**	**1232.88**	**1410.98**	**911.60**	**911.60**	**802.40**	**1131.68**
	Increase vs current	151.20	144.30	141.80		144.30	152.10	152.10
Reference point	UNSW Budget Standard (max 1 child)	867.36	1350.36	1350.36	867.36	867.36	TBC	TBC

1. Or 93.07 if sharing a dwelling 2. Or $185.36 if three or more children 3. Assuming 1 child only, aged <12yo 4. Assumes a child 5-15 yo

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Key decision: IFAs and Taper rates

Detailed IFA & Taper rate charts in appendix

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $150 free area • 50c per $1 over free area	**Increased free area** • $150 free area • 50c per $1 over free area Grandfather existing recipients	**Decreased free area, & increased taper** $150 free area • 50c per $1 over free area Grandfather existing recipients	**One taper rate & increased free area** • $150 free area • 50c per $1 over free area	**One taper rate & increased free area** • $150 free area • 50c per $1 over free area	**One taper rate & increased free area** • $150 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**Increase free area** • TBC
# of recipients with earnings as at Dec 2019	124,849 (17.1%) total Newstart Allowance population with earnings		60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	TBC	TBC

Note: Achieves consistency across payments, but future PP(S) recipients worse off

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Key decision: Working Credits

Objective is to simplify, increase understanding, and provide greater incentive for work

Option 1: Increase rate at which WC accrue and max limit; index to CPI

Allow credits to accrue at the rate of the entire unused free area (as with Income Bank) to a higher limit of $2000

Impact:

- Incentivise intermittent employment
- Improved equity between regular and periodic employment
- Improved system coherence
- Stakeholder support
- Retain real value of credits

Cost:

Approximately $200 million per year based on estimated Working Credit costs prior to COVID-19

Note: Should allow credit depletion only for employment income

Option 2: Allow WC to offset casual and part-time employment income only

Prevent Working Credits from being used to offset employment income from full-time work

Impact:

- Savings for government and better targeting of resources
- Consistent with evidence showing Working Credit assists with intermittent employment but not exits from income support

Cost:

TBC. Likely to be some savings once STP commences and Working Credits are more likely to be depleted, if FT work still allowed to deplete WCs

Option 3: Abolish or reduce WC and redirect resources

Reduce or remove Working Credit and redirect saved resources

Impact:

- Reduced incentive to undertake intermittent employment
- Remove or impair mechanism for smoothing ‘lumpy’ income from periodic work
- Stakeholder opposition and inconsistent with schemes for students and pensioners

Cost:

Approximately $200 million savings per year based on estimated Working Credit costs prior to COVID-19

Additional opportunity: Greater visibility of WC balances and impacts

Regardless of the option pursued (aside from option 3) it would be beneficial to allow recipients to see how Working Credit will affect their earnings, similar to the ‘passport to work’ from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence

Cost:

- Costs involved in building ICT functionality currently unknown

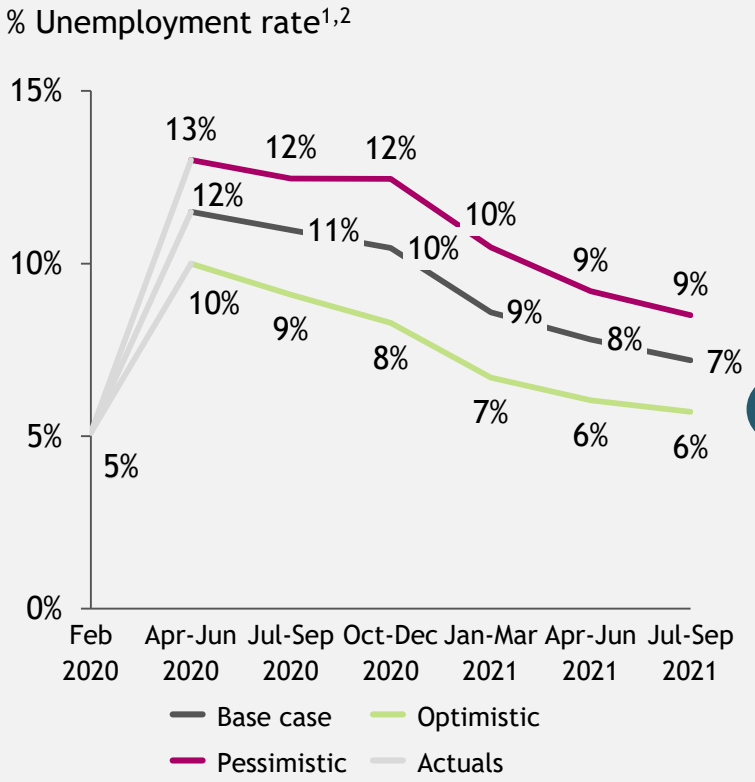
Source: DSS data

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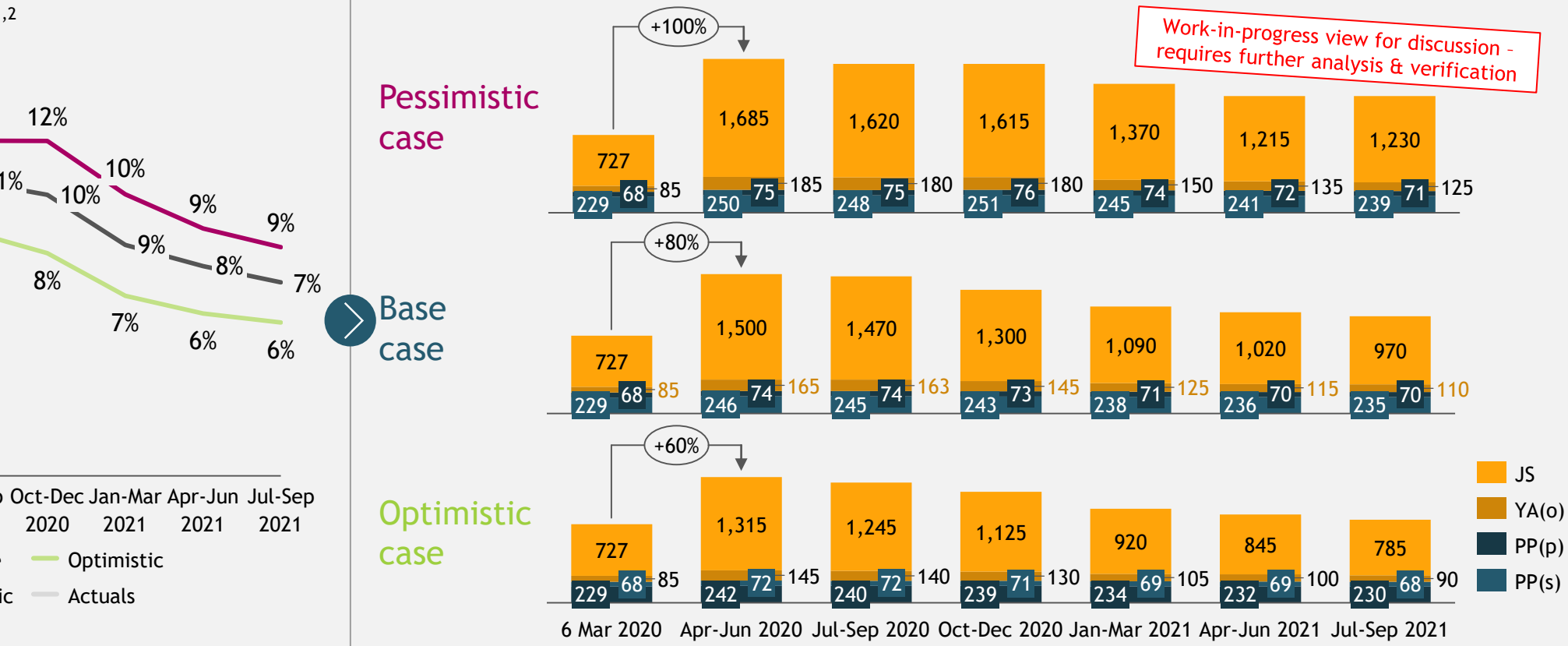
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Three macroeconomic scenarios to assess options against

Three scenarios for Australian unemployment…



…Leading to three scenarios for recipient numbers



1. Rounded to nearest 1%; 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate. Assuming JK ends in Sep, post JK, the pessimistic case assumes the unemployment rate will rise by 30% of the predicted 5%; the base case 20% of the predicted 5%; the optimistic case 10% of the predicted 5%
Source: BCG Analysis, DSS Data, Treasury estimates, Senate media release

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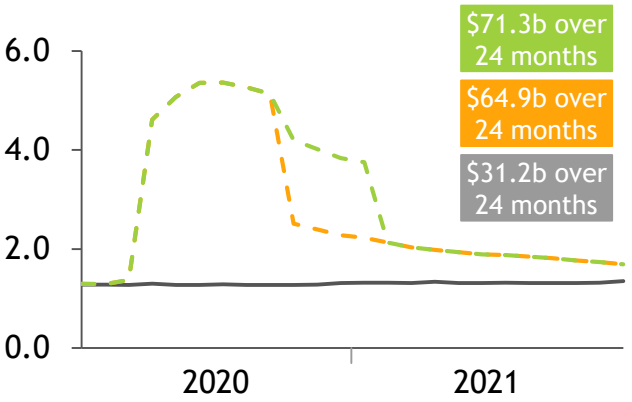
Financial implications: Aggregate impact on JobSeeker, YA (JobSeeker), PP (Single) and PP (Partnered) across various scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon

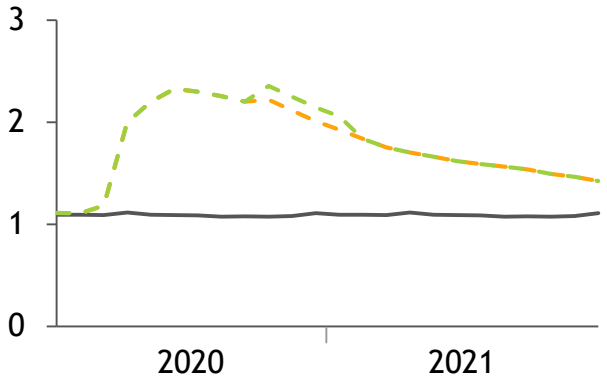
Baseline
Snap Back
Ease Back

Pessimistic case

Outlays per month, $Ab

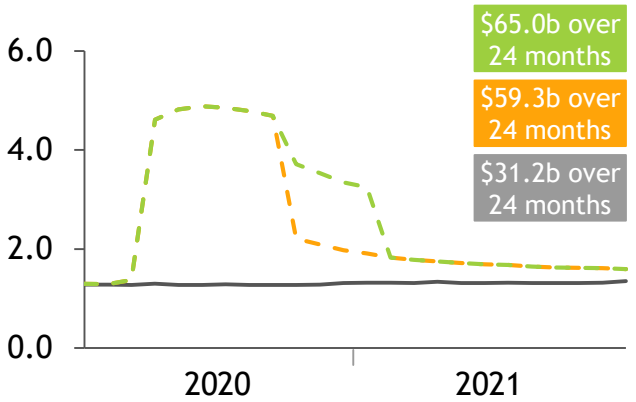


Volumes, millions

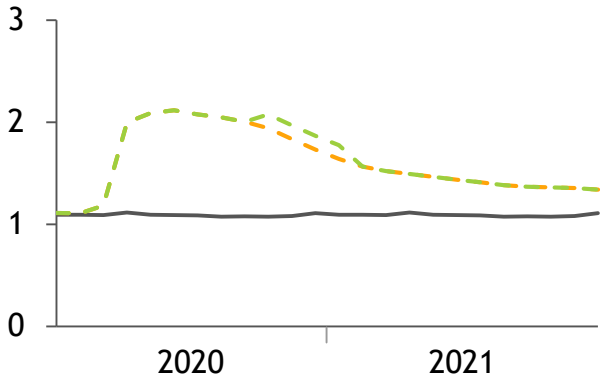


Base case

Outlays per month, $Ab

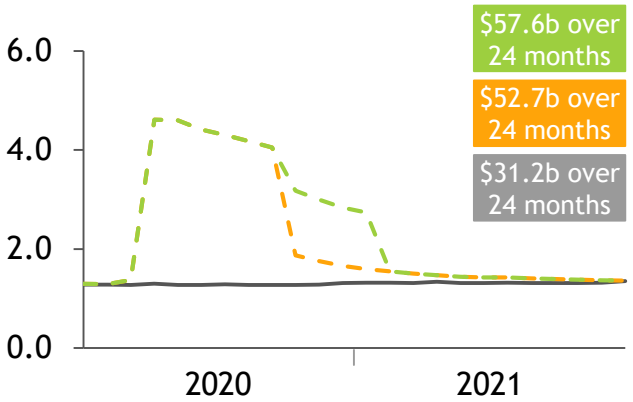


Volumes, millions

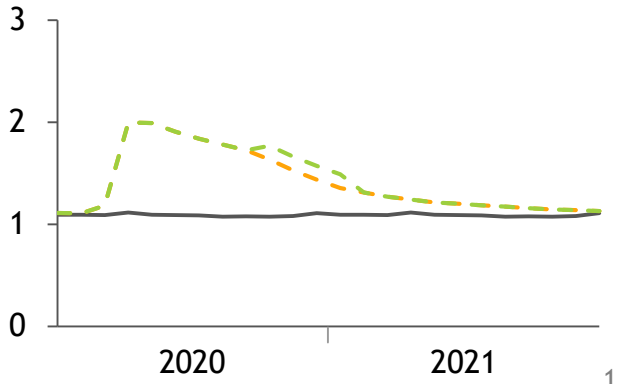


Optimistic case

Outlays per month, $Ab



Volumes, millions



Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered)

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For discussion: Next steps

Incorporate feedback from today

Refine modelling of financial implications

Work up options for FTB, Youth Allowance, and Rent Assistance

In Sprint 3, explore Option 3 "New 3-tier payment", as well as series of other modular reform features, e.g.:

- Waiting periods
- Asset tests
- Income definitions
- Verifications (MOCA/rental)
- …

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Friday, 15 May 2020 7:54 AM
To: PATON, Kath; MCLARTY, Mary; WILLIAMSON, Nathan
Cc: s 22
s 22 Clancy, Trish; Carrasco, Miguel
Subject: Canoe: Materials for our 9:30 discussion
Attachments: Sprint 2 - End of Sprint read-out vF - Appendix.pdf; Sprint 2 - End of Sprint read-out vF.pdf

Hi Nathan, Mary, Kath

Looking forward to our discussion at 9:30am (Nathan, noting you may/may not be able to attend).

Attached is a set of materials we can use to guide the discussion, together with an appendix.

You'll notice that a number of slides are titled "Backup:..." – the intent is to refer to those only where we need to, and skip over where we can. I have included them in the main pack as I suspect a number will be helpful for quick reference as we move through the options.

Best regards
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

BCG BOSTON CONSULTING GROUP

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Appendix

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What's in this appendix

1. Focus areas for Sprint 2, in the broader scope of this research
2. Income tests – IFA & taper rate charts
3. Macroeconomic scenarios – further detail
4. Financial implications – further detail

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Scope of Sprint 2, and this research

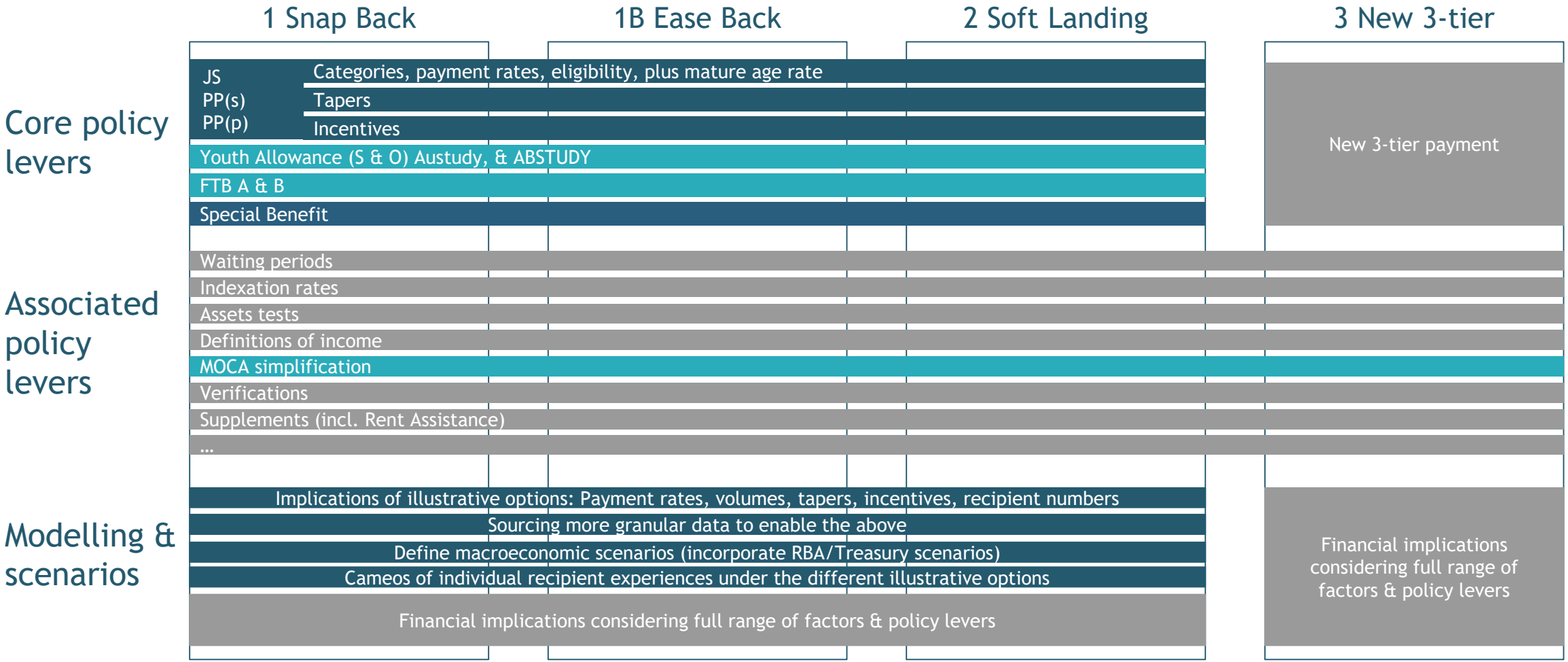
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Backup: Focus areas for Sprint 2 fit into a broader context for this research

Covered in Sprint 2
Light touch in Sprint 2
Focus for later Sprints



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Income tests – IFA & taper rate charts

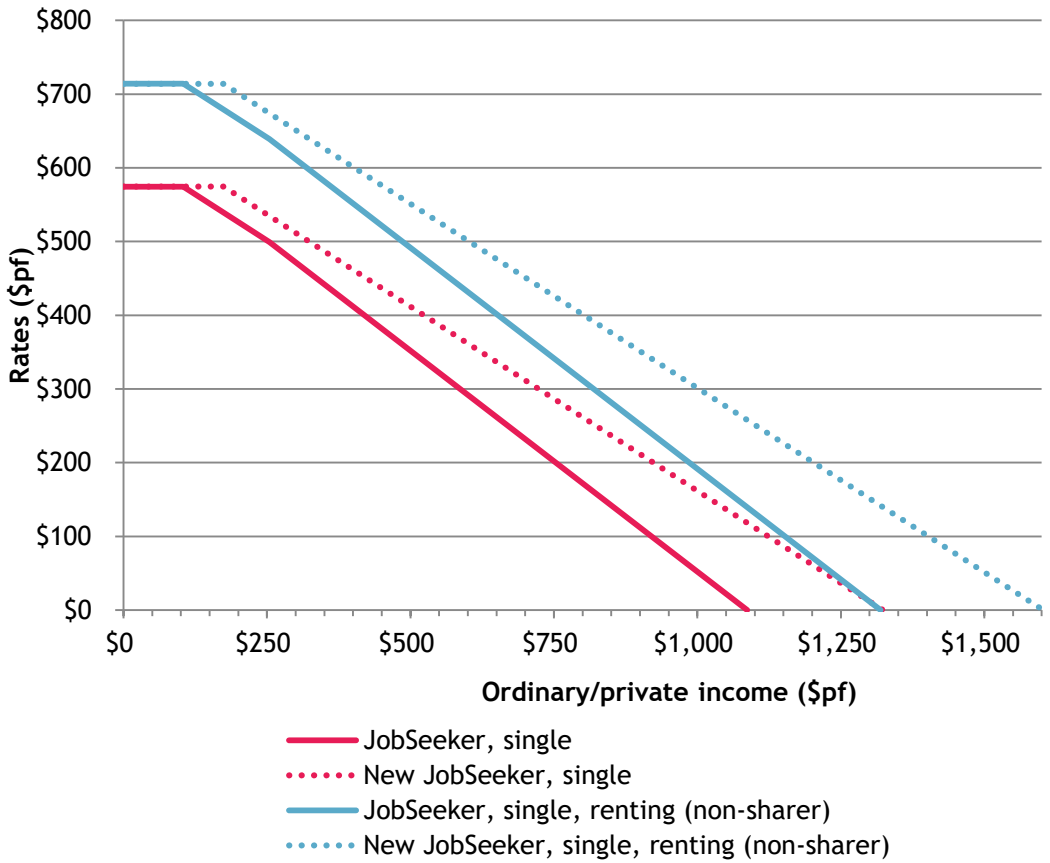
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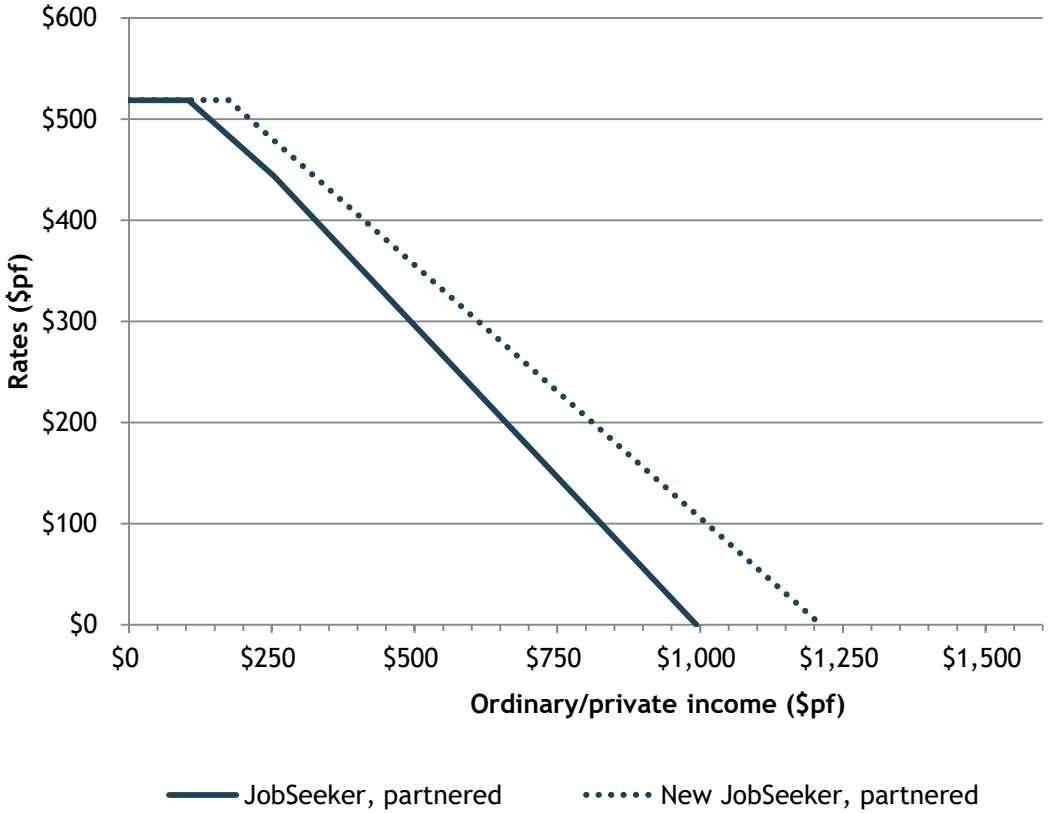
Backup: Income test charts (Jobseeker)

Increasing the free area to $174 and reducing the taper to a single taper rate of 50c for every $1 of private income earnt would extend the income test cut-out by more than $200 for both single and partnered recipients and would bring the withdrawal of income support for recipients who are renting closer to the minimum wage. Single recipients who are renting would be able to earn an extra $280 before their income is reduced to zero.

JobSeeker Payment Single - with and without Rent Assistance



JobSeeker Payment Partnered

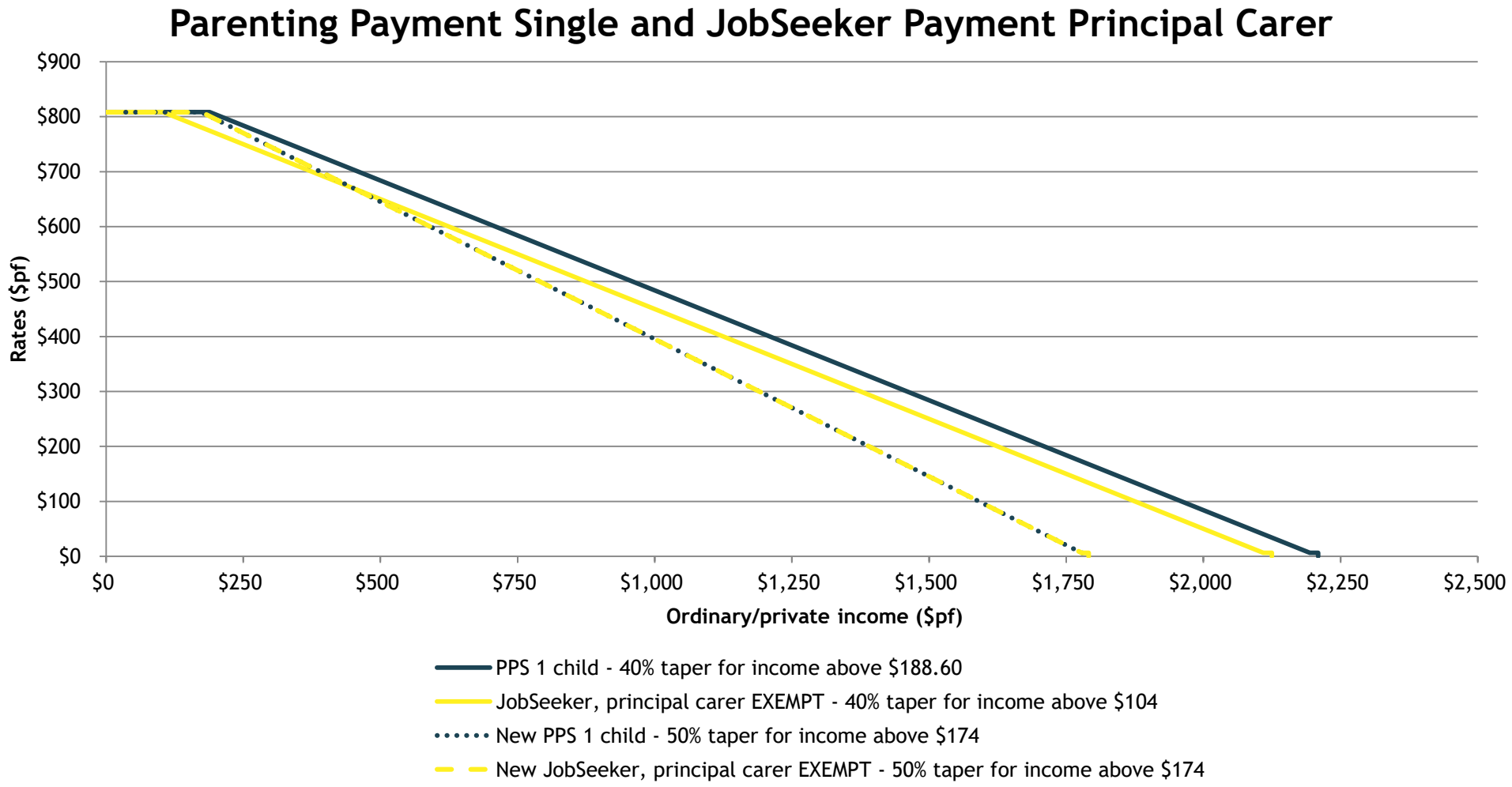


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Backup: Income test charts (Parenting Payment & Principal Carer)

Aligning the free area to $174 for both PPS and Principal Carer and reducing the taper rate from 40c to 50c would result in an earlier income cut out for both payments. The Principal Carer cohort would have a more generous income free area but due to the harsher taper rate the point at which income support payments are withdrawn would be reduced by approximately $330. The Parenting Payment Single cohort would receive a reduction in both the income free area and a harsher taper rate resulting in the income cut out point reducing by just under $420.

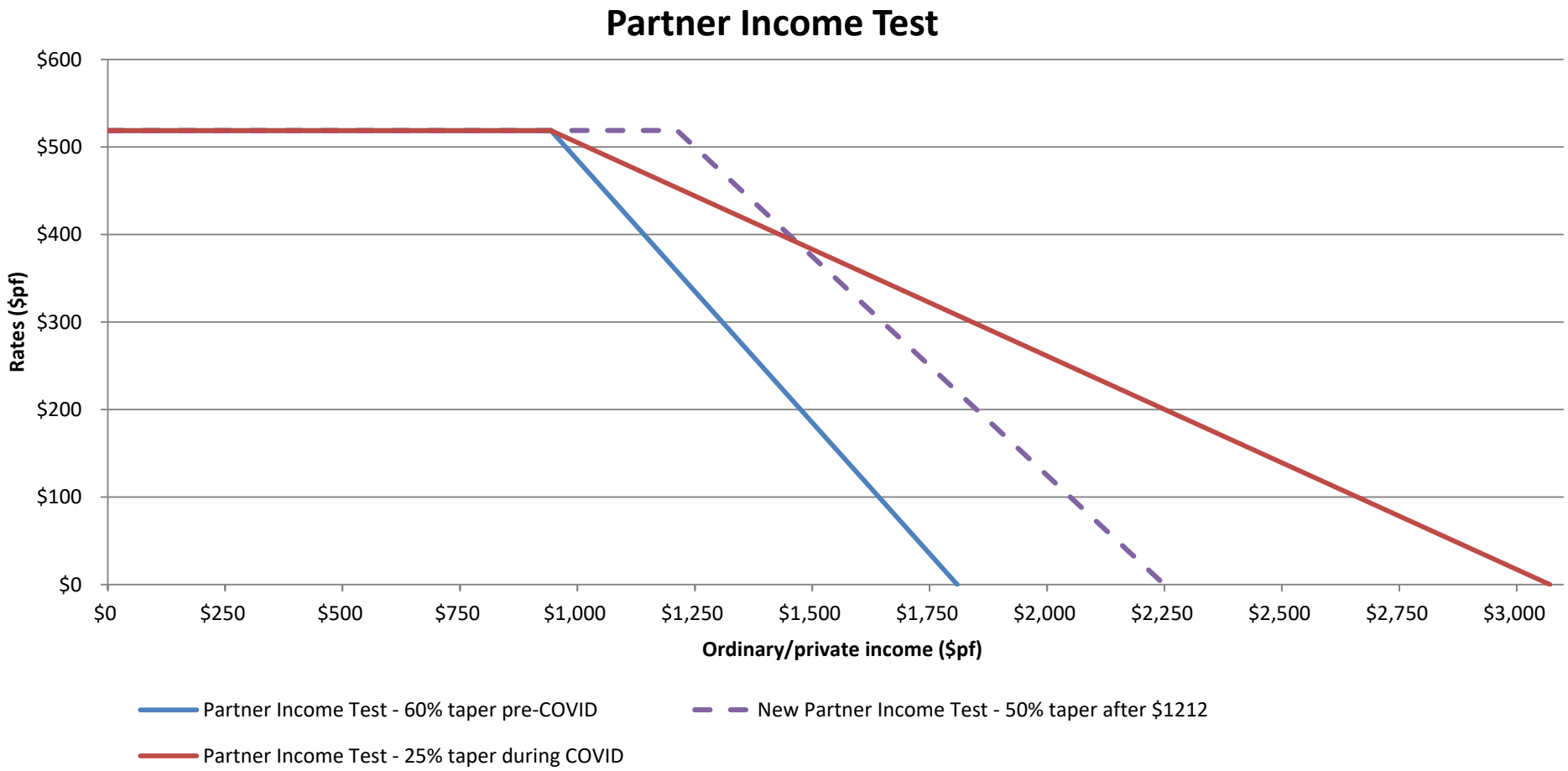


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Backup: Income test charts (Partner Income Test)

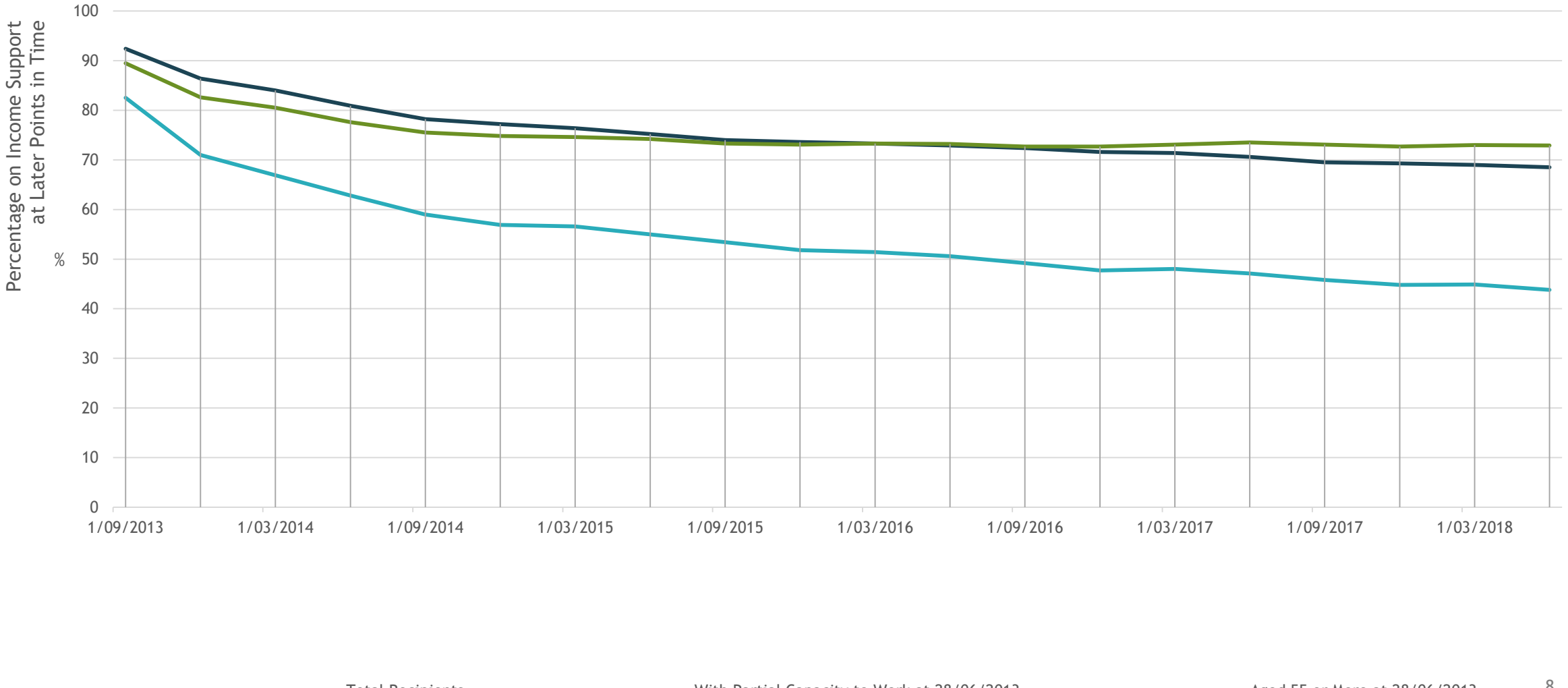
Increasing the free area to the new partner income cut out of $1,212 per fortnight would keep the rationale of the free area consistent with previous settings. This in combination of reducing the taper from 60c to 50c for every $1 of private income earnt by the partner would extend the income limit from $1,858.50 to $2,249.40.



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Recipients of Newstart as at June 2013, who had commenced on Newstart between 01/01/2013 to 31/03/2013 and had not transferred from another payment



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Backup: Student payment rates under different options

Rationale: Retain differential between unemployment and student welfare payments to encourage the uptake of permanent employment for adults aged >22; simplify payment types according to three-tier system (Option B)

Changes in red

	Current[1]						Option A						Option B					
Per fortnight	JS	YA(o)	YA(s)	AUSTUDY	ABSTUDY		JS	YA(o)	YA(s)	AUSTUDY	ABSTUDY		JS (merging YA(o))		AUSTUDY (merging YA(s))		ABSTUDY	
Age		<22[2]	16-24[2]		<22[3]	22+		<22[2]	16-24[2]		<22[2]	22+	<22	22+	16-24[2]	25+	<22	22+
Single	565.70			462.50		565.70	565.70			462.50		565.70		565.70		462.50		565.70
Living at home		<304.60	<304.60		<304.60	565.70		<304.60	<304.60		<304.60	565.70	<304.60		<304.60		<304.60	565.70
Living away from home		<462.50	<462.50		462.50	565.70		<462.50	<462.50		462.50	565.70	<462.50		<462.50		462.50	565.70
Single w dependent child[4]	612	606	606	606	606	612	612	606	606	606	606	612	612	606	606	606	606	612
Single w child / Mutual obs exempt	790.10	790.10	790.10	N/A	N/A	N/A	790.10	790.10	790.10	N/A	N/A	N/A	790.10	790.10	790.10	N/A	N/A	N/A
Partnered, no children	510.80	462.50	462.50	462.50	462.50	510.80	510.80	462.50	462.50	462.50	462.50	510.80	510.80	462.50	462.50	462.50	462.50	510.80
Partnered w children	510.80	507.90	507.90	507.90	507.90	510.80	510.80	507.90	507.90	507.90	507.90	510.80	510.80	507.90	507.90	507.90	507.90	510.80

JS merging YA(o), and AUSTUDY merging YA(s), will result in a 16-17 age category with existing rates for both payments

1. Does not include rates for long-term income support recipients – rates remain; 2. Lower rates apply for youths aged 16-17; 3. Specific rates for different forms of care applies for ABSTUDY recipients aged <21 years, e.g., tertiary/state care; 4. A qualifying child under JS is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Macroeconomic scenarios

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Backup: Macroeconomic scenarios focus on potential COVID-19 recovery pathways

Optimistic case

- Virus is suppressed; people movements are safe
- Continuation of favourable fiscal policies; limited challenges with global trade
- Workforce embraces new flexibility in remote working, driving higher productivity levels
- High consumer confidence and an increase in discretionary spending

- Unemployment rate expected to rise to 10%, with expectation to recover by end of 2021
- Most sectors expected to recover by Q1 FY22, with significant recovery made by highly impacted sectors, incl., Arts and Recreation Services, Accommodation and Food Services

Base case (likely)

- Virus slowly eradicated; staged unwinding of social distancing restrictions
- Some favourable fiscal policies; some challenges with global trade
- Slow workforce adoption of remote-working with mixed results; little improvements in productivity
- Declining consumer confidence and discretionary spending

- Unemployment rate expected to rise to 11.5%, with expectation to recover by end of 2022
- Most sectors expected to recover by Q1 FY22, with the exception of highly impacted sectors

Pessimistic case

- Wave 2/3 of virus; continued social distancing restrictions
- Lack of effective fiscal policies; increased protectionism in global trade
- Absenteeism and declining productivity due to remote working
- Low consumer confidence, drastic cutbacks in discretionary spending

- Unemployment rate expected to rise to 13%, with expectation to recover by end of 2023
- Sectors slow to recovery, with sustained job loss for highly impacted sectors

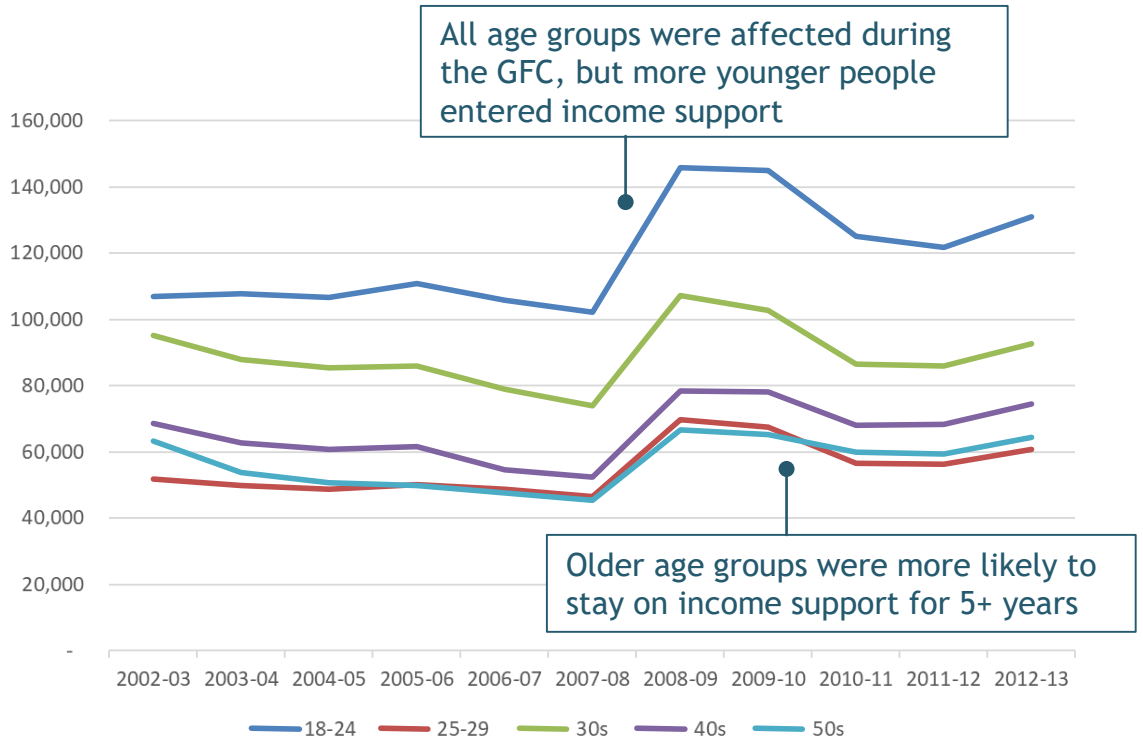
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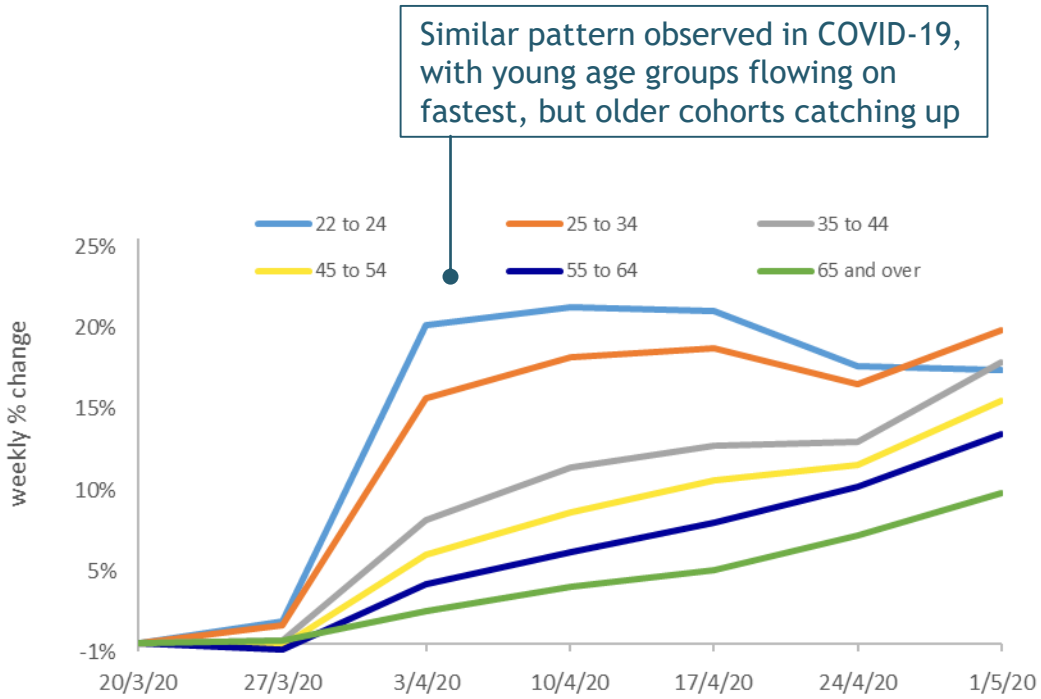
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 crisis is following a similar pattern so far

GFC: New entrants to income support, by age group



Today: Entrants to Jobseeker Payment, by age group



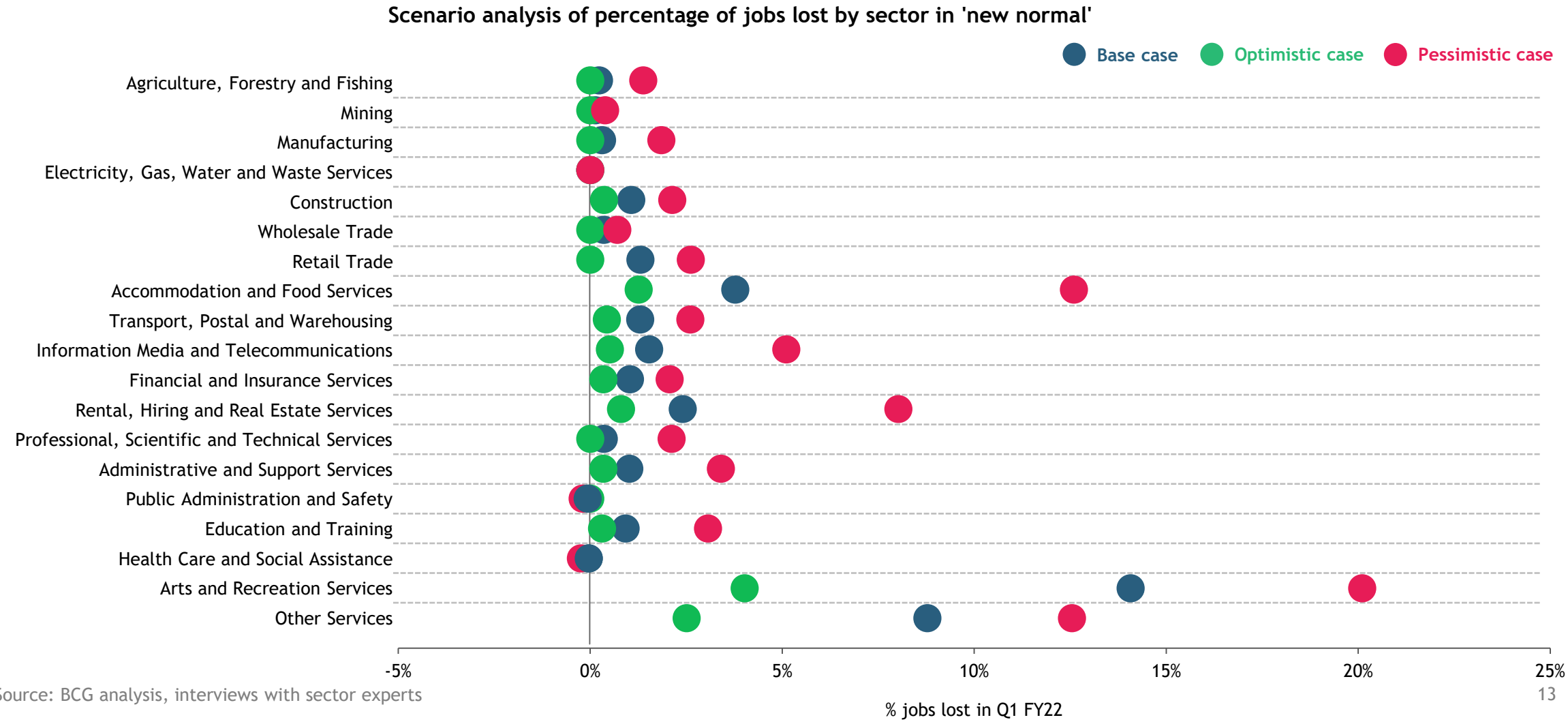
Source: DSS data

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Back-up: Unemployment rate forecasts were informed by job loss predictions for 19 sectors



Source: BCG analysis, interviews with sector experts

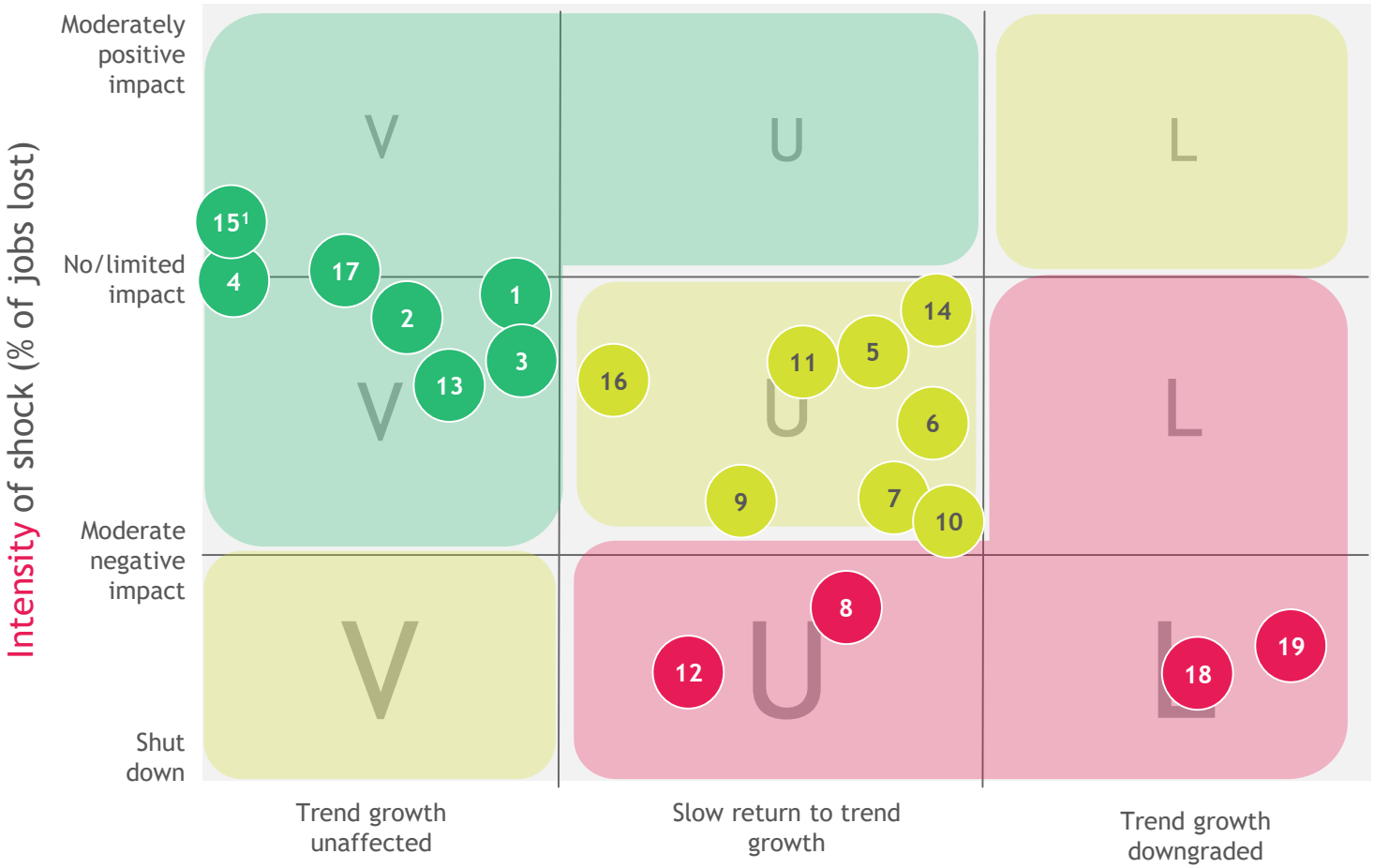
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Backup: Under the base case scenario, we would expect 2 sectors to have an L-shaped recovery, and 7 sectors to have a V-shape

Intensity and Geometry of each sector at max impact



1. Agriculture, Forestry and Fishing
2. Mining
3. Manufacturing
4. Electricity, Gas, Water and Waste Services
5. Construction
6. Wholesale Trade
7. Retail Trade
8. Accommodation and Food Services
9. Transport, Postal and Warehousing
10. Information Media and Telecommunications
11. Financial and Insurance Services
12. Rental, Hiring and Real Estate Services
13. Professional, Scientific and Technical Services
14. Administrative and Support Services
15. Public Administration and Safety
16. Education and Training
17. Health Care and Social Assistance
18. Arts and Recreation Services
19. Other Services

1. Public administration and safety is estimated to see job increases (positive intensity) and so will not adopt a V-shape recovery

Source: BCG analysis, interviews with sector experts

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Financial implications – further detail

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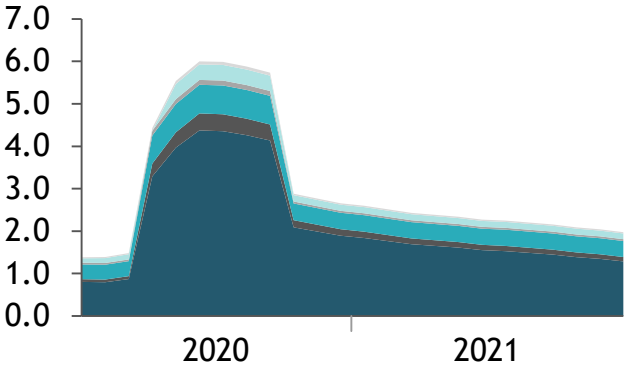
Backup: Snap Back – financial scenarios

Austudy
YA (Student)
PP (Partnered)
PP (Single)
YA (Other)
JobSeeker

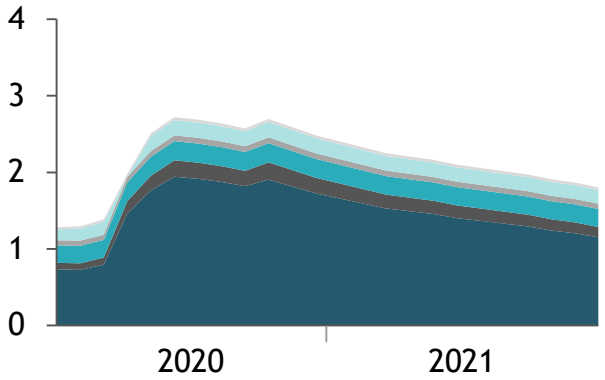
Figures are very initial, to inform early discussions, require significant further work before being relied upon

Pessimistic case

Outlays per month, $Ab

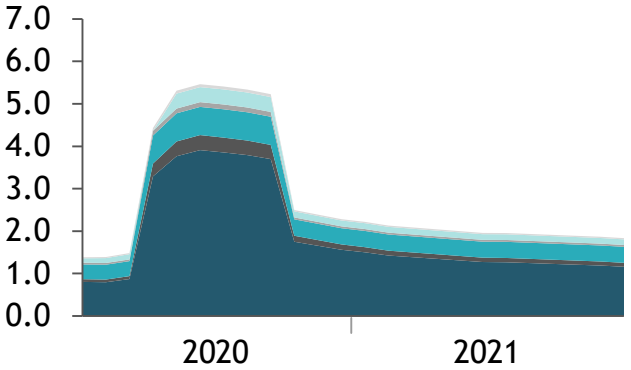


Volumes, millions

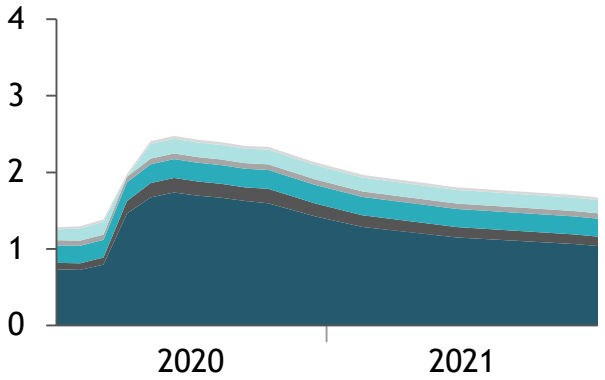


Base case

Outlays per month, $Ab

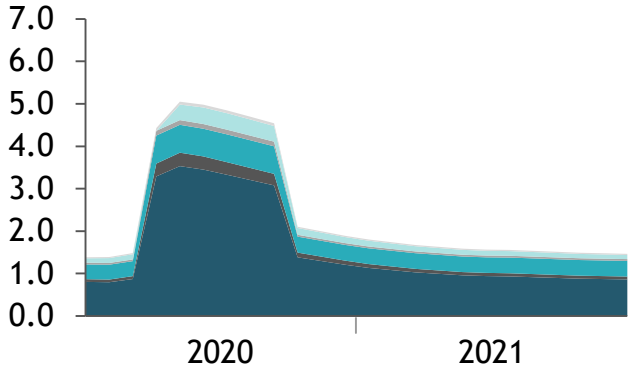


Volumes, millions

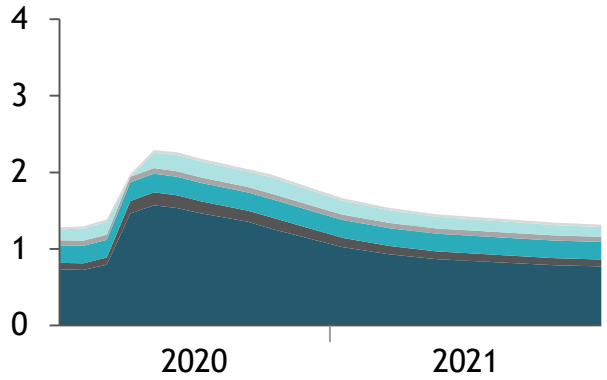


Optimistic case

Outlays per month, $Ab



Volumes, millions



Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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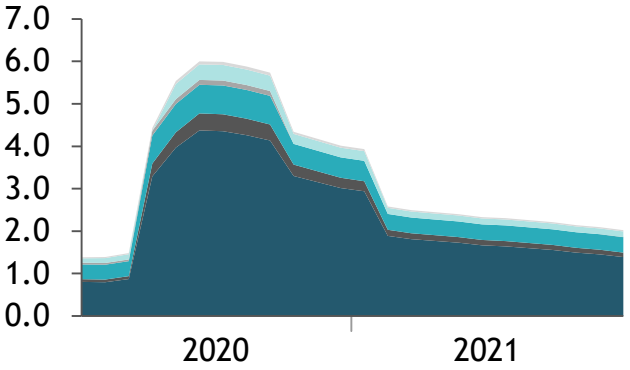
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Backup: Ease Back – financial scenarios

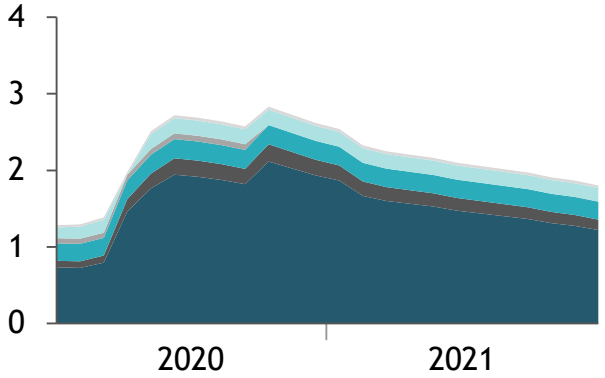
Figures are very initial, to inform early discussions, require significant further work before being relied upon

Pessimistic case

Outlays per month, $Ab

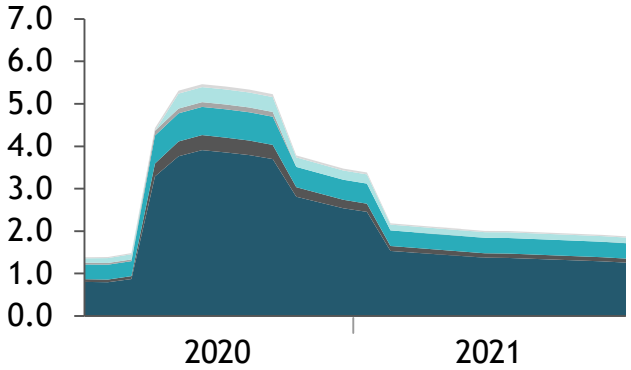


Volumes, millions

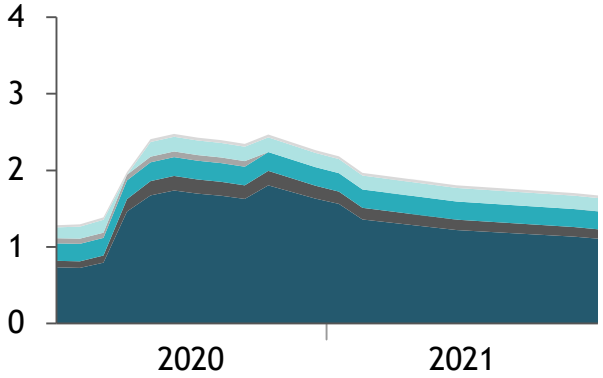


Base case

Outlays per month, $Ab

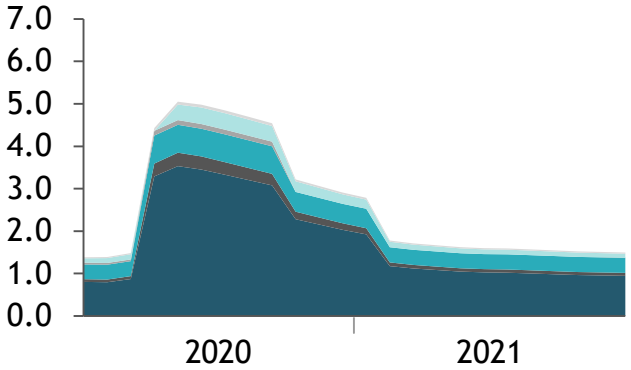


Volumes, millions

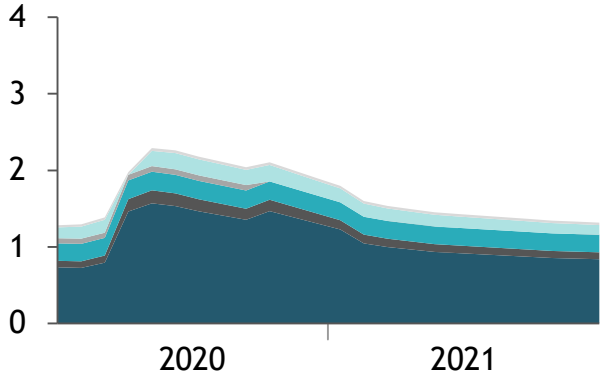


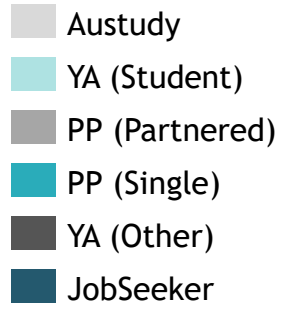
Optimistic case

Outlays per month, $Ab



Volumes, millions





Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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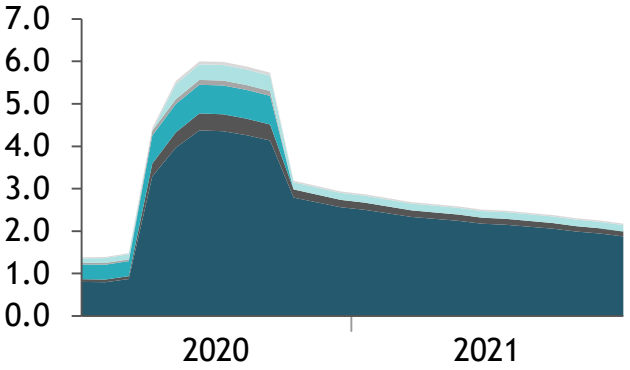
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Backup: Soft Landing– financial scenarios

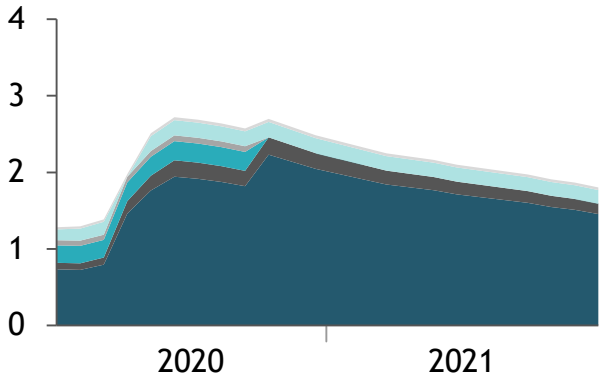
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Pessimistic case

Outlays per month, $Ab

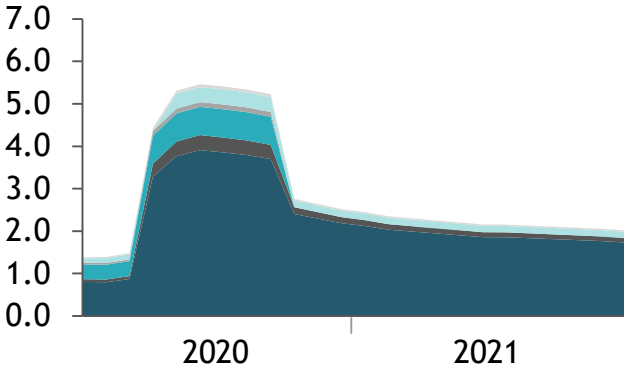


Volumes, millions

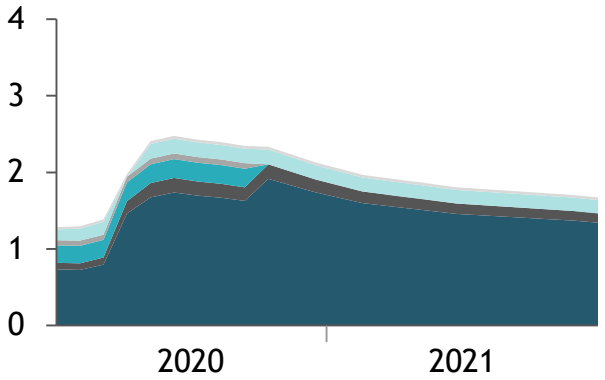


Base case

Outlays per month, $Ab

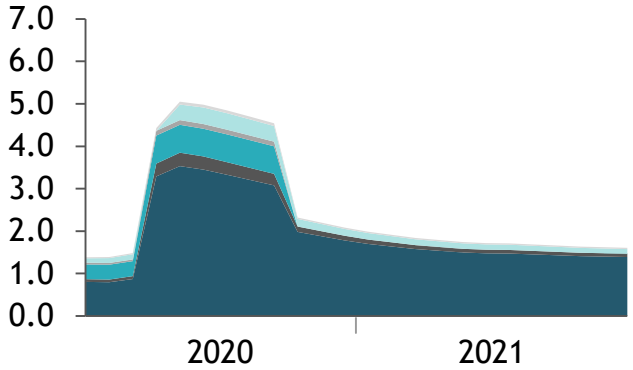


Volumes, millions

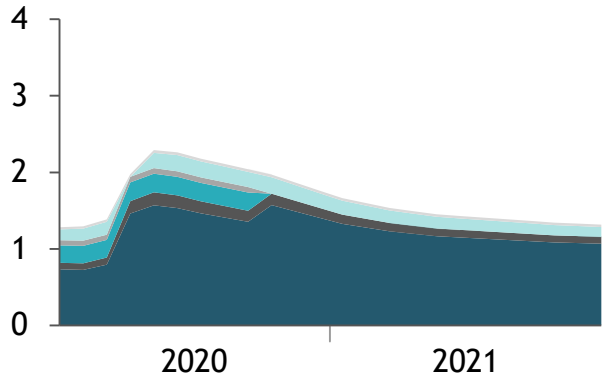


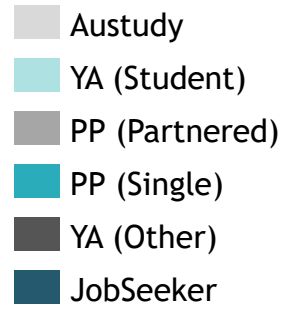
Optimistic case

Outlays per month, $Ab



Volumes, millions





Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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Thank you

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Project Canoe

Sprint 2: End of sprint read-out

15 MAY 2020

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Objectives for today

Update on Sprint 2 progress, and forward plan	5 mins
Updated view of macroeconomic scenarios	5 mins
Review of 3 illustrative options • Policy design choices • Overall financial impact • Impact on recipient cohorts • Cameos	45 mins
For discussion: Priorities for Sprint 3	5 mins

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Sprint 2 progress and forward plan

Progress in Sprint 2 (4 May to 15 May)

Developed macroeconomic scenarios to inform assessment of policy options

Detailed out three illustrative policy options, including payment categories, payment rates, eligibility, tapers, work incentives

Progressed the model to provide an overall view of implications for outlays and recipient numbers

Initial breakdown of the impact of the illustrative options on each recipient cohort

Initial view of approach to simplifying MOCA

Developed cameos to illustrate the impact of each option

Focus for Sprint 3 (18 May to 29 May)

Explore a fourth illustrative option: "New 3-tier working age payment," and include consideration of a sharer rate

Progress analysis on impact of changes to eligibility, assets test, partner income test, and the NARWP

Explore reform options for FTB, student payments (YA(s), Austudy, and ABSTUDY), Indexation, Asset Tests, Waiting Periods, and supplements

Continue adding policy features and reform levers to the model, and incorporate unit-level data to improve accuracy

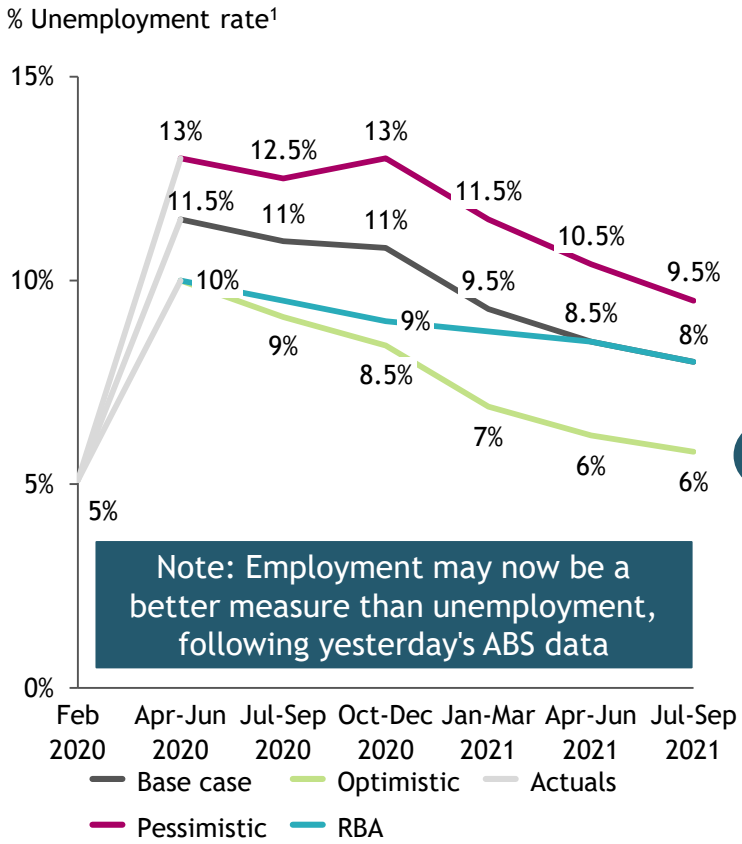
First draft of final output from research (e.g. narrative, briefing paper – to be discussed)

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Updated: Three macroeconomic scenarios to assess options against

3 scenarios for unemployment…



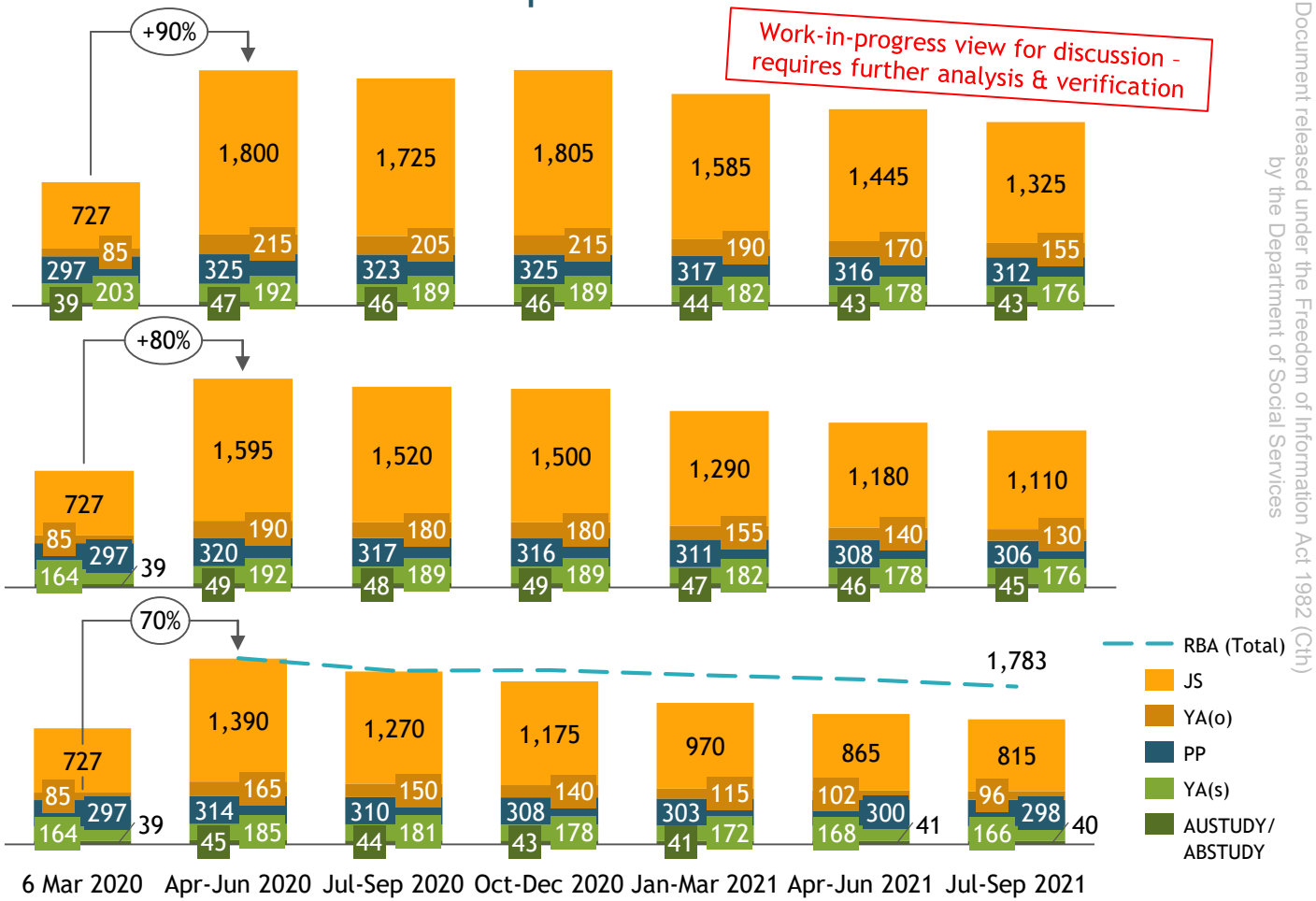
…Leading to three scenarios for recipient numbers

Work-in-progress view for discussion - requires further analysis & verification

Pessimistic case

Base Case

Optimistic case



1. The Treasury estimated that JK 'disguises' a 5% unemployment rate. Assuming JK ends in Sep, post JK, the pessimistic case assumes the unemployment rate will rise by 40% of the predicted 5%; the base case 25% of the predicted 5%; the optimistic case 10% of the predicted 5%
Note: Unemployment rate and recipient number trajectories may change if JK payments are terminated earlier than end of Sep
Source: BCG Analysis, DSS Data, Treasury estimates, Senate media release

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Note: MOCA and working credit changes yet to be incorporated in modelling of financial and recipient #s

Note: Option 3 (New 3-tier working age payment) will be developed next sprint

Blue text indicates where legislation required

Illustrative options to follow current C-19 measures

	No leg. needed **1 Snap Back**	Leg. req'd **1A Ease toward Snap back**	Leg. req'd **2 Soft Landing**
Underlying principles	• Return rapidly to pre-COVID policy settings, minimise fiscal outlays	• Provide 4-6 month transition period, then back to pre-COVID settings • Greater reward for work	• Capture moderate reform opportunities • Greater reward for work, and greater support for those unlikely to find work
Changes to payments, eligibility, rates & supplements	• Return to Pre-COVID policy settings: – No Coronavirus supplement – JSP eligibility and partner income tests reverting – MOCA, rental verifications, and asset tests applying to current and new recipients • Simplify MOCA requirements & process	• Transition measures for 4 months: – Extend Coronavirus supplement at $200 p/f, & include it in Income Test – Grandfather current recipients re: eligibility, assets test, partner income test, verifications (excl. sole traders) • Roll Parenting Payment (P) and Special Benefit into JSP • Simplify MOCA requirements & process	• Create new rate within JSP for mature aged, or for PCW recipients [for discussion] • Targeted lifts to payment rates by $50, part funded by ceasing Energy Supplement and Pharma Allowance for these payments • Roll Parenting Payments (S&P) and Special Benefit into JSP • Simplify MOCA requirements & process
Income tests/tapers	• Unchanged from pre-COVID settings	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers
Work incentives	• Unchanged from pre-COVID settings	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools
Financial Impact	Cost of JSP, PP, students, excl. supplements: In 2021: $39-46b (vs. ~$16b pre-COVID) In 2022: $19-27b (vs. ~$17b pre-COVID)	Cost of JSP, PP, students, excl. supplements: In 2021: $42-50b (+$3-4b vs. Snap Back) In 2022: $20-29b (+$1-2b vs. Snap Back)	Cost of JSP, PP, students, excl. supplements: In 2021: $40-47b (+$1b vs. Snap Back) In 2022: $21-30b (+$2-3b vs. Snap Back)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Note: Special Benefit, ABSTUDY, MOCA and working credit yet to be incorporated in modelling of financial and recipient #s

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Cohort impacts of the three illustrative options

Changes from Sept 24th	1 Snap Back			1A Ease toward Snap back			2 Soft Landing		
	Jobseekers JSP, YA(o)	**Students** YA(s), Austudy ABSTUDY	**Parents** PP(P), PP(S)	**Jobseekers** JSP, YA(o)	**Students** YA(s), Austudy ABSTUDY	**Parents** PP(P), PP(S)	**Jobseekers** JSP, YA(o)	**Students** YA(s), Austudy ABSTUDY	**Parents** PP(P), PP(S)
Drop in payment base rate ($ pf)[1]: MORE PRECISE VIEW COMING	-$550 (~50% drop in total pmt)	-$550 (~50% drop in total pmt)	-$550 (~40-50% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~30-35% drop in total pmt)	-$500 (~45% drop in total pmt)	-$500 (~45% drop in total pmt)	-$500 (~40-50% drop in total pmt)
# Removed from payment[2]: EXCLUDES NARWP IMPACT	~240k	Low	Low	~10k	-	-	Slightly less than 240k	Low	Low
# Required to update info[3]:	~850k new recipients	~40k new recipients	~20k new recipients	-	-	-	~850k new recipients	~40k new recipients	~20k new recipients
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Pressure on recipient experience INITIAL VIEW - FOR DISCUSSION	High	High	High	Low	Low	Low	Moderate	Moderate	Moderate

1. Delta between max payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Delta in volumes due to JobKeeper eligibility, assets test, and partner income test differences. Still need to include impacts from reinstating the waiting periods (e.g. Newly Arrived Migrant Waiting Period). 3. Estimated as the difference in volumes from Feb '20 to forecasted Oct 20'. 4. Difference to Snap Back due to extended eligibility of sole traders, self-employed, etc. on JobSeeker payments. Note: Assumes base case economic scenario

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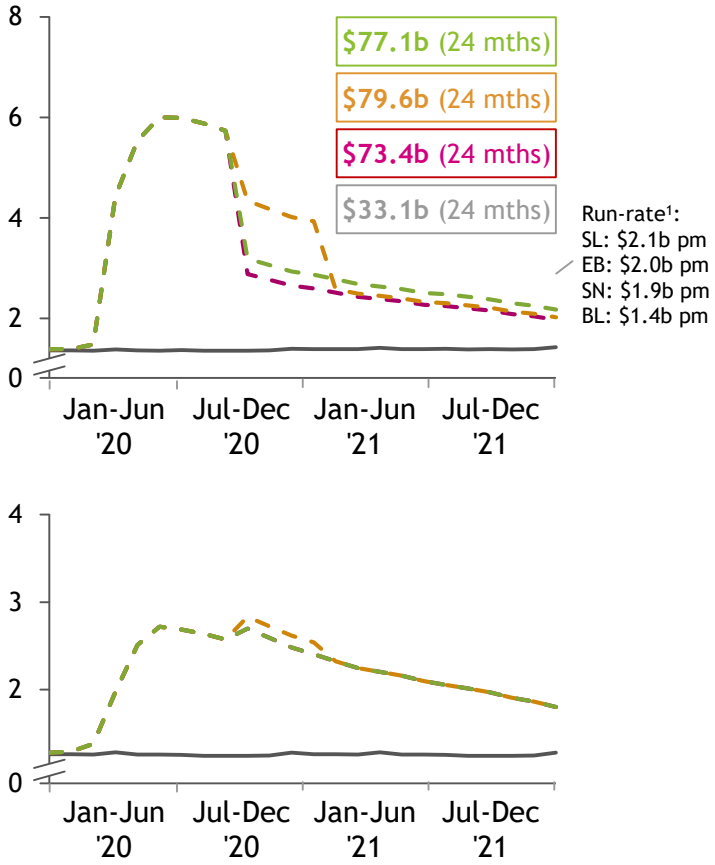
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Financial implications: Aggregate impact across various scenarios

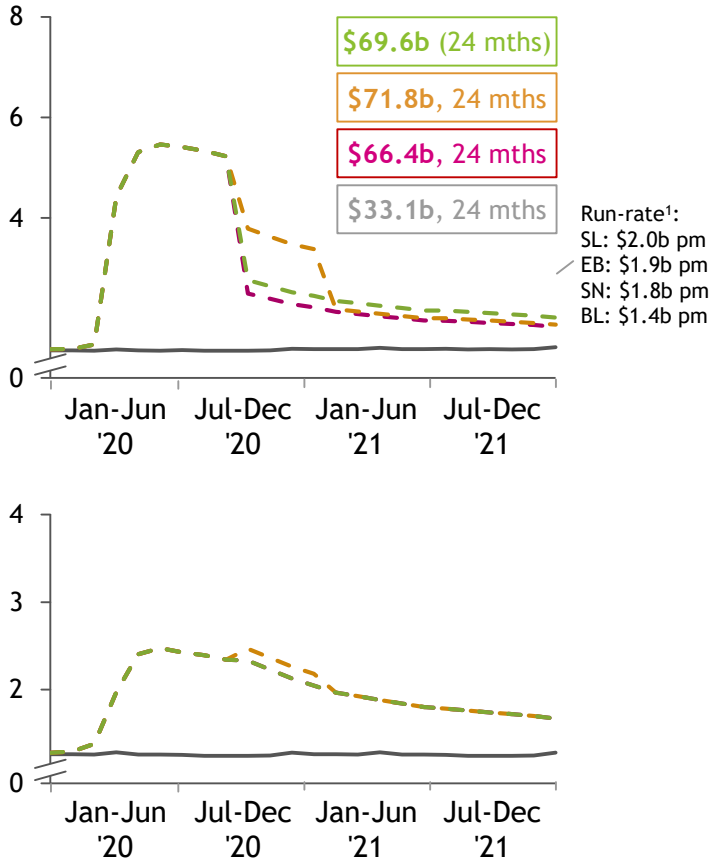
Soft Landing
Ease Back
Snap Back
Baseline

Figures are very initial, to inform early discussions, require significant further work before being relied upon

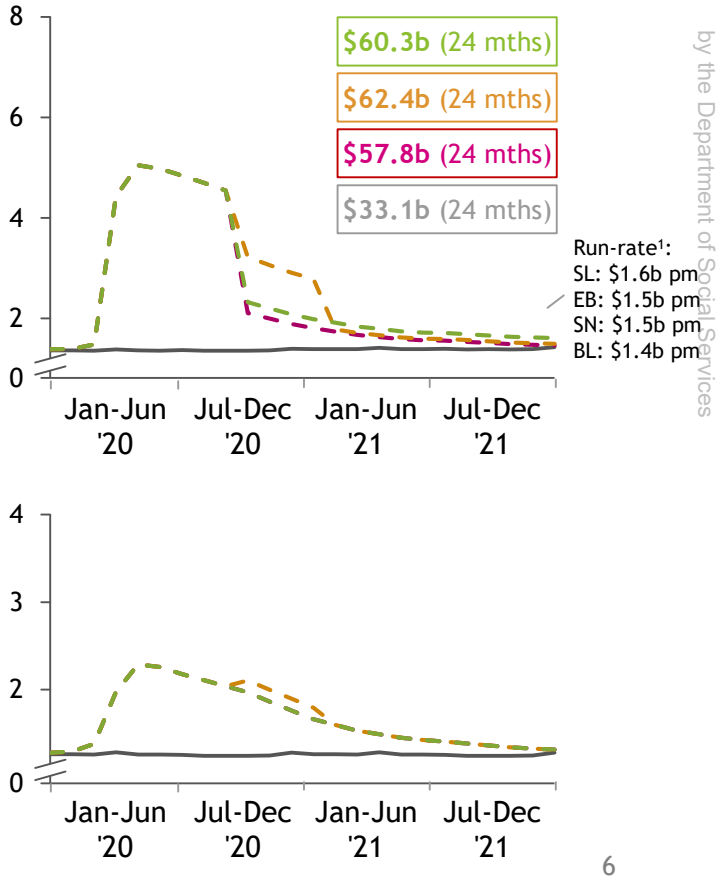
Pessimistic case



Base case



Optimistic case



1. Monthly outlays forecast for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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Summary: Illustrative Option 1 – Snap Back

Objective: Return rapidly to pre-COVID policy settings, minimise fiscal outlays

Key changes from current settings

Coronavirus supplement ended	• Coronavirus Supplement ceases to be paid to recipients of JSP, PP, YA, Austudy, ABSTUDY, and Special Benefit from 24-Sep-2020[1]
C-19 measures ended	• Temporary changes to JSP eligibility, assets test, partner income test, verifications, crisis payment, all brought to an end from 24-Sep-2020
MOCA process simplified	• Simplification of Member of a Couple Assessment to improve citizen experience, streamline service delivery, and support payment integrity

Impact

2.3m recipients lose $550 p/f supplement	2.3m recipients comprised of: • 1.3m "old" recipients who were on Payment prior to March 2020 • ~1m "new" recipients who started on Payment from March 2020
240k recipients no longer eligible for welfare	Ineligibility driven by: • Too much in assets: 118k • Partner income too high: 110k • Sole trader / self employed: 10k
No legislation required	• No legislation required • Authorisation occurs automatically (sunset of legislation & instruments)

1. As well as recipients of Partner Allowance, Sickness Allowance, Widow Allowance, and Farm Household Allowance, which are out of scope for this work

☆ Legislation required

Implications

- Immediate economic shock of $550+ per fortnight, for 2.3m working-age recipients
- ~1m coronavirus-unemployed workers now on ~$565 p/f for first time, or now ineligible
- Heavy load on service delivery to complete asset, MOCA, and rental verifications
- Significant volume of letters & contact with recipients to verify details (timing of this is TBC)
- Spike in payment cancellations due to failures to verify details
- Potential spike in demand for other support services

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Cameos: Snap-back - A significant change for all working-age recipients

Pre Snap-back

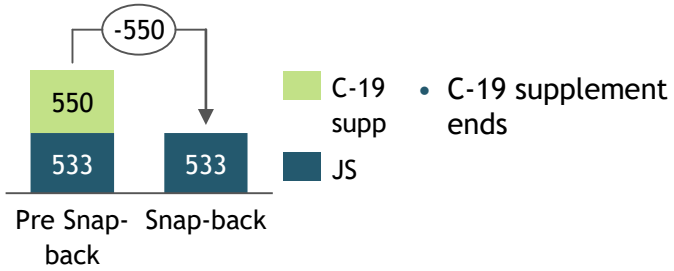
Snap-back

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric now earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $533**



- C-19 supplement ends
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations

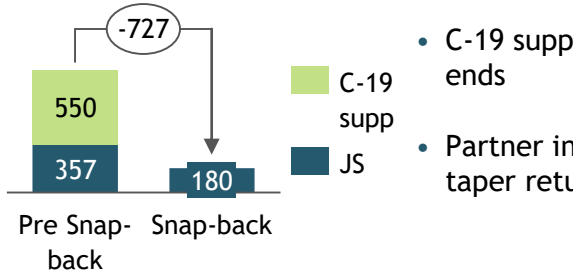
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $907 to $180** (excl., FTB payments, which remain unchanged)



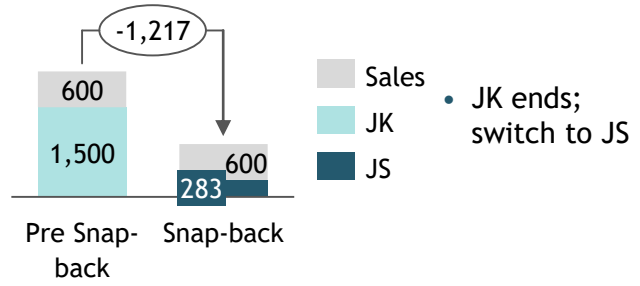
- C-19 supplement ends
- Partner income test taper returns to 60%
- Mary needs to submit asset information to continue receiving payments, and meet mutual obligations

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne now earns $600 pf in income

Leanne begins receiving JK payments

- Leanne's travel blog business is not enough to sustain her financially without JK
- Leanne applies for JS and is successful
- Leanne's **income pf falls from $2,100 to $883**



- JK ends; switch to JS
- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Key changes from today: Snap Back

Deep dive on following slides

Change	Description	Impact	Approach to mitigate risks
Coronavirus supplement	• Coronavirus Supplement ceases to be paid to recipients of JSP, PP, YA, Austudy, ABSTUDY, and Special Benefit from 24-Sep-20201	• 2.3m people see their fortnightly payments drop by $550	• Clear communications to set expectations • Provide information on advances and crisis payments, social work referrals
Assets test re-instated	• Asset test re-imposed at $263,250 for singles (home owner) and $394,500 for couples (home owner) from 24-Sep-2020	• ~900k people required to update their asset information by 25 September • 118,000 people no longer eligible	• Clear communications to set expectations • Commence information requests months in advance, outbound calls to contact laggards
Eligibility extension ended	• Extension of eligibility to sole traders, self-employed, stood down employees, and those caring for someone in isolation, discontinued	• 10,000 people no longer eligible	• Clear communications to set expectations • Commence outbound calls months in advance to support transitions to other payments or supports
Partner income test reverts to 60% taper	• Partner income test reverts to 60% taper	• 20,000 people no longer eligible • 89,000 people receive reduced payment	• Clear communications to set expectations
MOCA verifications re-instated	• Requirement returns to complete MOCA when applying. Priority on MOCA compliance returns	• Broad compliance action required across population of ~[500k] "new" single recipients	• Use predictive modelling to identify highest risk populations • Design light-touch "verify your details" form & trigger through the app
Rental verification, ESC requirements reinstated	• Requirement returns to verify rent arrangements and provide Employment Separation Certificates	• 1m recipients required to provide documentary evidence by 25 September 2020	• Commence verification requests months in advance, outbound calls to contact laggards
Waiting periods reinstated	• Ordinary Waiting Period, Liquid Assets Waiting Period, Newly Arrived Residents Waiting Period, and Seasonal Work Preclusion Period all re-instated	• XXX,000 recent migrants now ineligible • Newly unemployed (e.g. after JobKeeper finishes) must serve all waiting periods	• Clear communications to set expectations

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Summary: Illustrative Option 1A – Ease Back

Objective: Provide 4-6 month transition period for currently unemployed; increase reward for work

Key changes from current settings

Coronavirus supplement extended for 4 months at lower rate	• Coronavirus Supplement paid at $200 p/f to all recipients of JSP, PP, YA, Austudy, ABSTUDY, & Special Benefit[1] • From 25-Sep-2020 to 31-Jan-2021 (~4 months) ☆ Now included in the Income Test
Extend C-19 measures for current recipients	☆ Extend for current recipients, the changes to JSP eligibility, assets test, partner income test, verifications ☆ Except for sole traders/self-employed • New claimants under pre-C-19 rules
Roll PP(P) and SB into Jobseker	☆ Combine Parenting Payment (P) and some Special Benefit into Jobseeker • At existing rates, & MO exemptions
Raise IFAs, simplify tapers	☆ Align JSP, PP, YA(o) income tests with pensions (i.e. IFAs at $174, just one 50% taper rate)
Expand working credit	☆ Simplify messaging, increase cap to $2000, & accrual rate to 100% of IFA
MOCA process simplified	• Simplification of Member of a Couple Assessment

Impact

2.3m recipients shift from $550 to $200 supplement	• Meaningful shock for recipients, but less than pure Snap Back • Inclusion of supplement in income test reduces EMTR cliff as people start returning to work
10k recipients no longer eligible for welfare	• Ineligibility driven by ending of sole trader / self-employed eligibility extension
Simpler payment structure	• 71k PP(P) recipients move to JSP • 3k aged SB recipients move to JSP
Simpler, stronger incentives to return to work	• ~2m recipients have increased IFAs, decreased taper rates, and expanded working credit – all increasing the rewards from work

1. Likely also provided to recipients of Partner Allowance, Sickness Allowance, Widow Allowance, and Farm Household Allowance, which are out of scope for this work

☆ Legislation required

Implications

- Smooths economic changes for most recipients (but not sole-traders / self employed)
- Reduces service delivery challenge by delaying recommencement of verifications
- Increases incentives & reward for work
- Sensible step toward payment structure simplification
- Further substantial change after 4 months when supplement removed completely

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Cameos: Ease-back reduces the impact before returning to previous policy settings

Pre Ease-back

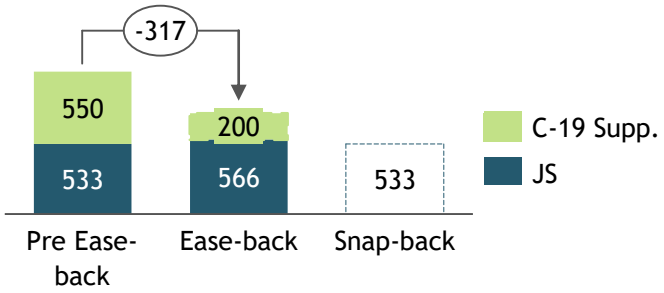
Ease-back

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $766** for four months; **$566 thereafter**



Eric receives the $200 C-19 supplement for four months
Eric benefits from the increased IFA to $174

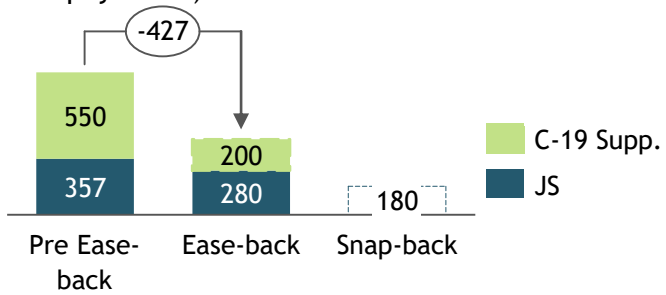
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $907 to $480** for four months; **$280 thereafter** (excl., FTB payments)



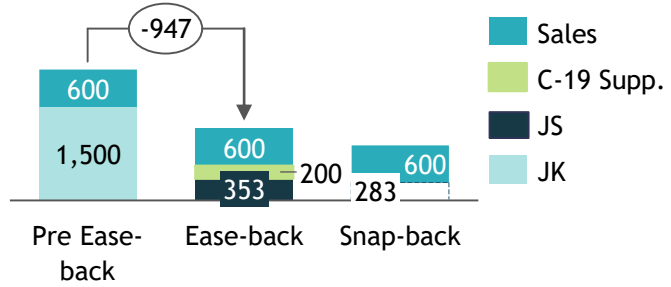
Mary receives the $200 C-19 supplement for four months
Mary benefits from a lower taper rate and higher IFA on the personal income test and on partner income test

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for JS and is successful
- Leanne's **income pf falls from $2,100 to $1,153** for four months; **$953** thereafter[1]



Leanne receives the $200 C-19 supplement for four months
Leanne benefits from the increased IFA and reduced taper rate

- Leanne benefits from MOs being suspended for four months; she focuses on getting her business back up to speed

1. Excludes $600 earned income pf
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Key changes from today: Ease Back

☆ Deep dive on following slides

Change	Description	Impact	Approach to mitigate risks
☆ **Coronavirus supplement extension**	• Coronavirus supplement extended for ~4 months to all student & unemployment recipients, @$200 p/f • Supplement included in income test	• 2.3 recipients receive a reduced supplement of $200 p/f, before transitioning off • Inclusion in income test removes EMTR cliff currently experienced	• Clear communications to set expectations • Provide information on advances and crisis payments, social work referrals
Grandfather C-19 measures for 4 months	• Existing recipients retain benefit of C-19 measures (e.g. eligibility, assets test exemption, eligibility, waiting periods, partner income test at 25% taper), for 4 mths • New recipients face pre-COVID rules	• ~240k recipients avoid being removed • Less service delivery load since ~300k fewer recipients expected by Feb-21 • Full waiting periods apply to newly unemployed, including those made redundant after JobKeeper ends	• Lots of communication well in advance • Provide information on advances and crisis payments, social work referrals
☆ **Merge parenting payment partnered into Jobseeker**	• Roll all PP(P) recipients onto JSP, retaining same rates and mutual obligations exemptions	• Simpler payment structure, simpler experience for recipients, fewer transitions	• Manage risk of perception this is about applying mutual obligations to parents of young children
☆ **Merging Special Benefit into Jobseeker**	• Roll all >60 yo Special Benefit recipients onto JSP, retaining same rates and mutual obligations exemptions	• Simpler payment structure, simpler experience for recipients • JSP taper provides incentive to work	• Manage perception risks around pension-age recipients facing mutual obligations • **Question: Should they get >60s JSP rate?**
☆ **Align Income Tests with Pensions (IFAs & tapers)**	• Align IFAs with pensions IFA ($174 pf) • Abolish all 60% tapers, move to 50% across the board	• ~2m recipients have larger IFA, lower taper	• Clearly communicate that PP(S) and JSP MO-exempt recipients will be grandfathered on old IFAs & tapers
☆ **Modernise Working Credit**	• Accrue up to entire IFA each fortnight • Cap expanded to $2000 • Language simplified	• ~2.1m recipients with stronger incentive to work • Simpler, easier to understand scheme	• Clear communications
☆ **Adjustments to student payments (IFAs/tapers)**	• Align tapers to new JSP settings, retain high IFAs for students & apprentices • Align Apprentices Income Bank to JSP WC (cap of $2000)	• ~190k recipients with stronger incentive to work	• Clear communications

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Backup: Extending the Coronavirus Supplement

	Included in income test	Excluded from income test
$200 p/f for 4 months	**A** Additional cost: ~$3-5b Implications: • **Higher cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $333 p/f or $8,666 p.a.	**B** Additional cost: ~$3-5b (~$50m more than with income test) Implications: • **Highest cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 4 months	**C** Additional cost: ~$1-3b Implications: • **Lowest cost**; sharpest reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $167 p/f or $4,333 p.a.	**D** Additional cost: ~$1-3b (~$20m more than with income test) Implications: • **Lower cost**, sharper reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Source: BCG analysis, DSS data

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Backup: Rolling Parenting Payment (P) into Jobseeker

Rationale

Parenting Payment (partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Simplified experience for recipients - Eliminate requirement to transfer from parenting payment to Jobseeker when children reach 6
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying obligations to parents
- x Disconnect with Youth Allowance recipients w/ dependents (small cohort)

	From		To
	Jobseeker	**Parenting Payment (P)**	**Jobseeker**
Eligibility	Unemployed Aged 22 to Age Pension age	Principal carer of qualifying child <6	Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity	May be required to participate in ParentsNext.	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]
Rates	Partnered $510.80	Partnered $510.80	Partnered $510.80
Supplements	Individual circumstances	As per JSP + Pension Supplement and Pensioner Education Supplement	Individual circumstances
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP	As per JSP	No change (unless changes made as part of the broader East Back package)

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Backup: Rolling Special Benefit (aged cohort) into Jobseeker

Rationale

Policy changes have meant Special Benefit is transitioning away from a payment of last resort, and is now supporting an increasing number of older recipients.

Removing the upper age limit of JobSeeker Payment would transition Special Benefit recipients over Age Pension age to JobSeeker.

Approximately 3,000 Special Benefit recipients are aged over 60 today

Pros:

- ✓ Aligns with original policy intent as payment of last resort
- ✓ Easier and cheaper to administer mainstream payment
- ✓ Recipients face mainstream IFAs & tapers, incentivising work

Cons:

- x Requires legislation
- x Small fiscal outlays

	From: Special Benefit (over Age Pension Age)	To: JobSeeker Payment
Eligibility	• In severe financial hardship for reasons beyond your control • Unable to earn enough to support yourself and your family • Unable to get another income support payment	• As per payment • Recipients over 60 (including over age pension age) would be on JobSeeker with corresponding mutual obligations
Mutual obligations	None	Enter into job plan and participate in job search or receive relevant exemptions based on age. More simplification work would be required for YA and AuStudy
Rates	As per JSP, YA, or AuStudy depending on circumstance (Single JSP rate $565.7)	Single JSA rate
Supplements	Individual circumstances	Individual circumstances
Tapers & IFA	100% taper, no IFA	As per mainstream payment

Questions for discussion:

- Should mutual obligation requirements be placed on anyone over AP age?
- Should any other Special Benefit cohorts be considered for transition to the relevant mainstream payment? JobSeekers, Youth Allowance?

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Backup: Future of Member of a Couple Assessment (2 key questions)

Can we simplify MOCA policy to align with other legal definitions and/or focus on financial interdependence as a principal compliance measurement?

Context:

- The legislative definition of member of a couple is highly subjective
- Compliance is therefore difficult to effectively and efficiently target
- The current compliance review scheme:
  - is intensive and narrowly focused (separated under one roof, tip offs, place-based targeted compliance)
  - applied retrospectively with little emphasis on upfront accuracy
  - results in debt raising and payment variations
  - provides small or no administrative cost-benefit

Actions to consider:

- **Reframe member of a couple compliance to emphasise up-front accuracy**
  - explore "nudge" methods to encourage up-front information updates (including at time of claim)
  - Use readily available information to target compliance measures. Only prompt reviews in very high-risk scenarios
  - Move towards observable compliance measurements, especially tied to markers of financial independence
- **Explore other legal definitions of de facto relationship (including COVID definition) to see if policy simplification can be achieved**
  - High risk as there are drastic outlay sensitivities
  - Would have to reconsider compliance, accuracy and targeting based on new definition

How do we transition away from the COVID compliance measures?

Context:

- In order to decrease strain on member of a couple compliance effort, the couple definition of de facto relationship was temporarily simplified to its ordinary meaning,
  - *a relationship between two adults who are not legally married but live together on a genuine domestic basis as a couple*
- This practically removed any Services Australia requirement to check member of a couple status under the five subjective factors.

Actions to consider:

- **Consider up-front accuracy measure to test member of a couple status for all new claims and COVID JobSeekers.**
  - Explore include "prompting questions" on form or other recipient touch points, to remind recipients to update couple status.
  - Bring in more intensive reviews in a gradual, targeted way.
  - Consider extending simplified definition in order to manage transition

Key Risk - Shifting compliance emphasis to cohabitation may risk unfairly advantaging couples who live separately. This risk may be mitigated through an improved focus on assessing regular payments for non-family members as income, or legislative change to allow regular payments from non-cohabitating family members to be assessed as income

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Backup: Increasing IFAs and rationalising taper rates

Detailed IFA & Taper rate charts in appendix

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area Grandfather existing recipients	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area Grandfather existing recipients	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**Increase free area** • TBC
# of recipients with earnings as at Dec 2019	124,849 (17.1%) total Newstart Allowance population with earnings		60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	TBC	TBC

Note: Achieves consistency across payments, but future PP(S) recipients worse off

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Backup: Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Backup: Future of student payments in the context of broader changes

Question for discussion: Should we explore potential simplification for ABSTUDY?

At a minimum, recommend these steps

Option A: Align taper rates, partner income test and apprentice WCs, to rest of Ease Back changes

- Move to a single taper rates of 50%, while preserving the current Income Free Area (which is higher for students)
- Increase partner income free areas to align with the changes to Jobseeker Payment
- Increase Income Bank cap for Australian apprentices to $2000

Suggest exploring further in Sprint 3

Option B: Significant reform, by merging YA(o) into JSP, and YA(s) into AUSTUDY

- Merge YA(o) into JSP (or a new working age payment, as applicable), carrying across <22 and <18 rates
- Merge YA(s) into Austudy, carrying across <18 rates
- Carry across parental income tests for <22s

Further details to be explored in coming fortnight

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1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019, 2020), Department of Jobs and Small Business Australian Jobs Report (2019)

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Backup: Potential IFAs and Taper rates (student payments)

	Personal income test	Partner income tests	
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices:** $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,188 free area • 50c per $1 over free area
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	TBD	TBD

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Summary: Illustrative Option 2 – Soft Landing

Objective: Capture moderate reform opportunities; greater reward for work; greater support

Key changes from current settings

New rate for those unlikely to return to work	☆A new rate within JSP: - Rate for all >55s - Rate for >55s + <14hr PCW - Rate for all <22hr PCW
Lift to payment rates, abolish energy & pharma supplements	☆A lifts to working age payment rates by $50 ☆Part funded by ceasing Energy Supplement and Pharma Allowance
Roll PP(P&S) and SB into Jobseker	☆Combine Parenting Payment (P&S) and some Special Benefit recipients into JSP • At existing rates, & MO exemptions
Raise IFAs, simplify tapers	☆Align JSP, PP, YA(o) income tests with pensions (i.e. IFAs at $174, just one 50% taper rate)
Expand working credit	☆Simplify messaging, increase cap to $2000, & accrual rate to 100% of IFA
MOCA process simplified	• Simplification of Member of a Couple Assessment

Impact

2.3m recipients lose $550 p/f supplement	Comprised of: • 1.3m "old" recipients, pre-Covid • ~1m "new", who started from Mar-20
$2.3m recipients get an increase in basic rate	• $50 pf increase for JSP, PP, SpB, YA, Austudy & ABSTUDY recipients • Further increase for ~120k >55 year olds on JSP, or a cohort of PCW
240k recipients no longer eligible for welfare	Ineligibility driven by: • Too much in assets: 118k • Partner income too high: 110k • Sole trader / self employed: 10k
Simpler payment structure	• 290k PP(P&S) recipients move to JSP • 3k aged SB recipients move to JSP
Simpler, stronger incentives to return to work	• Increased IFAs, decreased taper rates, and expanded working credit all increase incentives for work

Implications

- End of C-19 measures softened for most recipients, and especially older recipients
- Heavy load on service delivery to complete asset, MOCA, and rental verifications
- Spike in payment cancellations due to failures to verify details
- Supports long-term reform objectives
- More complex package to communicate

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Cameos: Soft Landing provides sustained benefits to recipients

Pre Soft-landing

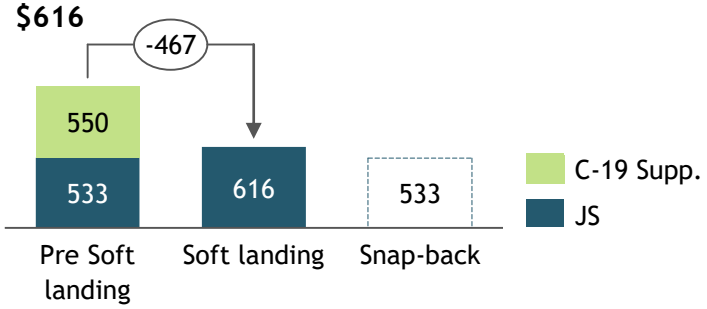
Soft landing

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $616**



- Eric benefits from the increased IFA to $174
- Eric receives a $50 increase in his JS base rate
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations

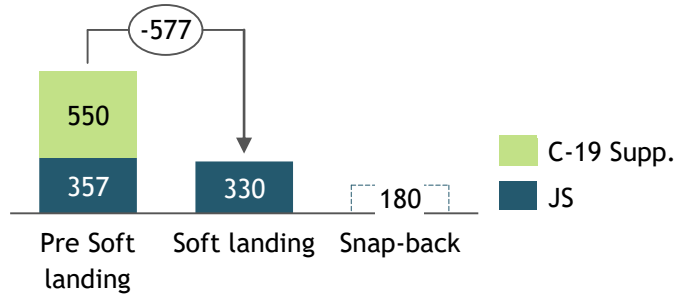
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $907 to $330** (excl., FTB payments)



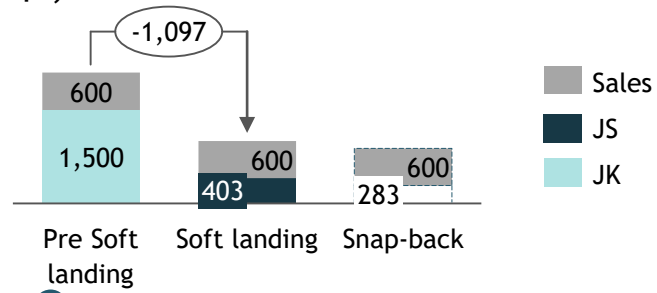
- Mary receives a $50 increase in her JS base rate
- Mary benefits from a lower taper rate and higher IFA on her personal income test
- Mary benefits from a lower taper rate and higher IFA on the partner income test

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for JS and is successful
- Leanne's **income pf falls from $2,100 to $1,003**



- Leanne benefits from the higher IFA and lower taper rate
- Leanne receives a $50 increase in her base rate
- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

1. Payment excludes earned income ($600 pf)
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Key changes from today: Soft Landing

☆ Deep dive on following slides

Change	Description	Impact	Approach to mitigate risks
End Coronavirus supplement	• Coronavirus Supplement ceases to be paid to recipients of JSP, PP, YA, Austudy, ABSTUDY, and Special Benefit from 24-Sep-20201	• 2.3m people see the $550 p/f C-19 supplement cease	• Clear communications to set expectations • Provide information on advances and crisis payments, social work referrals
End C-19 changes to assets test, eligibility, partner income test, verifications	• Assets test re-instated, eligibility wound back to pre-COVID settings, partner income test back to 60% taper rate, & verifications required again (MOCA, rental, ESC)	• ~900k people required to update their asset information by 25 September • ~240k people no longer eligible	• Clear communications to set expectations • Provide information on advances and crisis payments, social work referrals
Waiting periods reinstated	• Ordinary Waiting Period, Liquid Assets Waiting Period, NARWP, and Seasonal Work Preclusion Period all re-instated	• [TBC #] recent migrants now ineligible • Newly unemployed (e.g. after JobKeeper finishes) must serve all waiting periods	• Clear communications to set expectations
☆ **Create a new rate for those unlikely to return to work**	• A new rate within JSP: – Rate for all >55s – Rate for >55s + <14hr PCW – Rate for all <22hr PCW	• ~120,000 recipients receive a higher basic rate ([XX]% of whom have a confirmed PCW)	• TBC
☆ **Merge parenting payment (S&P) and Special Benefit into Jobseeker**	• Roll all PP(P&S) and Special Benefit recipients onto JSP, retaining same rates and MO exemptions	• Simpler payment structure, simpler experience, fewer transitions • Opportunity to phase mutual obligations more effectively in future	• Manage risk of perception this is about applying mutual obligations to parents of young children
☆ **Targeted rate increases**	• Targeted lifts to payment rates by [$50], part funded by ceasing Energy Supplement and Pharma Allowance for these payments=	• 2.3m recipients receive a $50 p/f increase in their basic payment rate	• TBC
Align Income Tests with Pensions (IFAs & tapers)	Align Income Tests with Pensions (IFAs & tapers)	• ~2.1m recipients have larger IFA, lower taper	• Clearly communicate that PP(S) and JSP MO-exempt recipients will be grandfathered on old IFAs & tapers
Modernise Working Credit	• Accrue up to entire IFA each fortnight • Cap expanded to $2000 • Language simplified (Income Bank?)	• ~2.1m recipients with stronger incentive to work • Simpler, easier to understand scheme	• Clear communications
Adjustments to student payments (IFAs/tapers)	• Align IFAs and tapers to new JSP settings • Align Apprentices Income Bank to JSP WC	• ~190k recipients with stronger incentive to work	• Clear communications

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Backup: Creation of a rate for those unlikely to return to work

Work in progress

	Option A: Rate for >55s on JSP	Option B: A hybrid approach	Option C: Rate for PCW <22 hrs
Description	All >55s on JSP would receive the mid-tier rate (currently $612 p/f) Approx 120,000 recipients going to the higher rate (80,000 >60s already there)	All >55s on JSP, plus all JSP recipients with PCW <14 hours/week would receive the mid-tier rate (currently $612 p/f) Approx 128,000 recipients going to the higher rate	All JSP recipients with an ESAT approved at <22 hours/week would receive the mid-tier rate (currently $612 p/f) Approx 230,000 recipients going to the higher rate
Pros	✓ Aligns with current step-down of Mutual Obligations at 55 yo ✓ Simple, unable to be gamed ✓ …	✓ Less incentive to try and obtain a certain ESAT outcome, because the <14 threshold is challenging ✓ …	✓ Most targeted at those with the greatest barriers to employment ✓ …
Cons	x Less targeted to need x …	x More complex rate design, harder to communicate x …	x Largest cohort, larger outlays x Creates incentives to try and obtain a certain ESAT outcome

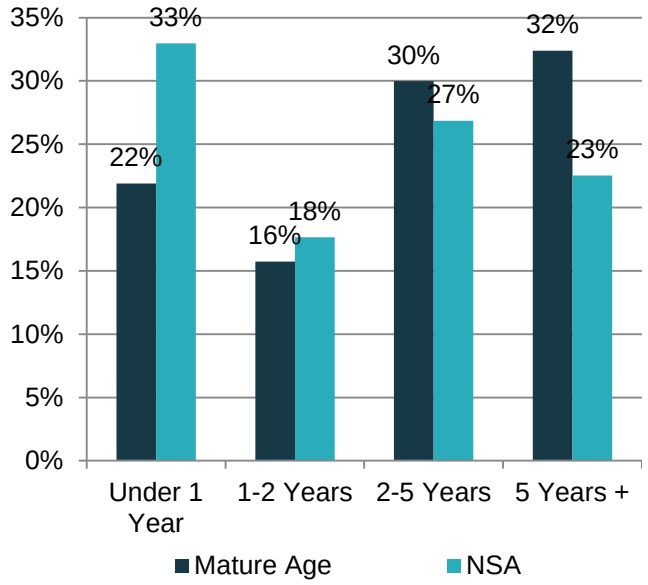
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

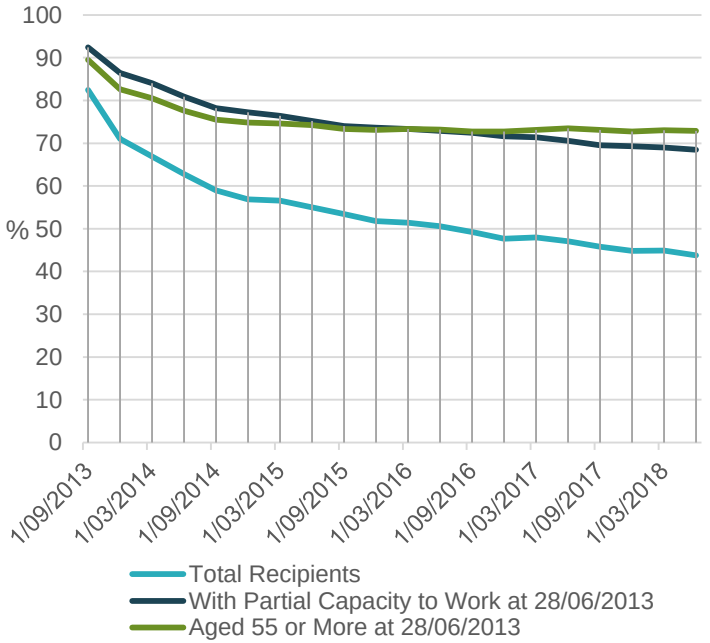
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



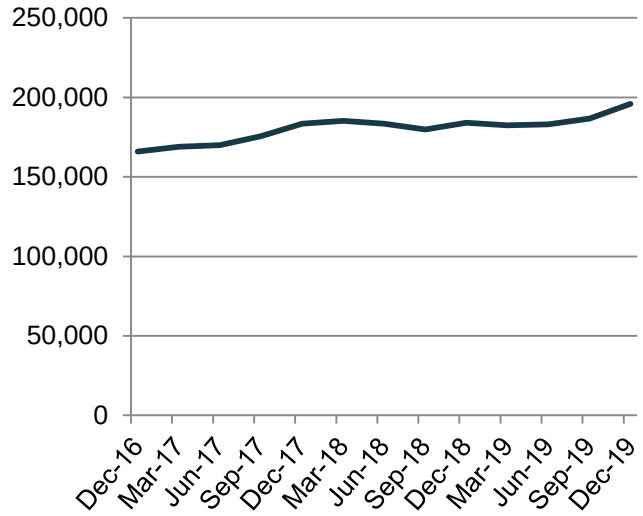
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Backup: Rolling Parenting Payment (P&S) into Jobseeker

Rationale

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Simplified experience for recipients - Eliminate requirement to transfer from parenting payment to Jobseeker when children reach 6 or 8
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying obligations to parents
- x Disconnect with Youth Allowance recipients w/ dependents (small cohort)

	From				To	
	Jobseeker		Parenting Payment		Jobseeker	
Eligibility	Unemployed Aged 22 to Age Pension age		Principal carer of qualifying child <6 if partnered or <8 if single		Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]	
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity		May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single Single w/children / mature Mutual obs exempt Partnered	$565.70 $612.00 $790.10 $510.80	Single Partnered	$790.10 $510.80	Single Single w child >8 / mature Mutual obs exempt / single parent[1] Partnered	$565.70 $612.00 $790.10 $510.80
Supplements	Individual circumstances		As per JSP + Pension Supplement and Pensioner Education Supplement		Individual circumstances	
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP		As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single		Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single	

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Backup: Setting JSP rates in Soft Landing

Note: Approved Program of Work Supplement to be included as well

		Single adult, no children	Single adult, with children >=8yo	Single adult with children <8yo	Mature aged rate (eligibility TBC)	Couple, no children	Couple, with children
Current rates	Basic rate	565.70	612.00	790.10	612.00	510.80	510.80
	Energy supplement	8.80	9.50	12.00	9.50	7.90	7.90
	Pharma allowance	-	6.20	6.20	6.20	-	-
	Rent assistance cap	139.60[1]	164.08[2]	164.08[2]	139.60[1]	131.60	164.08[2]
	FTB A	-	186.20[3]	186.20[3]	-	-	186.20[3]
	FTB B	-	110.60[4]	110.60[4]	-	-	110.60[4]
	Total	**714.10**	**1088.58**	**1269.18**	**767.30**	**650.30**	**979.58**
Future option - Illustrative example	Basic rate (+50)	615.70	662.00	840.10	662.00	560.80	560.80
	Rent assistance cap (unchanged)	139.60[1]	164.08[2]	164.08[2]	139.60[1]	131.60	164.08[2]
	FTB A (unchanged)		186.20	186.20			186.20
	FTB B (unchanged)		110.6	110.6			110.6
	Total	**755.30**	**1122.88**	**1300.98**	**801.60**	**692.40**	**1021.68**
	Increase vs current	41.20	34.30	31.80	34.30	42.10	42.10
Reference point	UNSW Budget Standard (max 1 child)	867.36	1350.36	1350.36	867.36	TBC	TBC

1. Or 93.07 if sharing a dwelling 2. Or $185.36 if three or more children 3. Assuming 1 child only, aged <12yo 4. Assumes a child 5-15 yo

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Next steps



Focus areas for Sprint 3

Explore a fourth illustrative option: "New 3-tier working age payment," and include consideration of a sharer rate

Detail out analysis on impact of changes to eligibility, assets test, partner income test, and the NARWP

Explore reform options for FTB & student payments (YA(s), Austudy, and ABSTUDY), Indexation, Asset Tests, Waiting Periods, and consolidation of supplements

Continue adding policy features and reform levers to the model, and incorporate unit-level data to improve accuracy

First draft of final output from research (e.g. narrative, briefing paper – to be discussed)



Backlog for future sprints

Aligning indexation

Consolidating Waiting Periods

Streamline verifications (rental, ESC)

Simplify definitions of income

Develop an interactive dashboard for the model to allow real-time

…

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Friday, 22 May 2020 10:37 AM
To: s 22
s 22
Subject: Pack - meeting notes
Attachments: Sprint 3 - Mid-Sprint read-out vMeeting Notes.pptx

Hi All

Pack as discussed with Nathan is attached, together with a few notes from the meeting in as yellow stickies.

Can discuss on our call just now.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

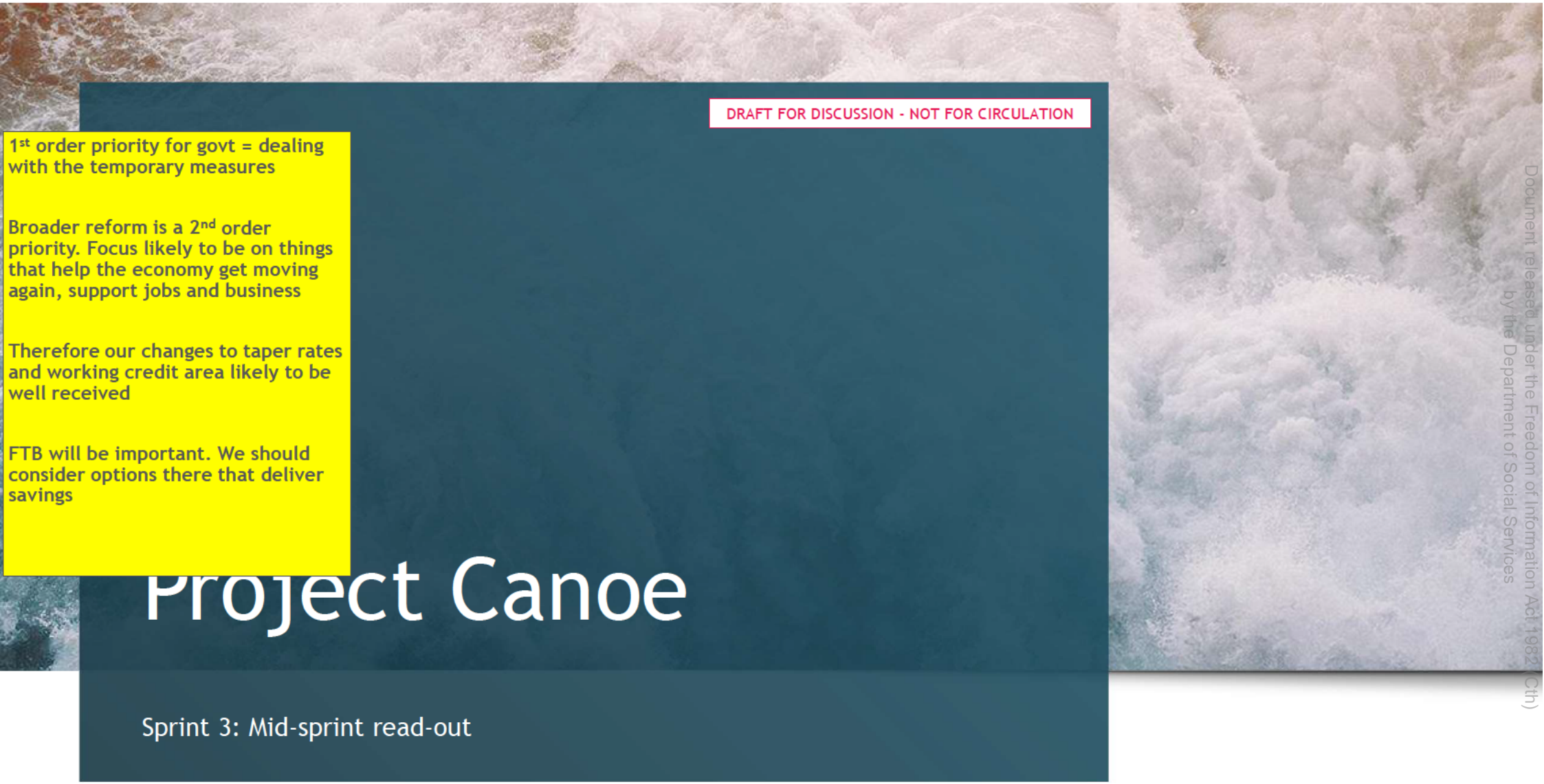
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1st order priority for govt = dealing with the temporary measures

Broader reform is a 2nd order priority. Focus likely to be on things that help the economy get moving again, support jobs and business

Therefore our changes to taper rates and working credit area likely to be well received

FTB will be important. We should consider options there that deliver savings

Project Canoe

Sprint 3: Mid-sprint read-out

22 MAY 2020

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Recap focus for Sprint 3	5 mins
Deeper dive into cohort impacts	10 mins
Initial view of 4th Option • New 3-Tier Working Age Payment • Student payments • FTB A & B	20 mins
Update on other key topics: • MOCA • Mature age / PCW rate • Assets tests	20 mins
Next steps	5 mins

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Recap: Areas of focus



Focus areas for Sprint 3

Explore a fourth illustrative option: "New 3-tier working age payment," and include consideration of a sharer rate

Detail out analysis on impact of changes to eligibility, assets test, partner income test, and the NARWP

Explore reform options for FTB & student payments (YA(s), Austudy, and ABSTUDY), Asset Tests, Waiting Periods, and consolidation of supplements

Continue adding policy features and reform levers to the model, and incorporate unit-level data to improve accuracy

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Backlog for future sprints

Aligning indexation

Consolidating Waiting Periods

Streamline verifications (rental, ESC)

Simplify definitions of income

Develop an interactive dashboard for the model to allow real-time

...

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Deep dive into cohort impacts

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Recap: Illustrative options to follow current C-19 measures

Blue text indicates where legislation required

4th Option discussed later in this pack

	No leg. needed 1 Current glide path	Leg. req'd 2 Soften landing, increase reward for work	Leg. req'd 3 Higher long-term support, increase reward for work
Underlying principles	• Return rapidly to pre-COVID policy settings, minimise fiscal outlays	• Provide 4-6 month transition period, then back to pre-COVID settings • Greater reward for work	• Capture moderate reform opportunities • Greater reward for work, and greater support for those unlikely to find work
Changes to payments, eligibility, rates & supplements	• Return to Pre-COVID policy settings: - No Coronavirus supplement - JSP eligibility and partner income tests reverting - MOCA, rental verifications, and asset tests applying to current and new recipients • Simplify MOCA requirements & process	• Transition measures for 4 months: - Extend Coronavirus supplement at $200 p/f, & include it in Income Test - Grandfather current recipients re: eligibility, assets test, partner income test, verifications (excl. sole traders) • Roll Parenting Payment (P) and Special Benefit into JSP • Simplify MOCA requirements & process	• Create new rate within JSP for >55s and those with PCW <14 hrs/week (TBC) • Targeted lifts to payment rates by $50, part funded by ceasing Energy Supplement and Pharma Allowance for these payments • Roll Parenting Payments (S&P) and some Special Benefit recipients into JSP • Simplify MOCA requirements & process
Income tests/tapers	• Unchanged from pre-COVID settings	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers	• Recipient: Align IFA with pensions max 50% taper • Partners: Higher IFA, max 50% tapers
Work incentives	• Unchanged from pre-COVID settings	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools	• Modernise Working Credit, increase cap to 2000 credits, accrue entire IFA • Simplify messaging, improve digital tools
Financial Impact	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $33-41b (vs. ~$17b pre-COVID) In 2022: $18-27b (vs. ~$17b pre-COVID)	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $37-47b (+$4-6b vs. Current Path) In 2022: $19-28b (+$1b vs. Current Path)	Cost of JSP, PP, students, SB, excl. supplem'ts: In 2021: $34-44b (+$1-3b vs. Current Path) In 2022: $20-30b (+$2-3b vs. Current Path)

Figures are initial, to inform early discussions, require further work before being relied upon

Note: MOCA and working credit yet to be incorporated in modelling of financial and recipient #s

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Preliminary impact assessment – requires unit-level data to confirm and verify

Updated: Cohort impacts of the three illustrative options

Changes from Sept 24th	Focus of discussion today 1 Current glide path **Jobseekers** JSP, YA(o)	 **Students** YA(s), Austudy ABSTUDY	 **Parents** PP(P), PP(S)	2 Soften landing, increase reward for work **Jobseekers** JSP, YA(o)	 **Students** YA(s), Austudy ABSTUDY	 **Parents** PP(P), PP(S)	3 Higher long-term support, and rewards for work **Jobseekers** JSP, YA(o)	 **Students** YA(s), Austudy ABSTUDY	 **Parents** PP(P), PP(S)
Drop in average payment rate ($ pf)[1]:	-$550 (~48% drop in total pmt)	-$550 (~52% drop in total pmt)	-$550 (~40-50% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~35% drop in total pmt)	-$350 (~30-35% drop in total pmt)	-$500 (~44% drop in total pmt)	-$500 (~48% drop in total pmt)	-$500 (~35-45% drop in total pmt)
# Removed from payment[2]: EXCLUDES NARWP IMPACT	~57k	~1k	~1k	~10k	-	-	Less than ~57k	Low	Low
# Required to update info[3]:	~830k new recipients	~35k new recipients	~40k new recipients	-	-	-	~830k new recipients	~35k new recipients	~40k new recipients
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Delta in volumes due to JobKeeper eligibility, assets test, and partner income test differences. Still need to include impacts from reinstating the waiting periods (e.g. Newly Arrived Migrant Waiting Period). 3. Estimated as the difference in volumes from Feb '20 to forecasted Oct 20'. Includes providing information about assets, and proof of rental arrangements 4. Difference to Snap Back due to extended eligibility of sole traders, self-employed, etc. on JobSeeker payments. Note: Assumes base case economic scenario

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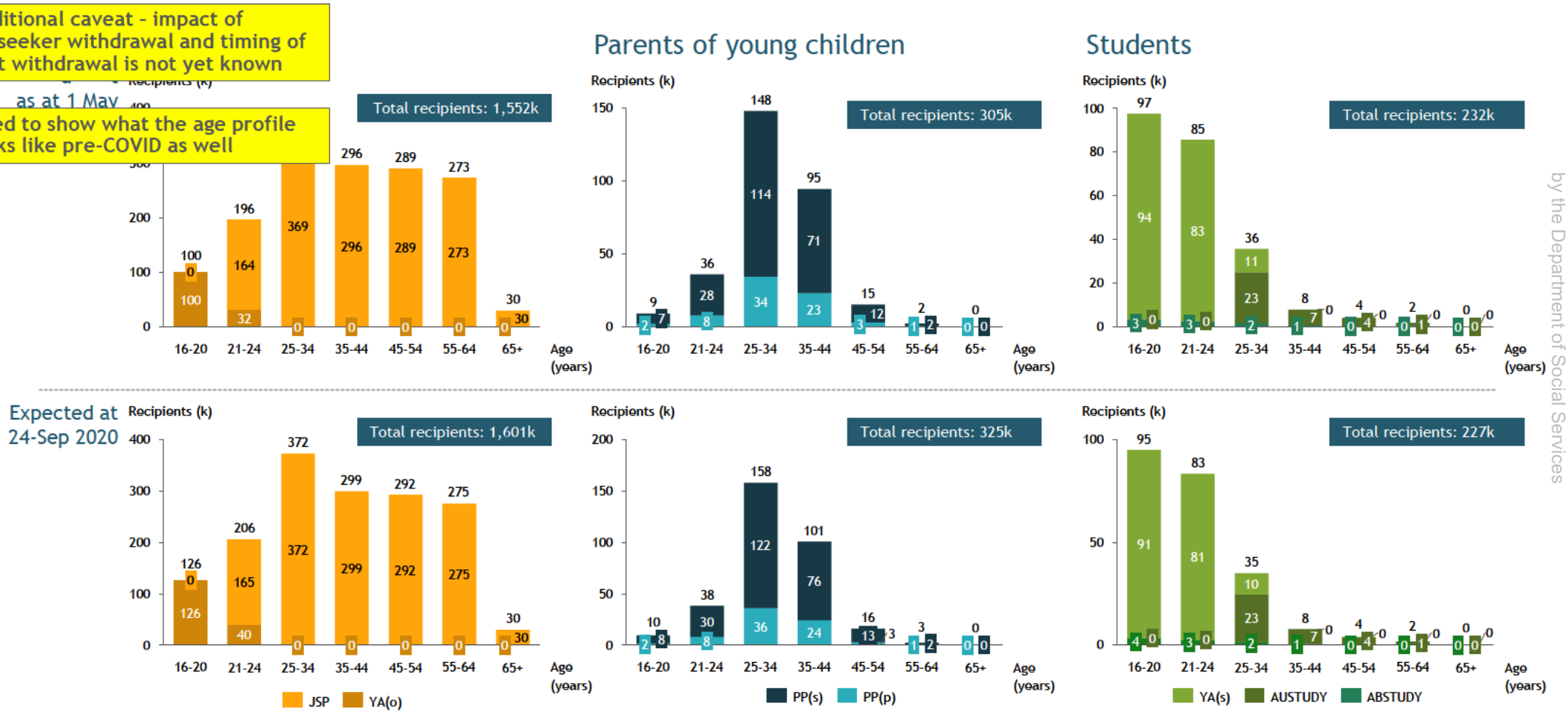
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Preliminary impact assessment - requires unit-level data to confirm and verify

Context: Shape of welfare cohort in September 2020

Additional caveat - impact of jobseeker withdrawal and timing of that withdrawal is not yet known

Need to show what the age profile looks like pre-COVID as well



Note: Excludes recipients aged <16 years old; assumes Sep 2020 age distribution is the same as May 2020; total recipient figures exclude those on nil rates
Source: DSS Data

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Preliminary impact assessment - requires unit-level data to confirm and verify

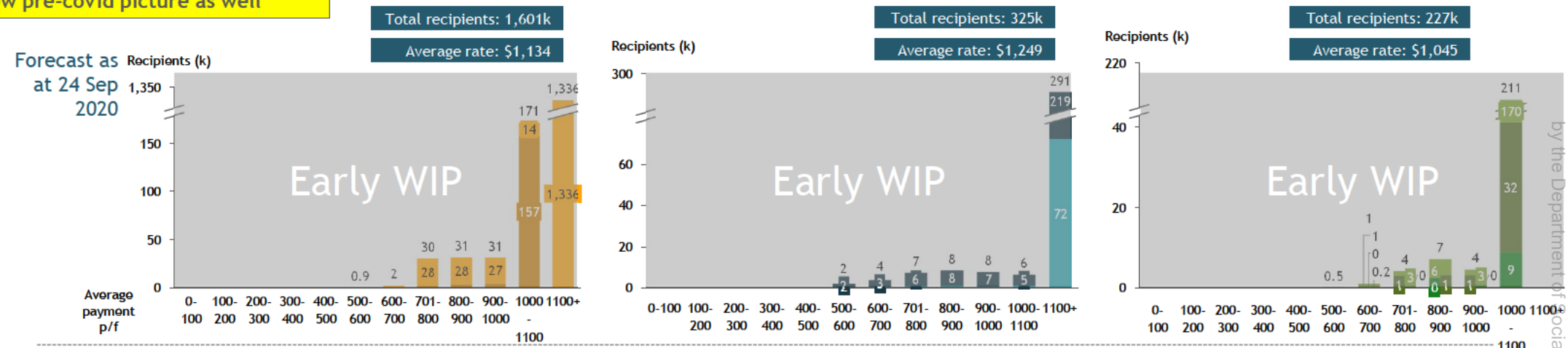
Current path: Significant shift in average payments

AA 22.May.20:
Show pre-covid picture as well

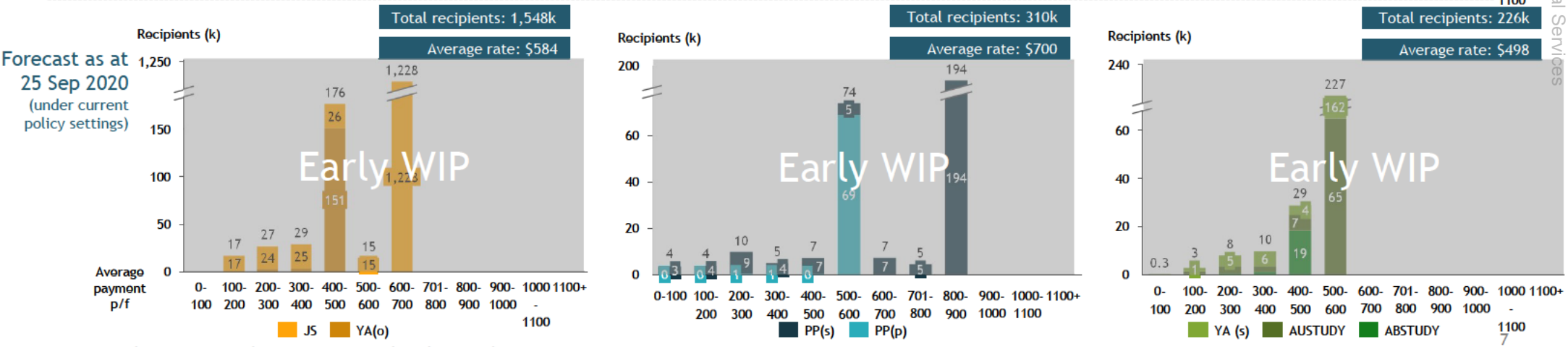
Parents of young children

Students

Forecast as at 24 Sep 2020



Forecast as at 25 Sep 2020 (under current policy settings)



Note: Total recipient numbers on 25 September do not take into account NARWP reinstatement
Source: DSS Data, BCG analysis

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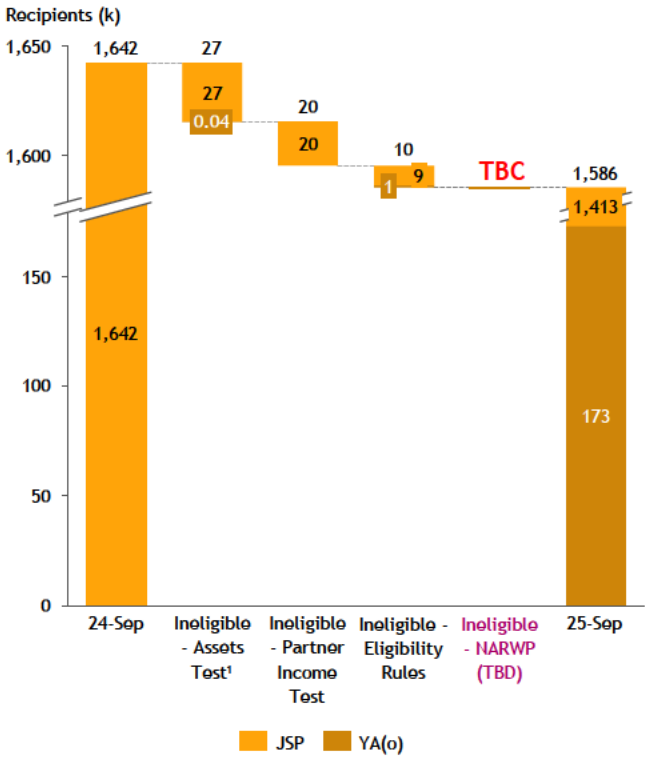
Preliminary impact assessment - requires unit-level data to confirm and verify

Current path: 57k+ recipients likely to be removed from payment

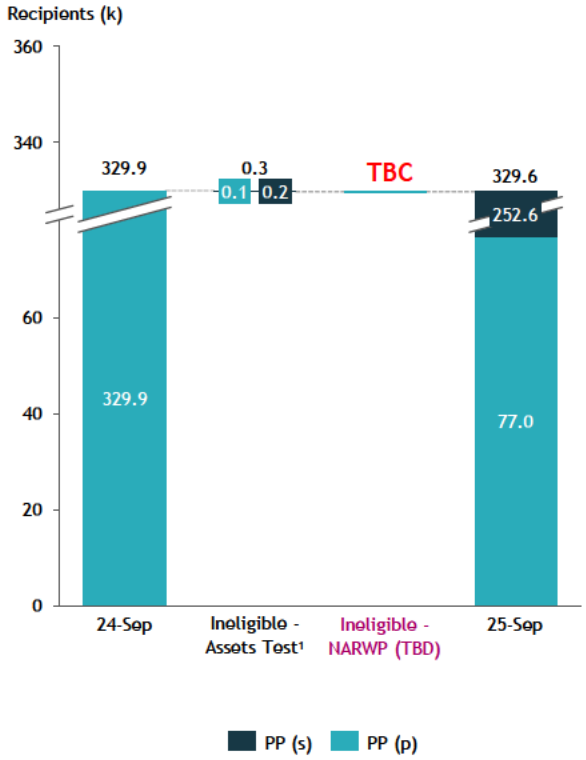
AA 22.May.20:

Show what the pre-COVID figures were for recipients as well

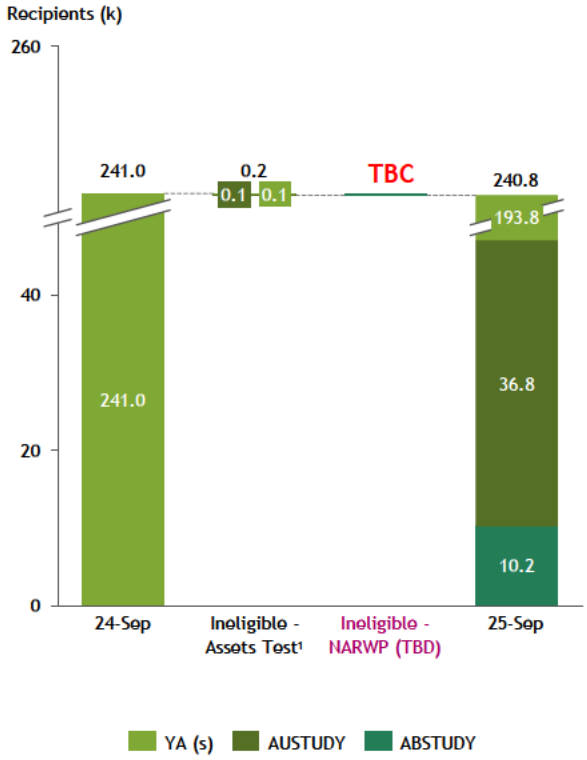
Jobseekers (57k+)



Parents of young children (0.3k+)



Students (0.2k+)



1. Asset data as at 8 May 2020 used as proxy for September 2020; YA(s) asset information assumed to be consistent with AUSTUDY and ABSTUDY
Note: Figures include recipients on nil rates
Source: DSS Data, BCG Analysis

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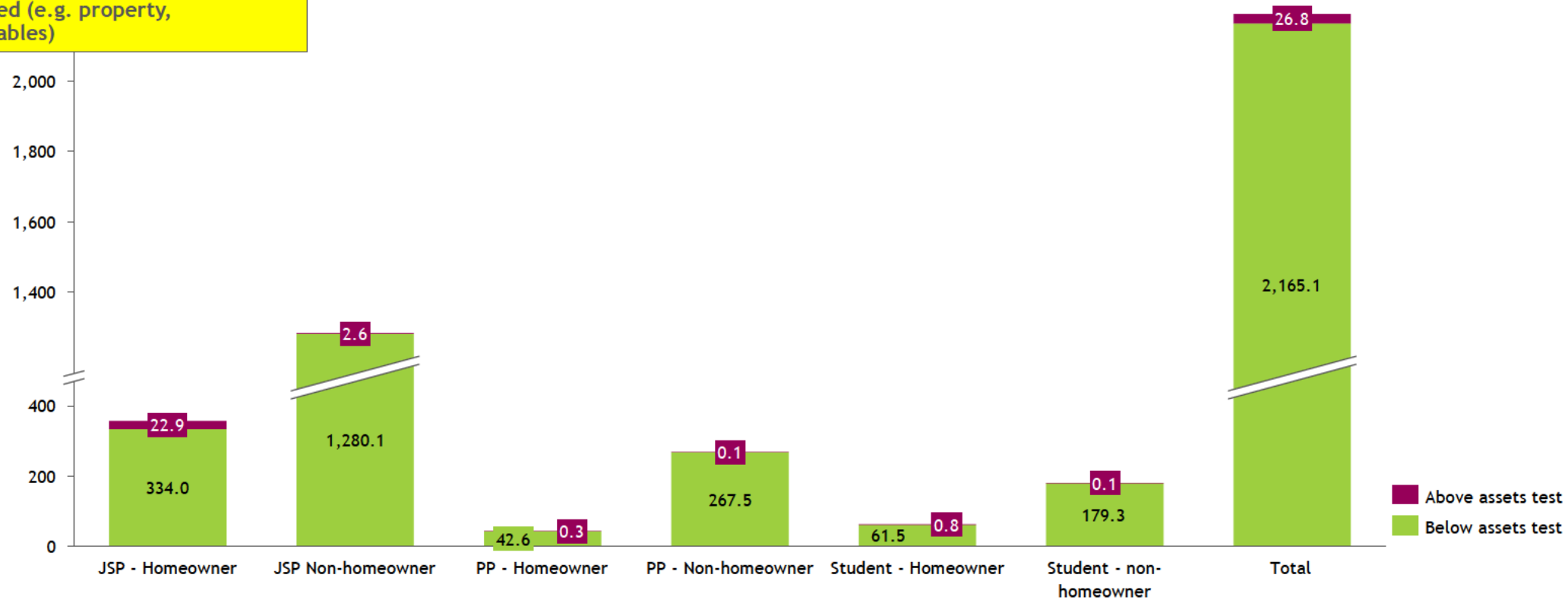
Preliminary impact assessment - requires unit-level data to confirm and verify

Backup: ~27k recipients expected to be ineligible under assets test

AA 22.May.20:

Mary understands that this only reflects financial asset information - that other asset information was not collected (e.g. property, collectables)

Based on currently available data collected by Services Australia - actual numbers of ineligible recipients may well be higher



Note: Asset data as at 8 May 2020 used as proxy for September 2020; YA(s) asset information assumed to be consistent with AUSTUDY and ABSTUDY; Figures include recipients on nil rates
Source: DSS Data, BCG analysis

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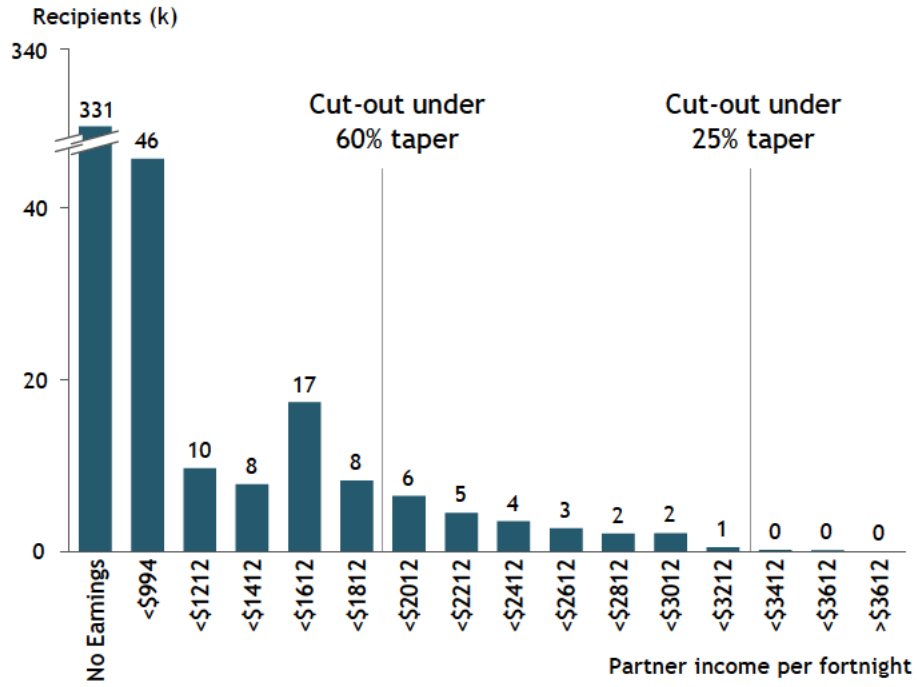
Preliminary impact assessment - requires unit-level data to confirm and verify

Backup: ~20k JS recipients likely to be removed from payment when Partner [illegible] erts to 60% taper

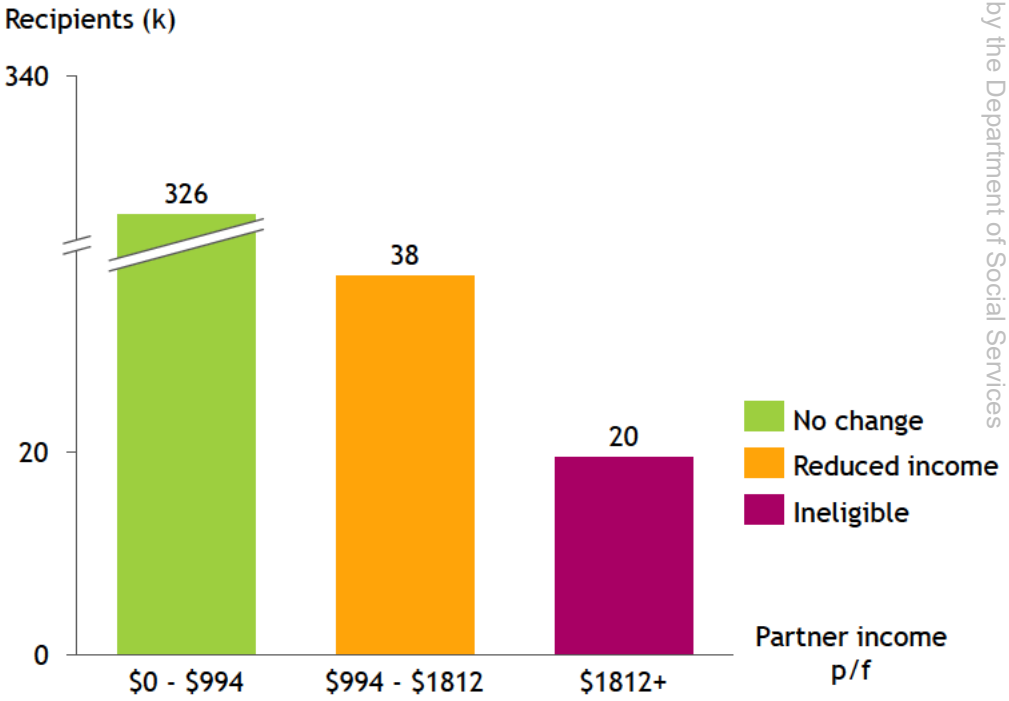
When JK drops off, what impact will this have on this distribution?

Show pre-COVID distribution, and how this may have changed

[illegible] distribution for JSP recipients [illegible]



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, BCG analysis

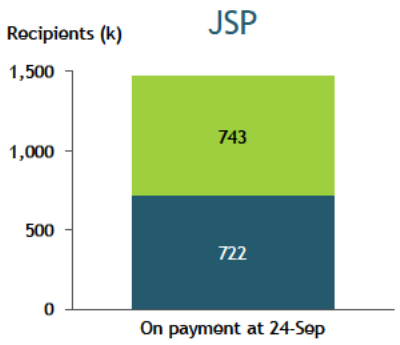
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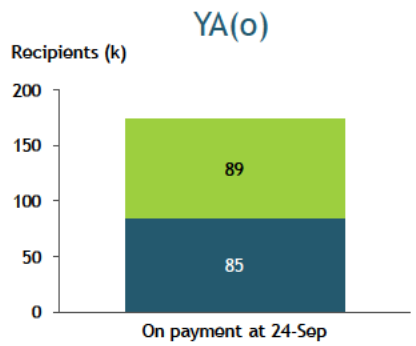
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Preliminary impact assessment - requires unit-level data to confirm and verify

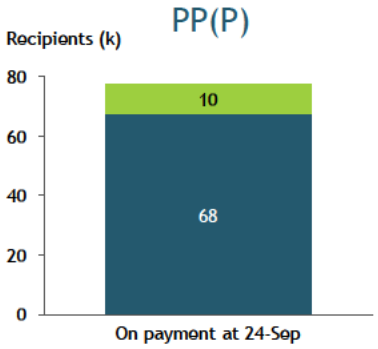
Backup: 900k+ recipients likely required to update information

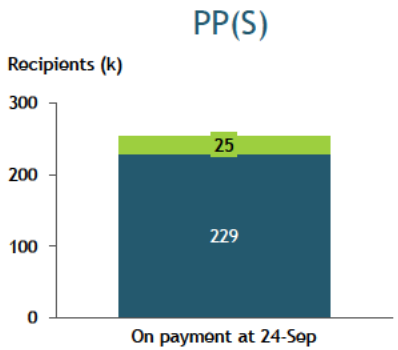
Jobseekers



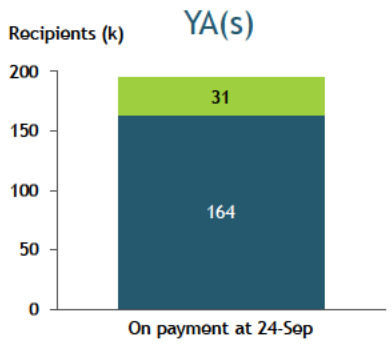


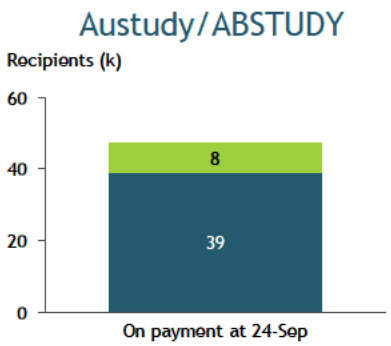
Parents





Students





"New" recipients, joined after 13-March-2020 "Old" recipients

Note: "New recipients" include those on nil rates
Source: DSS Data, BCG analysis

Information potentially required

Amount of assets, and proof of some assets (e.g. bank account balances)

Proof of rental arrangements

Relationship verification

...

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4th Illustrative Option

- New 3-tier working age payment
- Student payments
- FTB A & B

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Summary: Illustrative Option 4 - New 3-Tier payment

Objective: Create a simplified payment structure that targets support based on need and capacity to self support, is easier for recipients to navigate and provides clearer incentives to work

Key changes from current settings

New 3-tier working age payment	Replaces JSP, PP(P), PP(S), YA(o) • 3 tiers that reflect capacity to work • IFAs and tapers aligned with pensions, modernised working credit
Roll YA(s) and Austudy together into a tiered student payment	Replaces YA(s) and Austudy Aligns eligibility and conditions for students regardless of age (except for <18s who stay on lower rates)
Absorb part of Special Benefit cohort into new 3-tier payment	Remove age limits on working age payment, to absorb >65yo Special Benefit recipients Expand visa class eligibility to absorb TPV holds into 3-tier payment
Streamline FTB A & B	Streamline FTB A and B into a single means-tested payment Potentially, deliver through tax system (via Services Australia) for salary-earners
MOCA process simplified	• Simplification of Member of a Couple Assessment

Impact

2.3m recipients move to new payments	Comprised of: • ~2m on new working age payment • ~250k on new student payment
57k+ recipients no longer eligible for income support	Ineligibility driven by: • Too much in assets: 27k • Partner income too high: 20k • Sole trader / self employed: 10k
Older and <14hr PCW Australians receive a higher rate	• Over 50 year olds and JSP recipients with an assessed capacity to work <14 hours receive the mid-tier rate (~612 p/f)
~750k families exit welfare system for their FTB	• Delivery of FTB for non-ISP recipients outside the welfare system removes 750k families
Simpler, stronger incentives to return to work	• Simpler FTB taper rates, fewer cliffs • Increased IFAs, decreased ISP taper rates, and expanded working credit

Implications

- Significant legislative reform package - unlikely to deliver by September 2020
- May therefore also require an interim package
- Significantly increased rewards and incentives for work across system
- Substantial simplification of the system - clears aspects of the "reform backlog"
- More complex package to communicate

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Context: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate $462.50 f/n plus supplements, with mutual obs
- $143 IFA, 50-60% income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to $565.70 f/n plus supplements, mutual obs continue
- $104 IFA, 50-60% income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) till child turns 8
- Payment rate increases to $790.10 f/n plus some additional supplements, no mutual obs
- $188.60 IFA 40% income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to $612.00 f/n plus some additional supplements, part time mutual obs
- $143 IFA, 40% income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate $304.60 f/n, full-time study load, casual work
- $437 IFA, 50-60% income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to $565.70 f/n, now has mutual obs
- $104 IFA, 50-60% income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to $462.50 f/n, full-time study load, casual work
- $437 IFA, 50-60% income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to $565.70 f/n, now has mutual obs
- $104 IFA, 50-60% income taper, working credit 1,000 limit

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Three broad options for a new 3-tier working age payment

	1 3-tier WAP	2 WAP Tiers incl Youth	3 Student and WAP Tiers
Description	JobSeeker Payment, Parenting Payment and Special Benefit are rolled into a 3-tier system **Highest Tier - $790.10** • Parenting Payment Single & JSP MO-exempt **Middle Tier - $612.00** • JSP Single PCP • JSP PCW • JSP Mature Age • SpB Mature Age **Base Tier - $565.70 (Single) or $510.80 (Partnered)** • JSP Single • JSP Partnered • PPP	All payments from Option 1, and now including Youth Allowance (Other) **Highest Tier - $790.10** • YA(O) MO-exempt **Middle Tier - $612.00** • YA(O) Single with Children **Base Tier - $565.70 (Single), $510.80 (Partnered), $304.60 (>22 At Home), $462.50 (>22 Away from Home)** • YA(O) Single Aged 16 – 24 • YA(O) Partnered • YA(O) Long-term rates Note: May require more than 3 tiers	New 3-tier payment as per Option 2, plus consolidate YA(s) and Austudy into a new tiered student payment Includes aligning policy settings for YA(s) and Austudy, e.g.: • Definition of "Full-time study" • Allowable time to complete course • Temporary incapacity exemptions • Adequate progression • Eligibility for supplements Recipients would be grandfathered for the duration of their current course
Pros	✓ Simpler payment structure for recipients ✓ Smoother transition for those moving between JobSeeker & Parenting Payment ✓ Higher rates for those with PCW or Mature Age recipients	✓ Simpler payment structure for recipients ✓ Smoother transition for those moving between JSP, PP, and Youth Payments ✓ Higher rates for those with reduced capacity to self support through work	✓ Simpler payment structure for recipients ✓ Consistent rate structure for unemployment and studying for adults and youths ✓ Maintains payment incentives around work/studying
Cons	x JSP PCP and PPS recipients on 40c taper would move to new 50c taper resulting in reduced income cut out levels x Perception of applying additional obligations to parents	x Changes to YA(O) but not YA(S) would appear inconsistent x Requirements for independence and parental means tests less clear for youth recipients	x Requirements for independence and parental means tests less clear for youth recipients if same payment

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Backup: Illustrative payment rates table (Option 3)

	Current[1]									Option 3									Changes in red
Per fortnight	JS	YA(o)		YA(s)		AUSTUDY	ABSTUDY[2]			Working Age Payment (merging JS and YA(o))			Students Payment (merging YA(s) & Austudy)			ABSTUDY[2]			
Age	22+	16-17	18-21	16-17	18-24	25+	<16[2]	16-17	18-21	22+	16-17	18-21	22+	16-17	18-21	22+	<16[2]	16-17	18-24	22+
Single	565.70					462.50				565.70			565.70			462.50				565.70
Living at home		253.20	304.60	253.20	304.60		<253.20	253.20	304.60	565.70	253.20	304.60		253.20	304.60		<253.20	253.20	<304.60	565.70
Living away from home		462.50		462.50			462.50	462.50	462.50	565.70	462.50			462.50			462.50	462.50	462.50	565.70
Single w dependent child[4]	612	606		606		606		606		612	612			612			612			612
Single w child / MO exempt	790.10	790.10		790.10		N/A		N/A		N/A	790.10			N/A		N/A		N/A		N/A
Partnered, no children	510.80	462.50		462.50		462.50		462.50		510.80	462.50		510.80	462.50				462.50		510.80
Partnered w children	510.80	507.90		507.90		507.90		507.90		510.80	510.80		510.80	510.80		510.80		510.80		510.80

Aligned to JSP parent rates, to support simplification

1. Lower $34.80 rate for <16 y/o in tertiary education; 2. Specific rates for different forms of care applies for ABSTUDY recipients aged <21 years, e.g., tertiary/state care; 3. A qualifying child under JS is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

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Key decision: Rolling Special Benefit into Jobseeker

AA 22.May.20:
NW happy to see both cohorts considered for rolling over to JSP

on Special

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,801 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790 (85%) or Partner Visa (14%)
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,201 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker / new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

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Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;
2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

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FTB A & B: Policy goals and key issues to address

Policy goals of the payment

Primary goal: Support low and low-middle income families with a contribution toward the cost of raising children (key focus of FTB-A)

Secondary goal: Support parents to spend more time with their children, especially young children (key focus of FTB-B)

Note: FTB also makes a large contribution towards reducing overall income inequality in Australia

Note that FTB makes a smaller contribution now than it used to - and this impact is diminishing

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- Costs typically step up at primary school and high school, while FTB-A steps up at 13yo, and FTB-B steps down at 5yo

Split A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- Impacts particularly on recipients of only FTB-A, which provides a consistent amount per child

Delivery via Services Australia brings >750,000 additional people into the welfare system - with ~57% of FTB recipients not on an income support payment

EMTR cliffs - at a primary income of $100k for FTB-B, and at base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB A & B: Potential reform options

Outstanding issues to address:
- How does this impact on Child [illegible]care?

Just explore Option 2 - with more permutations:
- **Some options need to deliver savings**
- **Needs to not extend FTB to more families than have it today**
- **Maybe have a rate for 2nd & 3rd child, and then another rate for 4th & subsequent children**

	1: Roll part or all of FTB-B into base welfare payments	*Example rate table on next slide* 2: Roll FTB A & B together into a new single supplement	
Description	Reduce or abolish FTB-B and roll the savings into relevant welfare payments which parents receive	New single supplement designed to: • Align to the increasing costs of raising children as they get older • Reflect economies of scale in the family budget • Be simpler, with fewer special rates and add-ons	Pay to non-ISP recipients via tax system (administered by Services Australia) Pay to ISP recipients via welfare system
Pros	✓ Simplifies FTB structure	✓ Simplifies FTB structure ✓ Strengthens support for families by aligning payments with actual costs	✓ Simplifies FTB structure ✓ Strengthens support for families by aligning payments with actual costs ✓ Removes 750,000 people from the welfare system
Cons	x 550,000 recipients of FTB-B who do not receive an income support payment would lose part or all of their FTB support	x Still holds ~750,000 people in the welfare system who are not on an income support payment	x Substantial, difficult change in service delivery arrangements

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB A & B: Example rate table – combined single payment

		FTB-A		FTB-B	
Current rates	**Age**	**0-12**	**13-19**	**0-5**	**5-18**
	Rate	5621	7081	4500.45	3255.8
	Taper	20% over $54,677 + 30% over $98,988		Primary income earner: Cut-off at $100,000	
				Secondary income earner: 20% over $5,694	

		Single FTB Payment		
Illustrative example	**Age**	**0-5**	**6-12**	**13-18**
	Rate – First child	10121.45	10851.45	11581.45
	Rate – Subsequent children	5621	6351	7081
	Taper	20% over $54,677		

1. Or 93.07 if sharing a dwelling 2. Or $185.36 if three or more children 3. Assuming 1 child only, aged <12yo 4. Assumes a child 5-15 yo

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement; To get to Illustrative example rates the following steps were followed: (1) Start with the FTB-A rates for 0-5 and 13-18, (2) Roll FTB-B <5yo amount into the applicable FTB-A amounts, (3) For the subsequent child rate, reallocate 25% of the FTB-A amount into the First Child rate, (4) then take an average of the 0-5 and 13-18 rates to produce the 6-12 rates

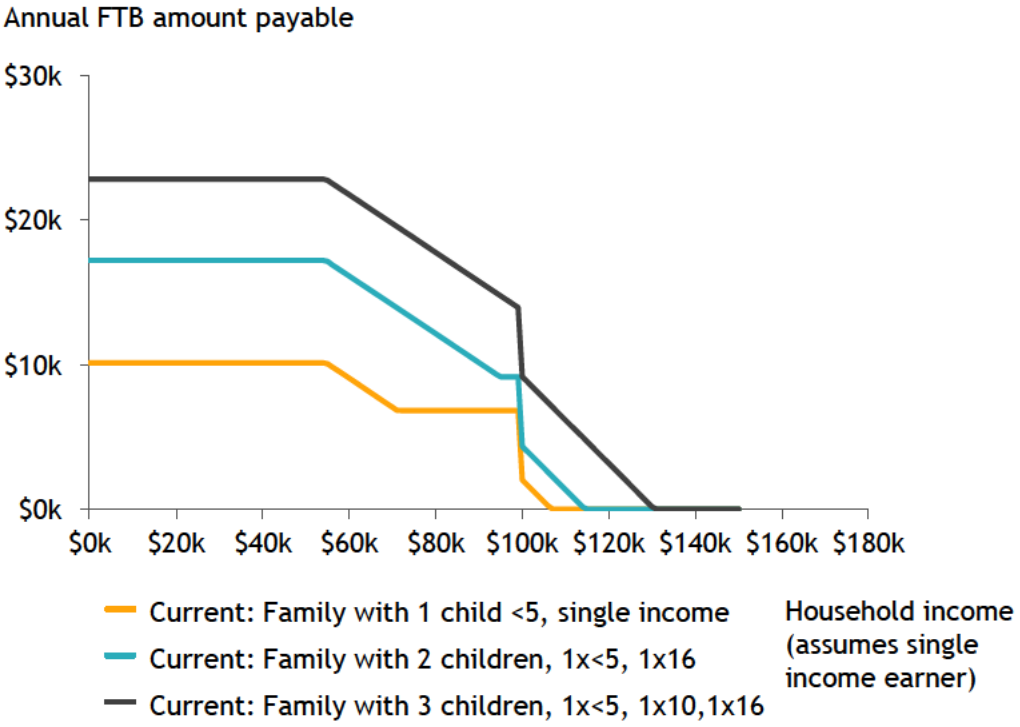
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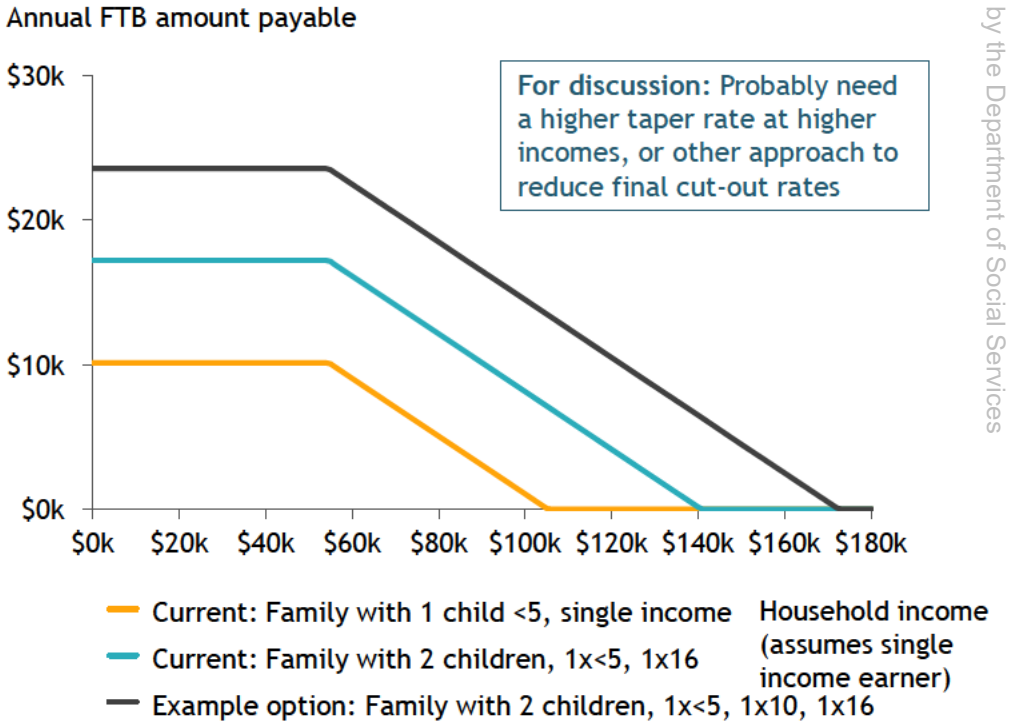
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FTB: Worked example for a combined single payment

From: Current FTB income test curves



To: Example FTB income test curves (20% taper)



Source: BCG analysis

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Other topics:

- Mature aged / PCW rate within Jobseeker
- Member of a Couple Assessments
- Assets test – transition pathway

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Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	JSP 60+ on payment for 9 months	JobSeeker Payment Limited Capacity Rate
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 50+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $174

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Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort - at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 - 29 hours

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Backup: Mature Age and PCW Demographics

WORK IN PROGRESS

Make the green cover just the LHS two columns - need to prove PCW via a government contracted doctor in order to get the higher rate

Assessed capacity to work

Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	TBC	TBC	TBC
50+	4,785	147,707	124,548
55+	3,616	107,342	87,619
60+	2,313	62,229	54,705
TOTAL	TBC	TBC	TBC

More than 50 per cent of Jobseeker recipients over the age of 50 have a partial capacity to work.

Those with <15 hrs/week capacity are less likely to have earnings (7.6 per cent vs 17.1 per cent of the general Jobseeker population, pre-COVID)

Propose to include in new rate

Note: Data as at May 2020
Source: DSS data, DSS and BCG analysis

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MOCA review quantities and population data in appendix

Member of a Couple - Three potential changes from today

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:

Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:

Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:

Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose <u>not</u> to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 28,000 individuals currently in receipt of JobSeeker have assets above the threshold - the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September - to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily loosening unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Next steps

Refine cohort impact analysis with unit-level data

- Including impact of NARWP and end of C-19 eligibility changes

Continue to detail out the 3-tier payment option

- Rates, eligibility, interaction with other parts of the tax & transfer system, etc.
- Next level of detail on student payments and FTB
- Explore options around waiting periods, indexation, and consolidation of supplements

Continue adding policy features and reform levers to the model, and improve accuracy

For discussion: Prepare next briefing for the Secretary?

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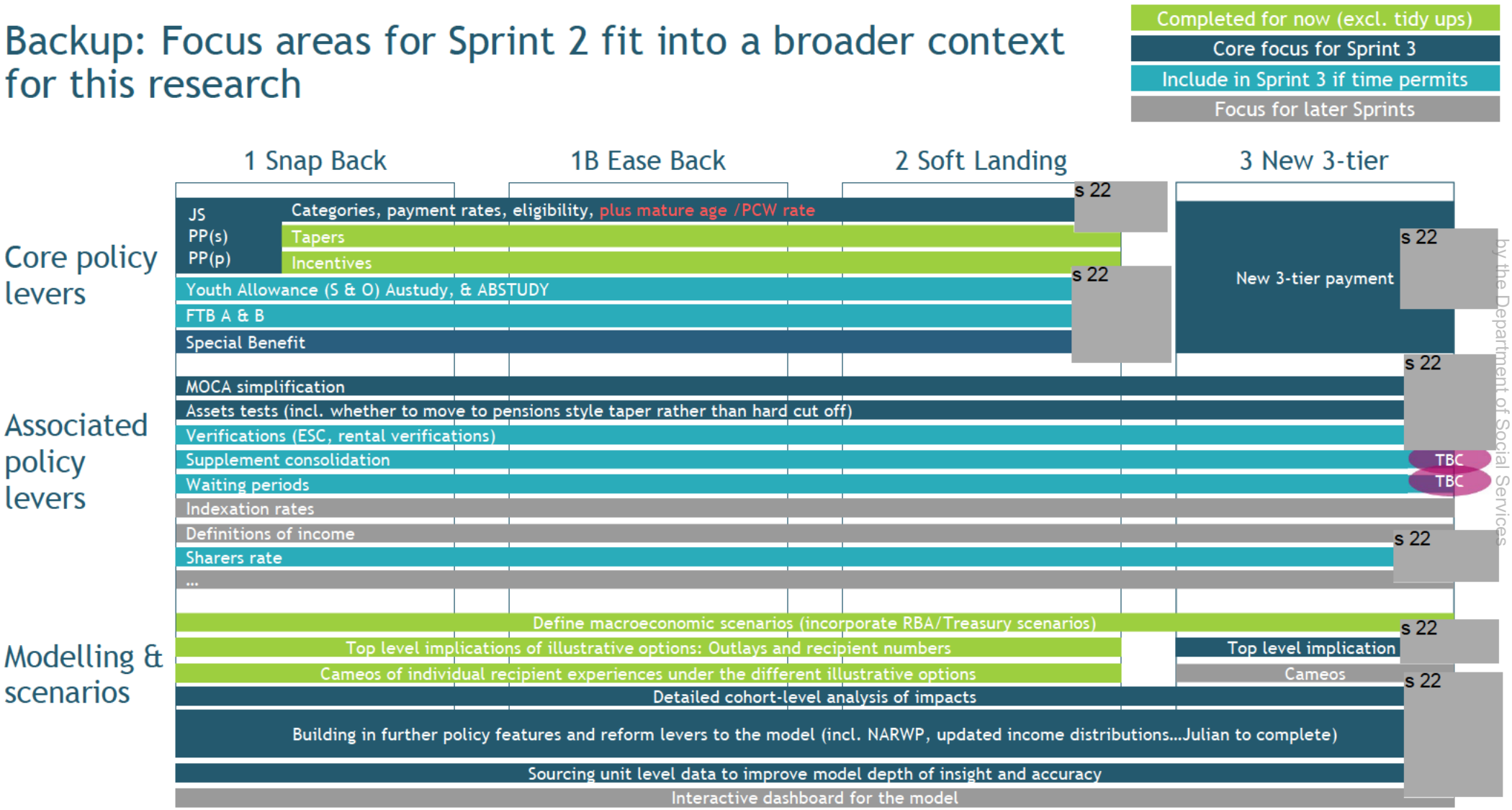
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Backup: Focus areas for Sprint 2 fit into a broader context for this research



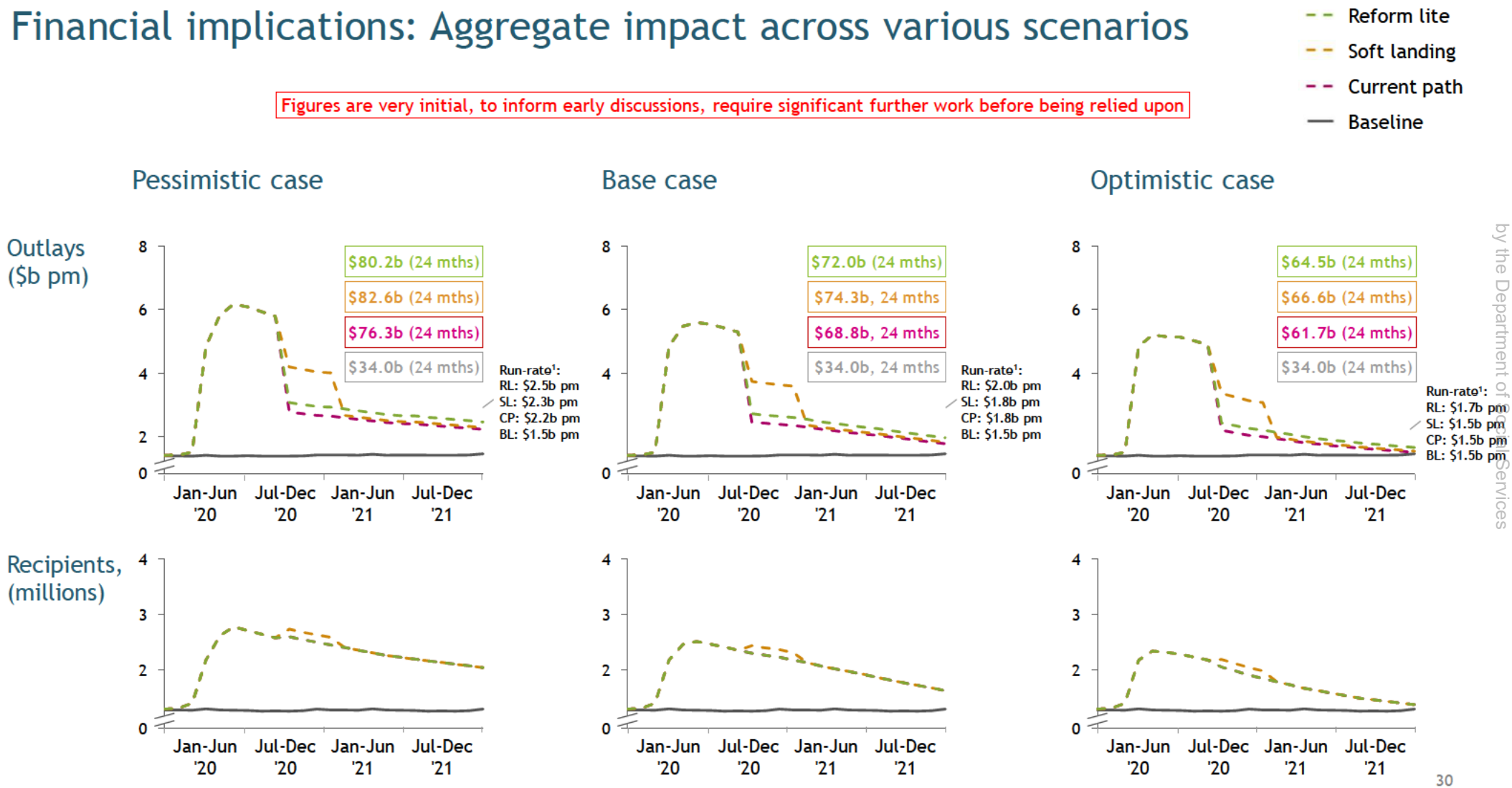
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Financial implications: Aggregate impact across various scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon



1. Monthly outlays forecast for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit

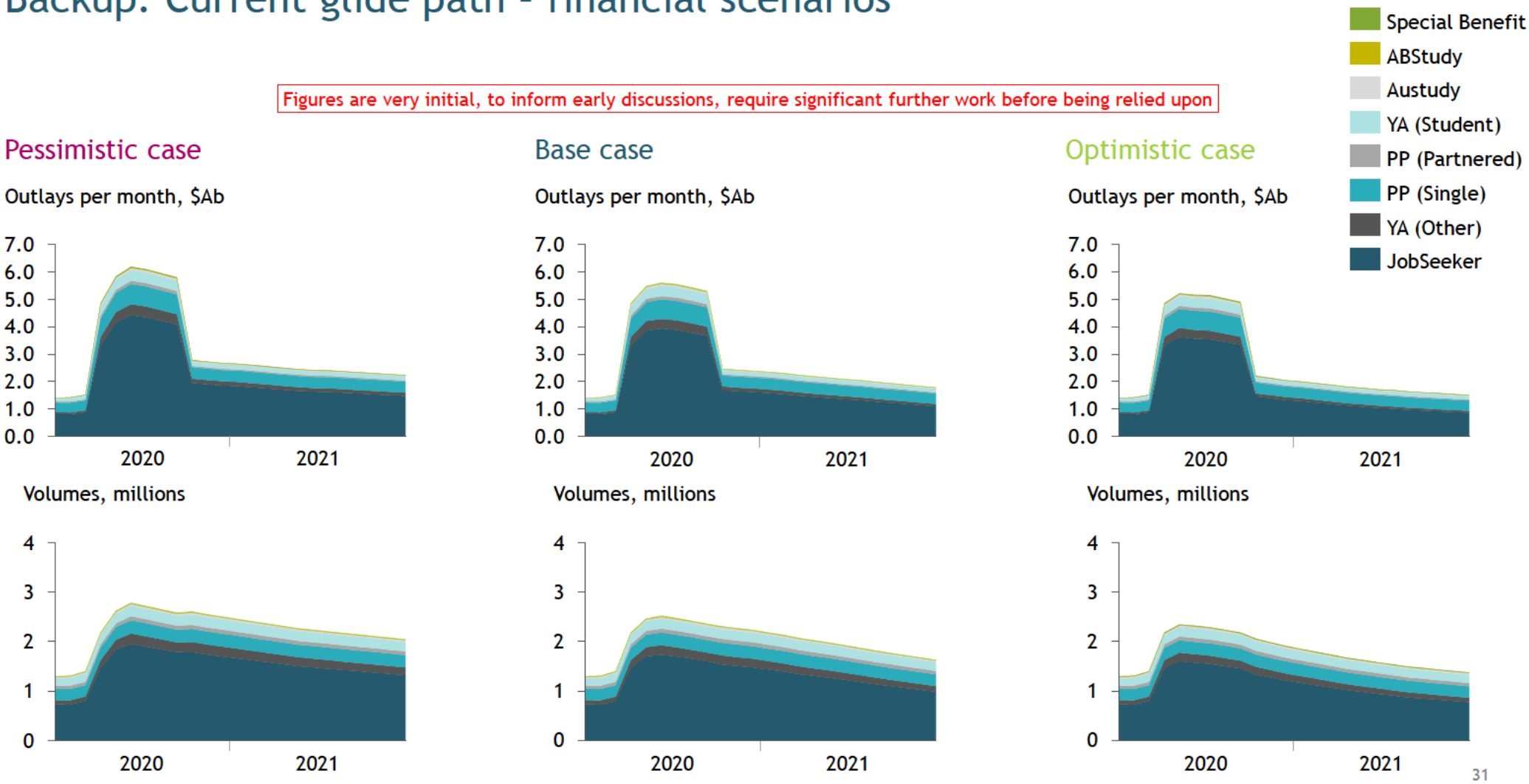
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Backup: Current glide path - financial scenarios

Figures are very initial, to inform early discussions, require significant further work before being relied upon



Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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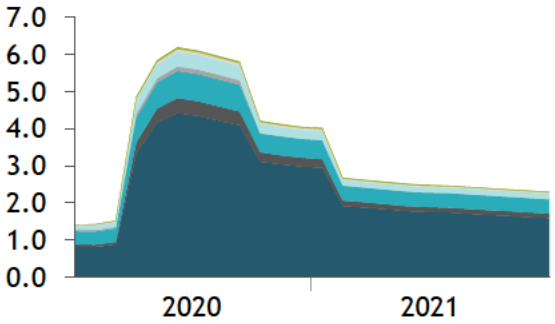
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Backup: Soft landing - financial scenarios

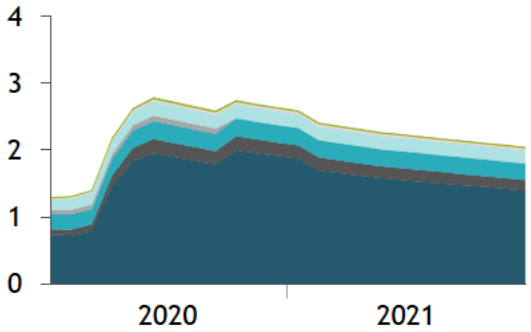
Figures are very initial, to inform early discussions, require significant further work before being relied upon

Pessimistic case

Outlays per month, $Ab

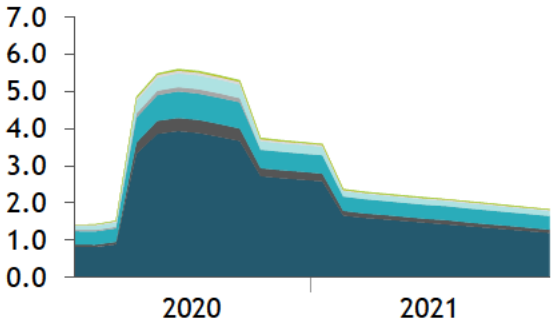


Volumes, millions

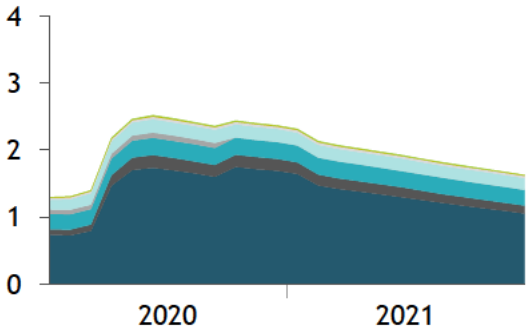


Base case

Outlays per month, $Ab

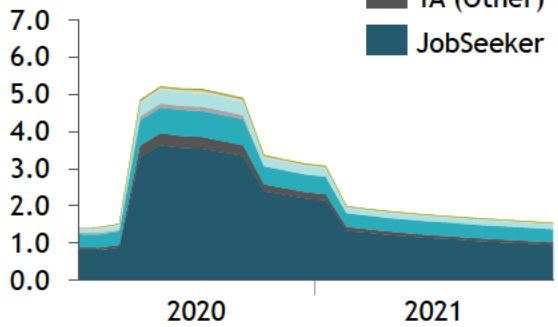


Volumes, millions

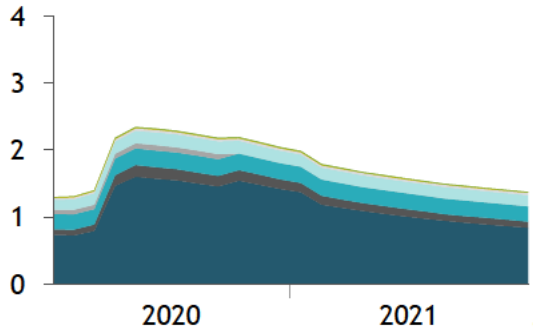


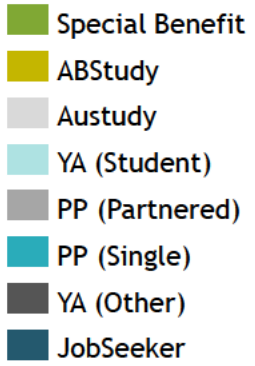
Optimistic case

Outlays per month, $Ab



Volumes, millions





Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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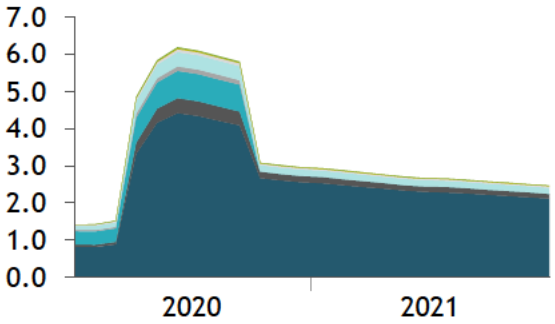
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Backup: Reform lite - financial scenarios

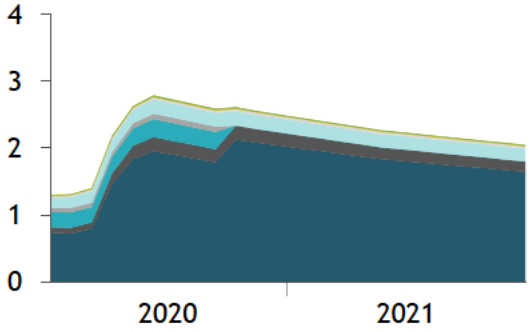
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Pessimistic case

Outlays per month, $Ab

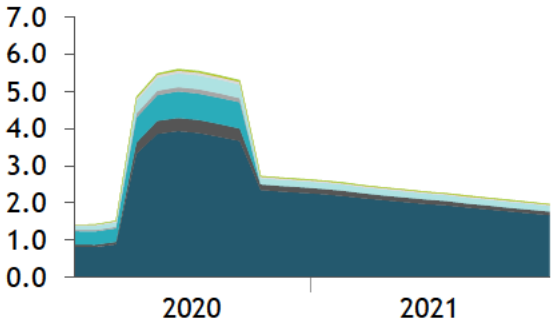


Volumes, millions

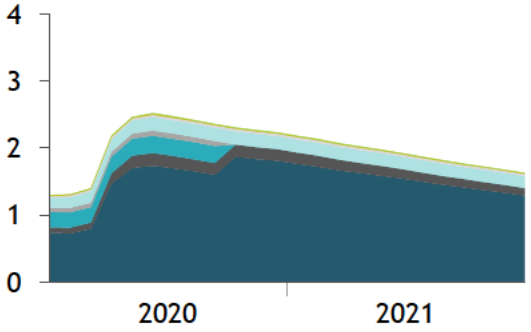


Base case

Outlays per month, $Ab

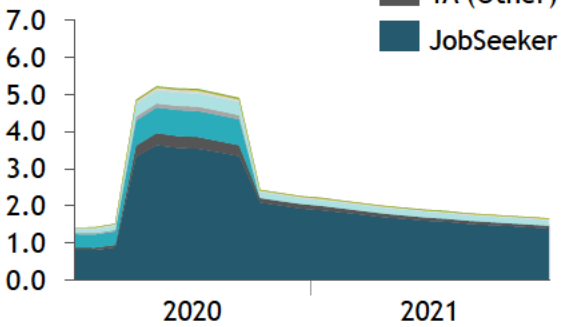


Volumes, millions

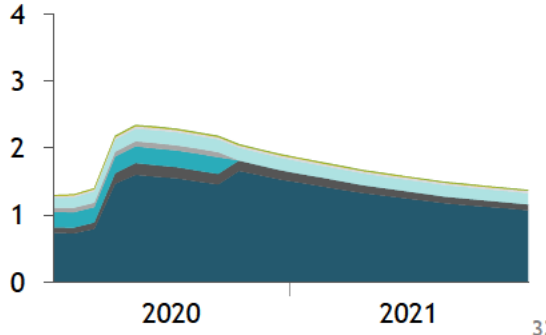


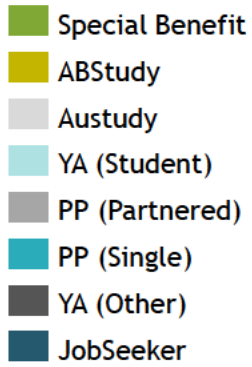
Optimistic case

Outlays per month, $Ab



Volumes, millions





Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy

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Coronavirus Supplement Extension - options

	Included in income test	Excluded from income test
$200 p/f for 4 months	**A** Additional cost: ~$3-5b Implications: • **Highest cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $400 p/f (50c taper)	**B** Additional cost: ~$3-5b (~$30m less than with income test) Implications: • **Higher cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 4 months	**C** Additional cost: ~$1-3b Implications: • **Lower cost**; sharp reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $200 p/f (50c taper)	**D** Additional cost: ~$1-3b (~$10m less than with income test) Implications: • **Lowest cost**, sharp reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Figures are very initial, to inform early discussions, require significant further work before being relied upon

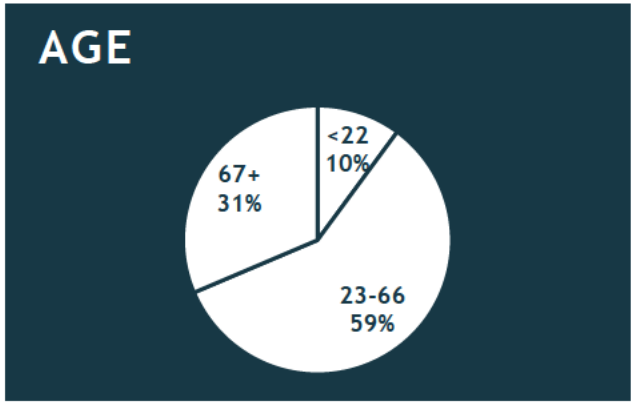
Source: BCG analysis, DSS data

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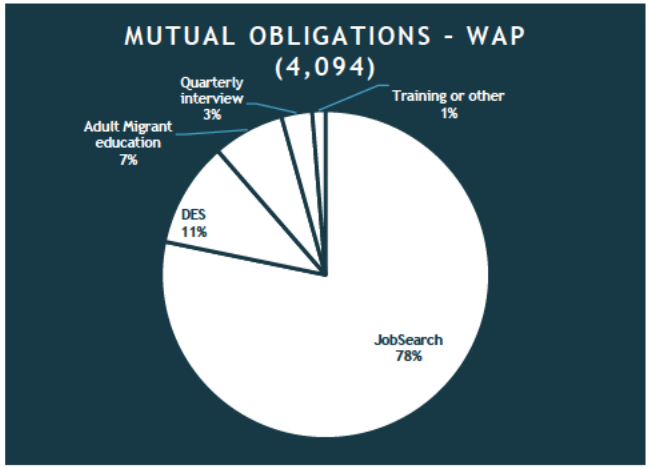
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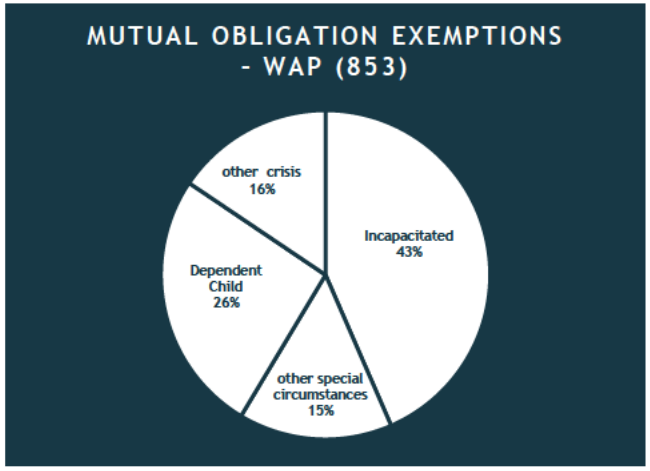
Appendix - Cohort analysis of working age Special Benefit recipients

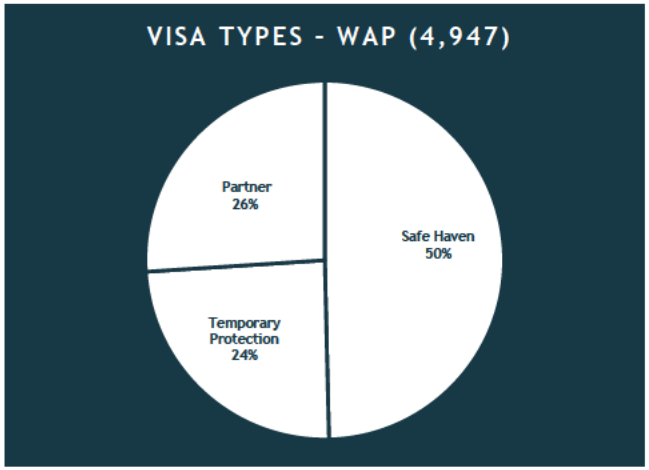


Working Age Recipients

- Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)







Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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Appendix – Member of a Couple Compliance

- Targeted member of a couple compliance activities provide low downward variation (1-6%) and cancellation rates (1-4%). SUOR reviews
  - The taskforce integrity unit,
  - MOCA high risk assessments,
  - The random sample survey
  - Third Party Verification
- This probably reflects a success rate that would be achieved by accuracy prompts or nudge interventions.
- Many member of a couple debts result in people forgetting to update Services Australia and a lack of clarity of own relationship status.
- Modern relationships are becoming more complicated and subjectivity is greater than ever before.

Measure	Taskforce Desktop reviews	Taskforce In person reviews	RSS results	Third Party Verification
Type	Targeted / less-intrusive / less vigorous	Targeted/ more intrusive/ more vigorous	Random/ intrusive / vigorous	Broadly targeted / less-intrusive/ not vigorous
Cancellation %	1.5%	4%	2%	<1%
Downward minus Upward Variation %	1.6% (3.2% down, 1.6% up)	6% (10% down, 4% up)	2%	1.3% (no up)
Debt raised %	1%	20%		<1%
average debt $	$1,530	$2,540		$5,235
No. of Reviews,	400	9000		1820

- Some results on this table are from 2017-18 (taskforce integrity and TPV) but reflect current trends

- Around 22 thousand (<1% of singles) complex MOCA assessments occur per year
- MOCA assessments lead to a speculated compliance save of between 10-24m per year.
- If a single accuracy prompt was applied with a 1 per cent success rate to 10 per cent of the single population to a wider population was completed, this save could increase to $130-150m with little administrative outlays

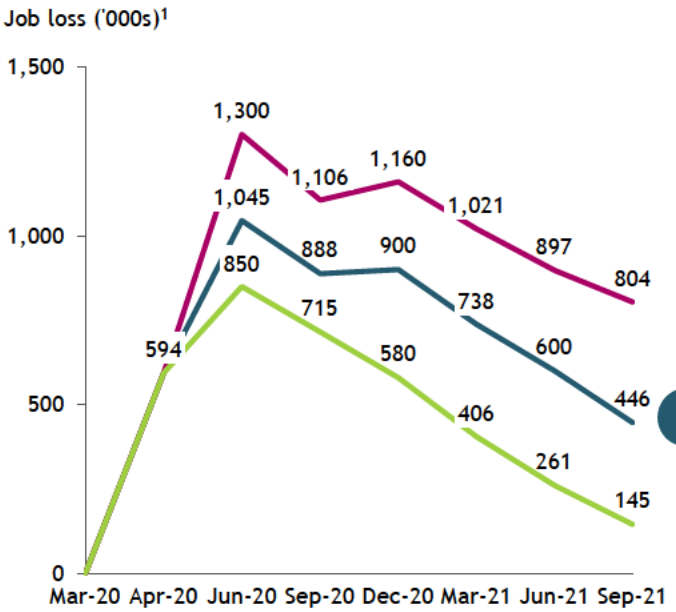
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Three macroeconomic scenarios to assess options against

Three scenarios for job loss recovery...

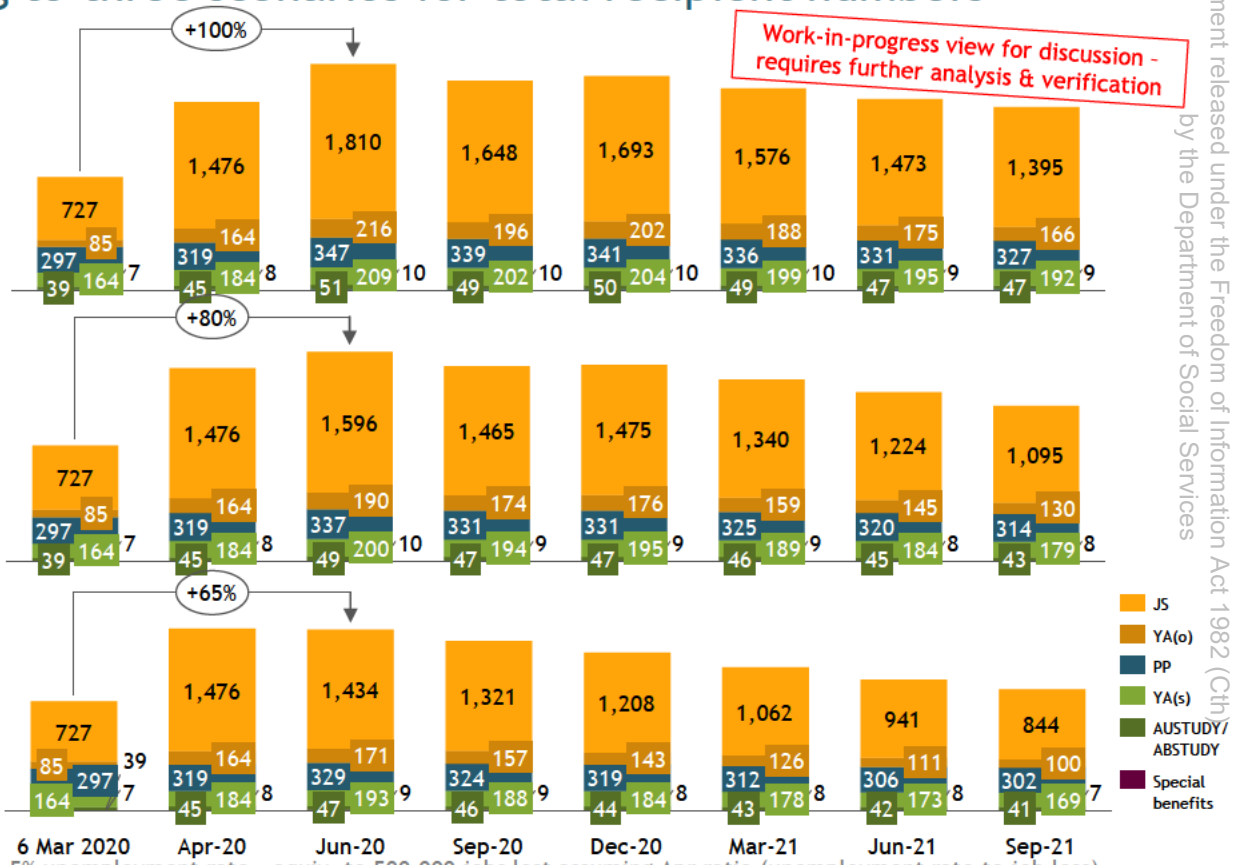


Key assumptions:[2]

- Optimistic case[3]: ~300k jobs to be lost post-JK
- Base case: ~200k jobs to be lost post-JK
- Pessimistic case[4]: ~115k jobs to be lost post-JK

...Leading to three scenarios for total recipient numbers

Work-in-progress view for discussion - requires further analysis & verification



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate - equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 850k job loss in Jun 2020 aligns with Citibank forecasts (856k); 4. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep
Source: ABS Data, DSS Data, Treasury estimates, RBA estimates, Senate media release, BCG analysis

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Backup: Key policy objectives for youth payments to consider when designing three-tier working age payment

Policy objectives for youth and student payments to uphold

- Designed to provide **means-tested income support** for youths and students based on parental and personal income
  - Aligns with societal expectation for parents to provide support for young adults where they have the means to do so
- **Incentivise work for adults aged 22+** by keeping student payment rates below unemployment rates
  - Same level of support for work and study is provided for adults aged 18-21 (with preference towards study)
- Implied expectation through policy settings that **students will supplement their own income through work when possible**
  - Youth disability supplement intended to support those with PCW
- **Targeted support provided to Aboriginal and Torres Strait Islanders** students through ABSTUDY, recognising unique circumstances, e.g., targeted support provided to teenagers, Masters and Doctorate students

Key issues to address if new three-tier working age payment is created

- Payment rates for recipients of different ages in different circumstance (dependent, away from home etc)
- **Ongoing inconsistencies between YA(o) and YA(s)**, e.g., age eligibilities, availability of long-term income support rates
- **Two separate student payments, YA(s) and AUSTUDY, adds complexity** in systems build and customer/staff understanding
  - Inconsistent payment rates for 25+ aged students
  - AUSTUDY satisfactory progress requirements allows allowable time to be exceeded before payment will cease; YA payments will cease once allowable time is exceeded
  - "Full-time study" requirement for YA(s) vs. "qualifying study" for AUSTUDY despite full-time study load requirement in practice
- **Ongoing transitions from YA to JS produces additional admin costs and workload**; [X] transition from YA (o) to JS each year
- **Large scale loss of part-time/casual work; reducing youths' ability to self-support**
  - 75% YA(s) received no earnings in Apr 2020 – an increase of 15 ppts from 60% in Sep 2020

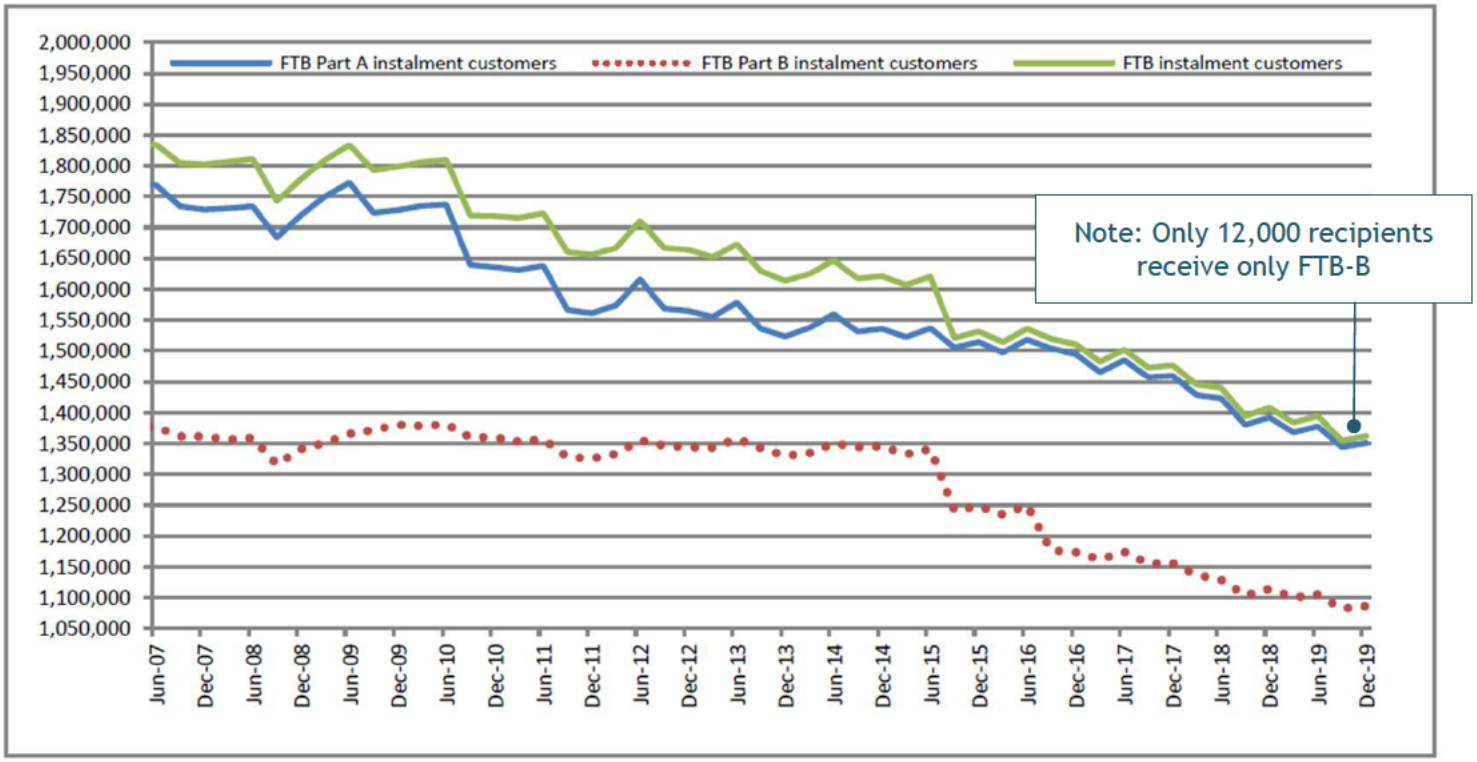
1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019), Department of Jobs and Small Business Australian Jobs Report (2019)

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Backup: FTB population trend over time



The decreasing trend in the population reflects:

1. Successive policy changes that tightened eligibility for FTB Part A from 2009 onwards.

2. Introduction of a reduced primary earner income limit for FTB Part B from July 2015 and changes that removed eligibility for couple families with a youngest child aged 13 - 18 years from 1 July 2016.

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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Backup: FTB population distributions by income, and ISP category

FTB Part A recipients: Distribution by family adjusted taxable income (ATI)

Combined ATI (estimates)	ISP		No ISP		Total	
	No.	%	No.	%	No.	%
No income	22,534	3.9%	4,194	0.5%	26,728	2.0%
Up to <40K	396,395	68.4%	84,896	11.0%	481,291	35.6%
$40K < $50K	66,497	11.5%	77,993	10.1%	144,490	10.7%
$50K < $60K	42,408	7.3%	108,929	14.1%	151,337	11.2%
$60K < $70K	23,325	4.0%	98,974	12.8%	122,299	9.1%
$70K < $80K	13,072	2.3%	99,466	12.9%	112,538	8.3%
$80K < $90K	6,866	1.2%	99,279	12.9%	106,145	7.9%
$90K < $100K	3,506	0.6%	103,060	13.4%	106,566	7.9%
$100K < $110K	1,701	0.3%	63,843	8.3%	65,544	4.9%
$110K < $120K	875	0.2%	17,943	2.3%	18,818	1.4%
$120K < $130K	532	0.1%	7,642	1.0%	8,174	0.6%
$130K < $140K	317	0.1%	3,156	0.4%	3,473	0.3%
$140K < $150K	218	0.0%	1,144	0.1%	1,362	0.1%
> $150K	991	0.2%	689	0.1%	1,680	0.1%
Total	**579,237**	**100.0%**	**771,208**	**100.0%**	**1,350,445**	**100.0%**

Note: ATI is an income formula used to determine eligibility for several tax offsets calculation, concessions and

Distribution by family type and Income Support Payment (ISP) status

FTB type	ISP		No ISP		Total	
	No.	%	No.	%	No.	%
Current FTB Part A						
Partnered	161,217	27.8%	514,041	66.7%	675,258	50.0%
Single	418,020	72.2%	257,167	33.3%	675,187	50.0%
Total	**579,237**	**100.0%**	**771,208**	**100.0%**	**1,350,445**	**100.0%**
Current FTB Part B						
Partnered	120,306	22.5%	305,801	55.4%	426,107	39.2%
Single	414,393	77.5%	246,069	44.6%	660,462	60.8%
Total	**534,699**	**100.0%**	**551,870**	**100.0%**	**1,086,569**	**100.0%**
Current FTB						
Partnered	161,217	27.8%	525,168	67.1%	686,385	50.4%
Single	418,020	72.2%	257,817	32.9%	675,837	49.6%
Total	**579,237**	**100.0%**	**782,985**	**100.0%**	**1,362,222**	**100.0%**

Note: Count of 'Single' recipients include unknown value for family type

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Friday, 5 June 2020 6:00 PM
To: WILLIAMSON, Nathan
Cc: s 22 Clancy, Trish; Carrasco, Miguel; MCLARTY, Mary; PATON, Kath
Subject: Project Canoe: Material for check-in
Attachments: Sprint 4 - Mid-sprint read-out vF.pdf

Hi Nathan

As foreshadowed, attached are the materials covering a couple of the key topics that we've been working on this week where it would be helpful to share and test our views with you.

The pack also introduces the Interactive Dashboard in the model we're building, and we're ready to give you a demonstration of that whenever time permits.

Looking forward to touching base briefly on Tuesday morning, let us know if it makes sense to set up a further session at any point, and I'll look forward to speaking then.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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Project Canoe

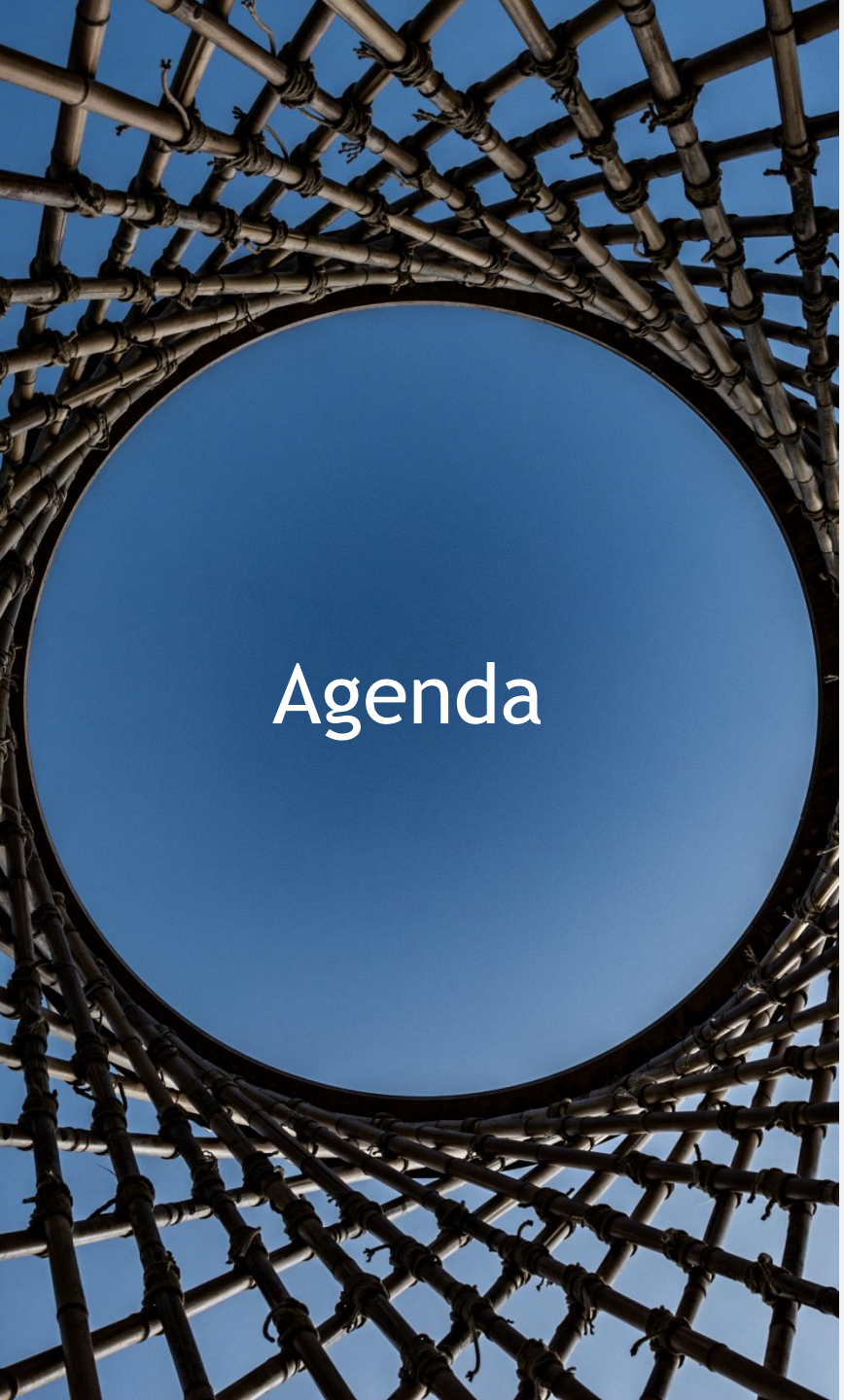
Sprint 4: Mid-sprint read out

5 JUNE 2020

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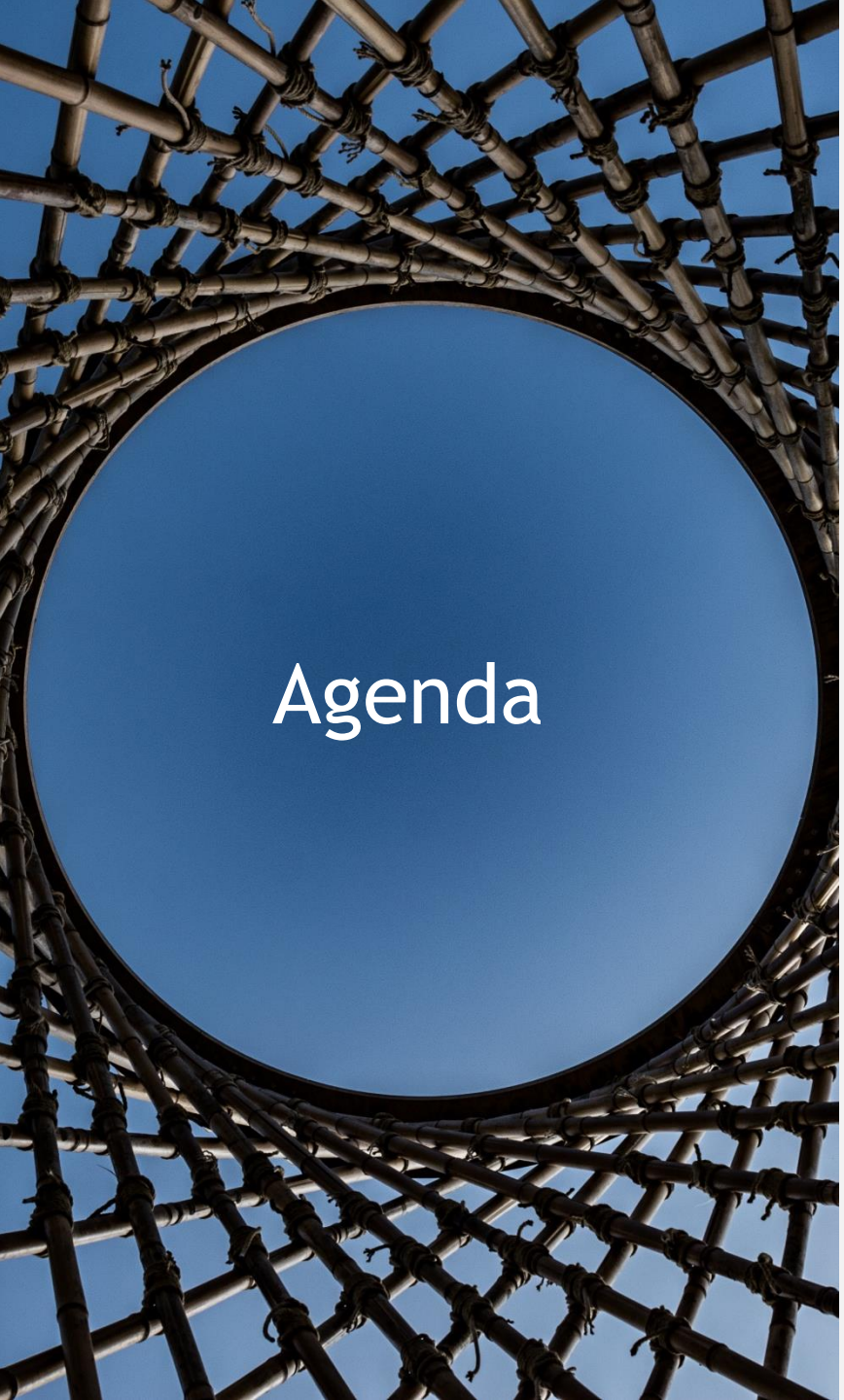
Agenda

Implications of two-stage approach	5 mins
Discuss specific policy settings for Stage One: 25 Sep - 20 Mar	20 mins
For feedback: Draft interactive dashboard	20 mins
Quick steering on three elements of Stage Two: • FTB (options for moving to a single rate) • Household income test • Streamlining waiting periods	10 mins
Next steps	5 mins

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Updated: Two-stage design for each package

Temp relief
Payment types
Rates
Incentives
Service delivery
Key changes

	1 Soft landing: No Stage 2	2 Lite reform: Lite Stage 2	3 Broader reform: Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (e.g. ~4-6 months)	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Streamline waiting periods	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Streamline waiting periods
Financial Impact[1]	In FY21: $57-67b (+$5b vs. Current Path) In FY22: $38-48b (+$0.1b vs. Current Path)	In FY21: $58-69b (+$6b vs. Current Path) In FY22: $41-53b (+$4b vs. Current Path)	In FY21: $58-68b (+$5b vs. Current Path) In FY22: $40-52b (+$3b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements Note: Working credit changes not yet incorporated in modelling . Source: DSS Data, BCG analysis

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Expect that each Stage needs to progress separately: 2 Cab Subs and 2 Bills

Separation creates tight window for Stage-Two legislation to pass

Assumes Package 3 "Broader Reform" adopted

Temp relief
Payment types
Rates
Incentives
Service delivery

Stage 1: C-19 Response

- Extend Coronavirus supplement at $100 p/f
- Extend C-19 'access to payments' measures
- Expand unrealisable assets discretion
- Align IFAs with pensions, max 50% tapers
- Expand & simplify working credit[1]
- Shift MOCA effort toward compliance
- Double the nil rate period to 12 fortnights

June 2020 — Government approvals
- MinSub
- CabSub

Mid-July — Parliamentary approvals
- Stand alone bill or part of omnibus bill?

Mid-August — System changes, prepare implementation, recipient comms

25 September 2020 — In operation[1]

Stage 2: Broader reform

- Merge into JSP: PP(P), PP(S), and YA(o)
- Merge into JobSeeker: SB >65yo cohort
- Merge into JobSeeker: SB TPV cohort
- Merge YA(s) and Austudy into new payment[2]
- New single FTB payment, tiered by child age[3]
- Lift rates by $100 p/f, absorb supplements
- Create new mature aged / PCW rate in JSP
- Streamline waiting periods

July 2020 — Government approvals as part of Budget process
- MinSub
- CabSub

6 October 2020 — Parliamentary approvals
- Likely incl. Senate inquiry

Mid-December — System changes, prepare implementation, recipient comms

20 March 2020 — In operation[2,3]

Budget handed down

2.5 months a tight window for legislation of this kind

Most of stage 2 implementation aligned to 20 March (ISP indexation date), except YA(s) merger and FTB changes

Note: In practice, system changes will need to commence prior to legislation passing
1. Working credit changes not expected to be implemented until 20 March 2020 2. Merger of YA(s) and Austudy would take place in January 2021
3. Moving to single FTB payment would most likely take place at end of financial year, so from 1 July 2021

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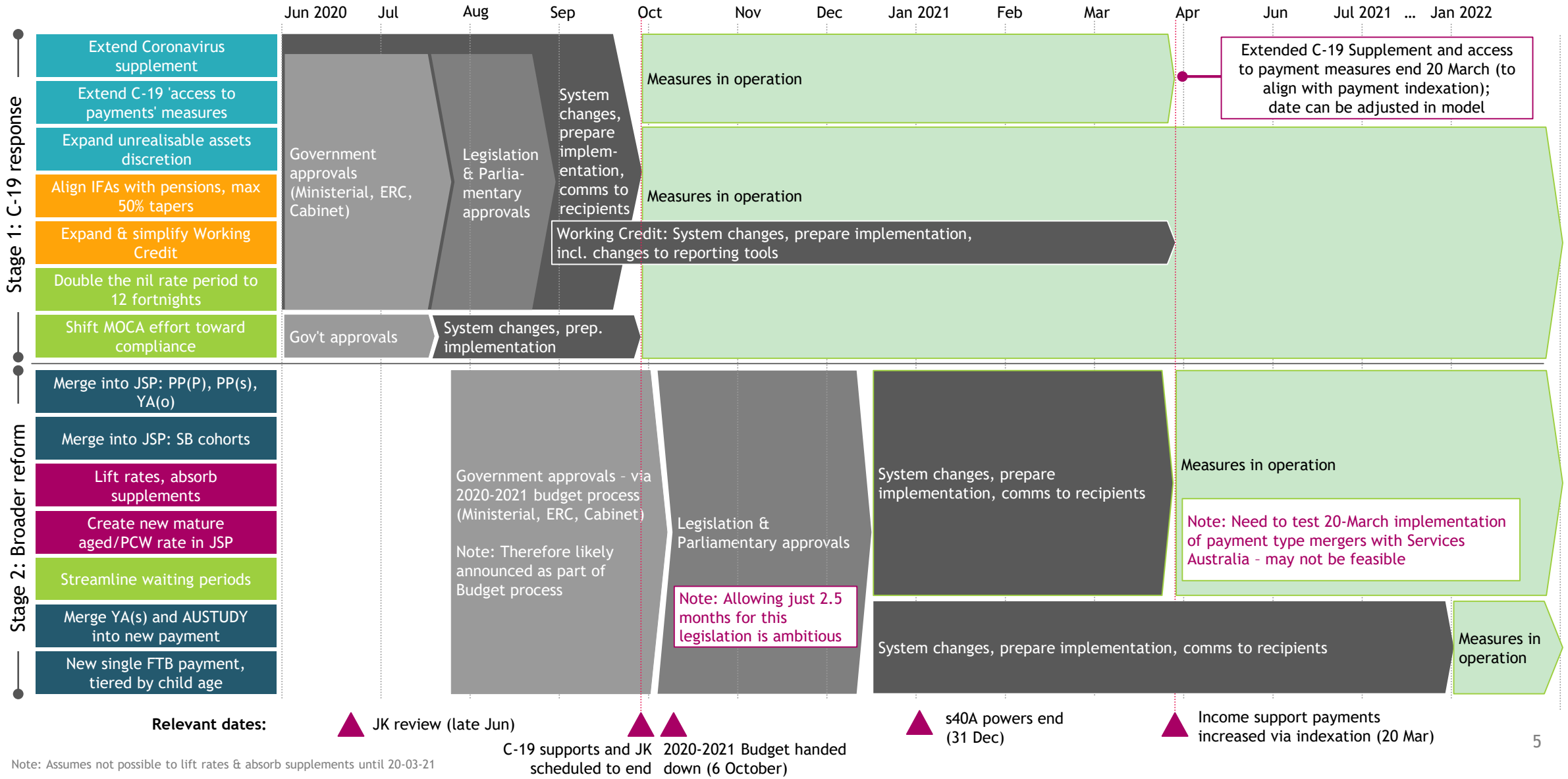
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Backup: More detailed timeline

These dates currently used in the modelling – able to be updated as required

Temp relief
Payment types
Rates
Incentives
Service delivery

Note: All timings need to be tested and refined with Services Australia

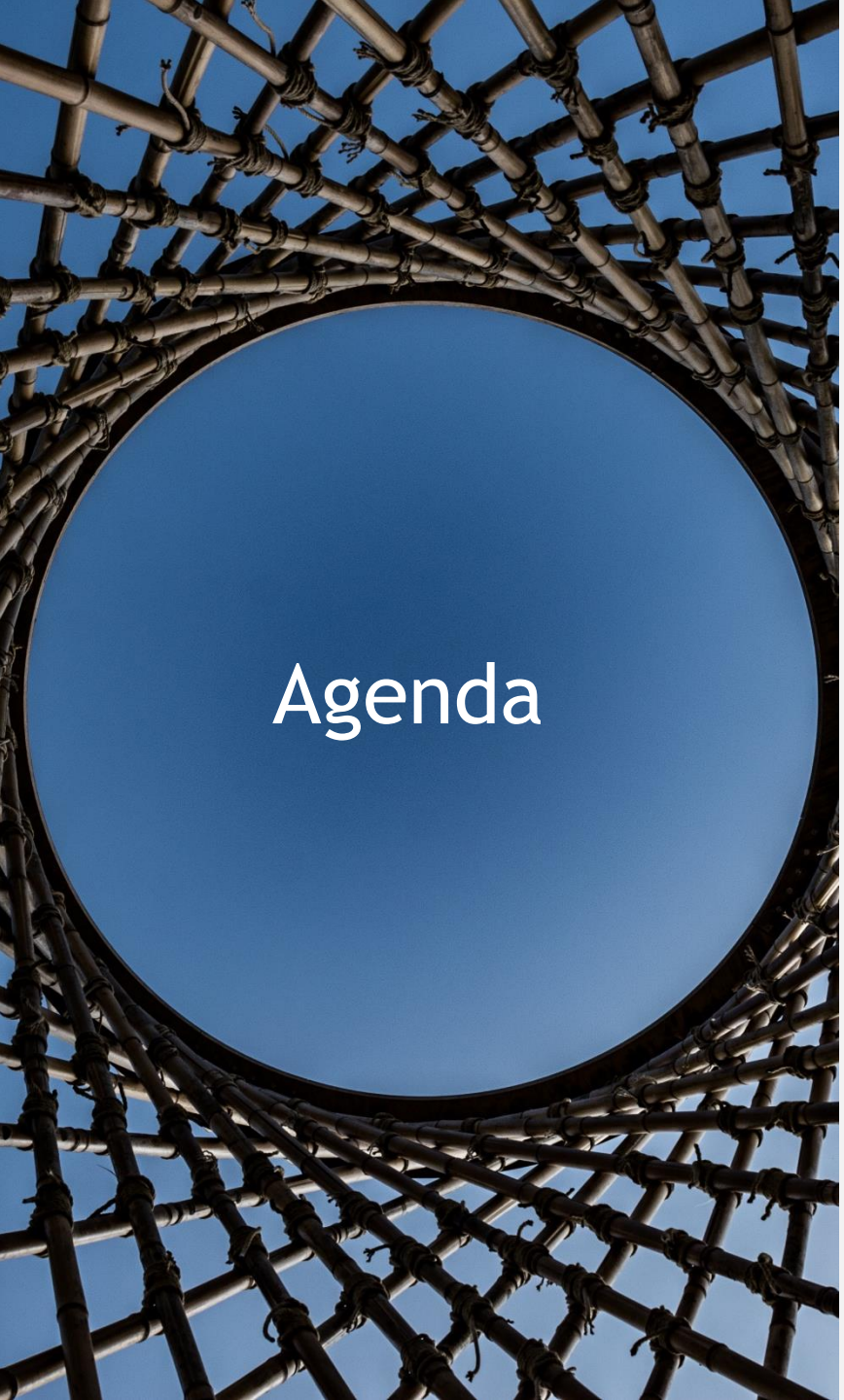


Note: Assumes not possible to lift rates & absorb supplements until 20-03-21

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Agenda

Implications of two-stage approach	5 mins
Discuss specific policy settings for Stage One: 25 Sep - 20 Mar	**20 mins**
For feedback: Draft interactive dashboard	20 mins
Quick steering on three elements of Stage Two: • FTB (options for moving to a single rate) • Household income test • Streamlining waiting periods	10 mins
Next steps	5 mins

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☆ For discussion today

Stage One: Policy measures that could be in place from 25 September 2020 to 19 March 2021

Note: Cost & saving estimates are indicative - actual costs of each option vary based on combination selected

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test ☆ — $500-$650m pm	Extend C-19 'access to payments' measures: assets test, verifications, partner income test eligibility expanded ☆ — $100-$300m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]
Rates	Lift rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, phone, APW, LLN ☆ — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates

Source: DSS data, BCG analysis

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Extend C-19 supplement or lift basic rates: Three options to consider

Preferred if system change possible by Sep '20 (likely to be challenging)

Preferred if system change not possible by Sep '20

Description

1: Extend supplement to 19 March 2021, then end

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	-
Students	$100 C-19 suppl.	-
PPS	$100 C-19 suppl.	-
PPP	$100 C-19 suppl.	-
SB	$100 C-19 suppl.	-
Energy, Pharma, Phone, APW/LLN	No change	No change

2: Replace supplement with lift in base rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 base rate lift	
Students	$100 base rate lift	
PPS	$25 base rate lift	
PPP	$100 base rate lift	
SB	$100 base rate lift	
Energy, Pharma, Phone, APW/LLN	Abolished for above recipients	

3: Extend supplement to 19 March, then replace with lift in basic rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	$100 base rate lift
Students	$100 C-19 suppl.	$100 base rate lift
PPS	$100 C-19 suppl.	$25 base rate lift
PPP	$100 C-19 suppl.	$100 base rate lift
SB	$100 C-19 suppl.	$100 base rate lift
Energy, Pharma, Phone, APW/LLN	No change	Abolished for above recipients

Implications

- Provides extra support through the worst of crisis
- No expansion of long-run costs

- Provides extra support for the long-term
- Achieves simplification quickly by eliminating supplements
- Only one point of change required
- Short timeline for implementation – may be challenging in terms of system changes

- Provides extra support for the long-term
- Achieves simplification by eliminating supplements
- Two points of change, Sep '20 and Mar '21, where recipient payments reduce
- Easier timeline for Services Australia

Cost

If Supplement / rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$1.7b	+$2.5b	+$3.3b
FY22[1]	No change	No change	No change

If Supplement / rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$2.2b	+$3.3b	+$4.3b
FY22[1]	+$2.0b	+$3.0b	+$4.0b

If Supplement / rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$2.3b	+$3.4b	+$4.5b
FY22[1]	+$2.0b	+$3.0b	+$4.0b

1. Delta against $59.4b for FY21 and $42.1b in FY22, assumes no COVID supplement, but extended C-19 supports and income test alignment included.
Source: DSS data, BCG analysis

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Backup: Example lift in long-term rates (Option 2 from previous slide)

Assumes eligibility for energy, pharma, telephone, and APW/LLN supplements wherever possible

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612	790.1	612	510.8	510.8
	Energy supplement	8.8	9.5	12	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.65	4.65	4.65	4.65	4.65	4.65
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Rent assistance cap[1]	139.6	164.08	164.08	139.6	131.6	164.08
	FTB A[2]	-	186.2	186.2	-	-	186.2
	FTB B[3]	-	110.6	110.6	-	-	110.6
	Total	**739.55**	**1114.03**	**1294.63**	**792.75**	**675.75**	**1005.03**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.08	164.08	139.6	131.6	164.08
	FTB A (unchanged)		186.2	186.2			186.2
	FTB B (unchanged)		110.6	110.6			110.6
	Total	**805.3**	**1172.88**	**1275.98**	**851.6**	**742.4**	**1071.68**
	Increase vs current	**65.75**	**58.85**	**-18.65**	**58.85**	**66.65**	**66.65**
Reference	UNSW Budget Standard[4]	867.36	1350.36	1350.36	867.36	N/A	N/A

1. Assumes not sharing a dwelling, and max family size of two children 2. Assuming 1 child only, aged <12yo 3. Assumes a child 5-15 yo 4. Standard assumes 1 child only in a family

Source: Services Australia Guide to welfare payments; BCG analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort). May need to compensate these recipients with a lump sum as they are not fully compensated by the $25 lift

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C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period
Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	28k+	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper	~63k[2]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
NARWP	~12k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	Unknown	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[1]	~550-650k new claims[3]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification

Implications

- **1: Revert to pre-covid settings from 25 Sep 2020**
  - ~99k recipients removed from payment from 25 September[4]
  - Regular claim process for anticipated wave of claimants when JobKeeper ends
  - Reduced cost for the welfare system in terms of outlays (not administration)
- **2: Stepped down measures until 20 Mar 2021**
  - ~78k recipients removed from payment 25 September
  - Some streamlining for anticipated wave of claimants when JobKeeper ends
  - Reduced cost for welfare system vs current C-19 measures
- **3: Extend measures in full until 20 March 2021**
  - No recipients lose eligibility
  - Continue current levels of support for new claimants as JobKeeper ends
  - Cost to welfare system from these measures continues at current levels

Cost vs. Current Path

- **1: Revert to pre-covid settings from 25 Sep 2020**: No change from Current Path
- **2: Stepped down measures until 20 Mar 2021**: +$0.5b vs Current Path
- **3: Extend measures in full until 20 March 2021**: +$1.0b vs Current Path

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, BCG analysis

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Backup: Further detail on the options

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020		2: Stepped down measures until 20 Mar 2021		3: Extend measures in full until 20 March 2021	
Assets Test	28k+	Reinstated	Asset testing resumes including reporting and compliance	Reinstated	Asset testing resumes including reporting and compliance	Waived	Asset test continues to not be applied
Partner Income Taper	~63k	60%	Partner cut-out is $1858.5 pf	40%	Partner cut-out is $2290.75	25%	Partner cut-out is $3068.8
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	New claims incl JobKeeper have waiting periods	Reinstated	New claims incl JobKeeper have waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods
NARWP	~12k	Reinstated	Recipients serving NARWP are off payment	Grandfather	Only new entrants to the system required to serve NARWP	Waived	All recipients serving NARWP and on payment continue
Eligibility: Sole traders	~40k	Closed	Sole-traders have mutual obligations or leave payment	Closed	Sole-traders have mutual obligations or leave payment	Open	Sole-traders serve mutual obs through continuing business
Eligibility: Stood down	Unknown	Closed	Individuals retained but not receiving income not eligible	Grandfather	All current recipients who are stood down remain on payment	Open	Individuals retained but not receiving income eligible
Eligibility: C-19 carers	~0	Closed	Individuals caring for C-19 patients not eligible	Open	C-19 carers remain eligible	Open	C-19 carers remain eligible
Verifications[1]	~550-650k new claims[3]	Reinstated	Full verification reinstated, necessitates contact and processing	Reinstate w/risk based compliance	Full verification reinstated but risk based assessment and compliance	Self-verification	Retain self-assessment and no verification of rent, member of a couple etc.

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, BCG analysis

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Stage One: Implications for Recipients

Note: Excludes impact of any changes to FTB

Changes from Sept 24th	Current glide path: **Jobseekers** JSP, YA(o)	Current glide path: **Students** YA(s), Austudy ABSTUDY	Current glide path: **Parents** PP(P), PP(S)	Stage One measures[1] (Option 2: Stepped down measures): **Jobseekers** JSP, YA(o)	Stage One measures[1] (Option 2: Stepped down measures): **Students** YA(s), Austudy ABSTUDY	Stage One measures[1] (Option 2: Stepped down measures): **Parents** PP(P), PP(S)
Drop in average payment rate ($ pf):	-$550 (~50%)	-$550 (~60%)	-$548 (~45%)	-$450 (~40%)	-$449 (~50%)	-$448 (~35%)
# Removed from payment: PRELIMINARY NARWP, ELIGIBILITY IMPACT SHOWN[1]	~97k[3]	~1k	~1.2k	~77k[4]	-0.9k	~0.4k
# Required to update info[2]:	~910k	~25k	~40k	~910k	~25k	~40k
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes

1. Volume of permanent employees stood down not yet quantified 2. Estimated as the difference in volumes from 13 Mar '20 to forecasted Sep '20. Current glide path includes providing information about assets, and verifications (MOCA, proof of rental, provision of employment separation certificate); Stage One does not require asset information; however, information for verifications is required 3. Number of permanent employees stood down not yet quantified 4. Number of recipients removed from payment includes sole traders/self-employed no longer eligible, recipients above assets limit, and recipients with partner income above cut-off under 40% taper rate
Note: Assumes base case economic scenario
Source: BCG analysis

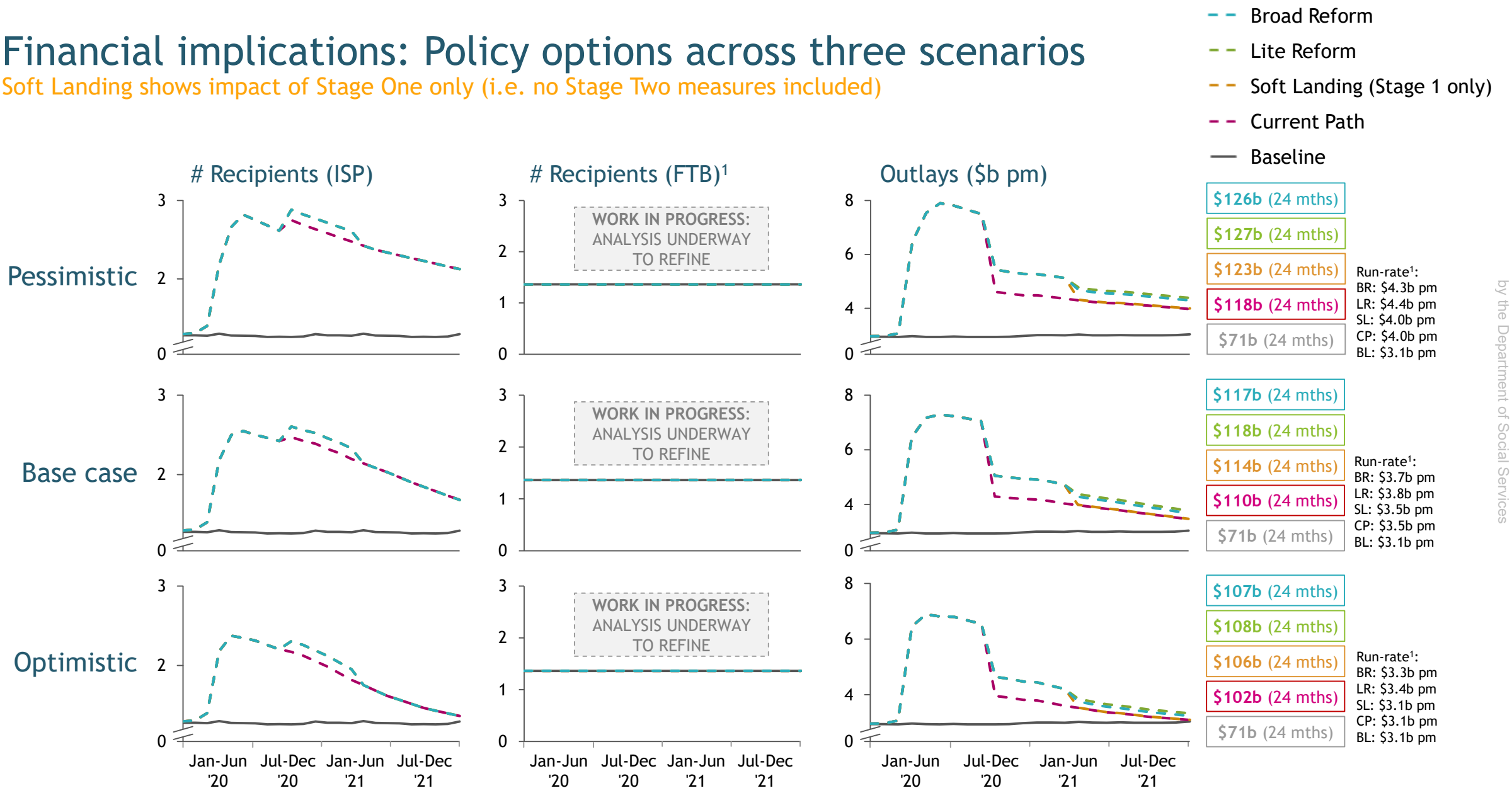
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Financial implications: Policy options across three scenarios

Soft Landing shows impact of Stage One only (i.e. no Stage Two measures included)



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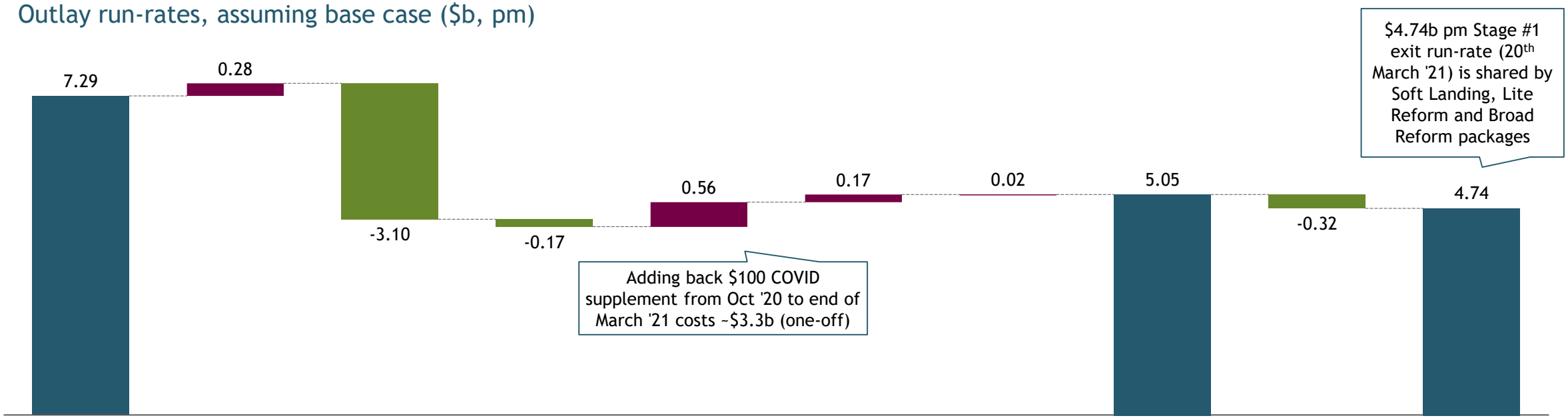
1. Monthly outlays for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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Financial implications: "Stage One" run-rate build-up (March '21)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



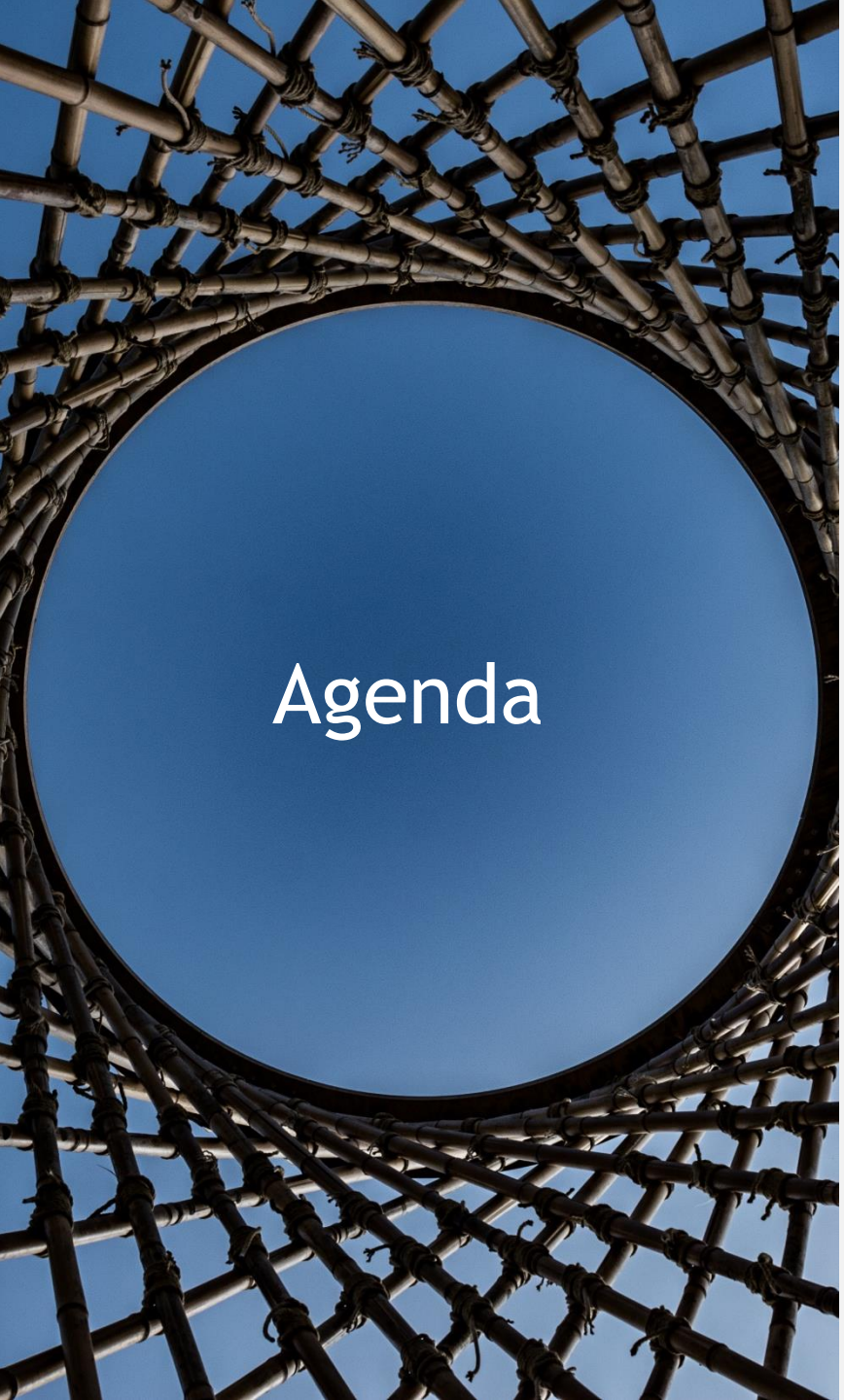
No. ISP recipients[2]	2.6m	+0.1m		-0.2m		+0.2m	tbd	2.6m	-0.3m	2.3m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Agenda

Implications of two-stage approach	5 mins
Discuss specific policy settings for Stage One: 25 Sep - 20 Mar	20 mins
For feedback: Draft interactive dashboard (incl. Live demonstration)	**20 mins**
Quick steering on three elements of Stage Two: • FTB (options for moving to a single rate) • Household income test • Streamlining waiting periods	10 mins
Next steps	5 mins

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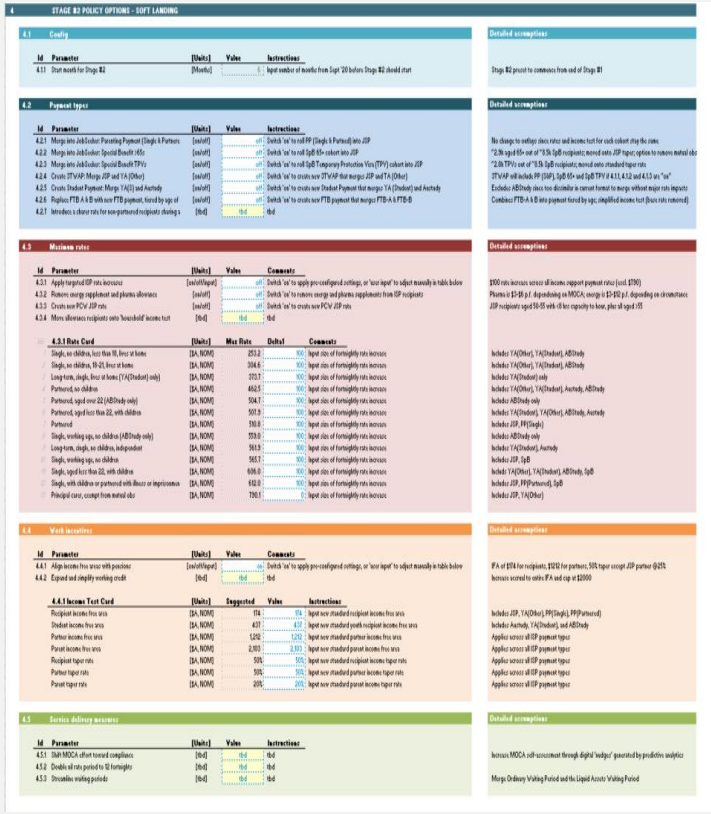
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Interactive dashboard organised around menu options

User can switch on / off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test for current recipients only — $3.0-4.0b pm	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility — $100-$300m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]
Rates	Lift payment rates for working age & student payments by $50 p/f, cease supplements: energy, pharma, WFD, LLN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Add'l config. available for highest impact menu options

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test for current recipients only — $3.0-4.0b pm	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility — $100-$300m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
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Rates	Lift payment rates for working age & student payments by $50 p/f, cease supplements: energy, pharma, WFD, LLN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

Parameters available for each

Extend C-19 supplement
- Size of supplement
- Income test treatment

Extend C-19 eligibility supports
- Inclusion of asset test relaxation
- Inclusion of partner income taper @25%
- Inclusion of sole traders & self-employed
- Inclusion of carers for infected and isolated
- Inclusion of permanent employee stood down due to COVID

Lift ISP payment rates
- Size of rate increase for each level across ISP payment types

Align income test
- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

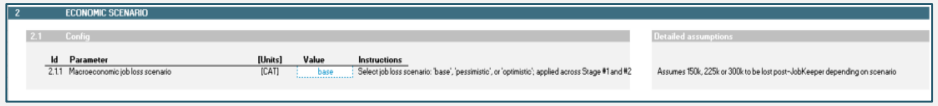
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How to use the interactive dashboard

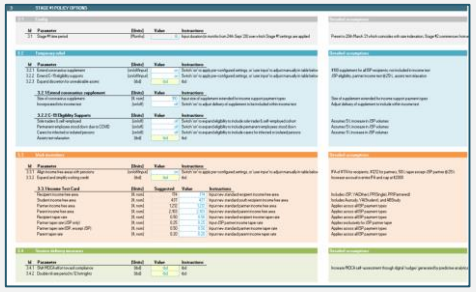
Step 1: Set macroeconomic scenario

- Choose from **'base', 'pessimistic', or 'optimistic'** macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



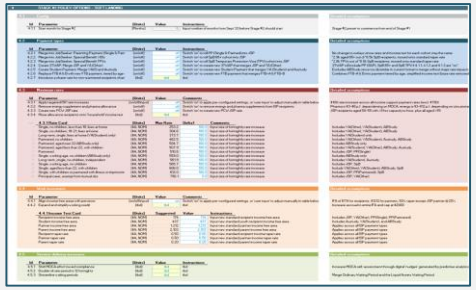
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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Questions on the interactive dashboard…

Do we want an extra feature that allows users to change the end-date of JobKeeper? (requires ~0.5 day of coding time)

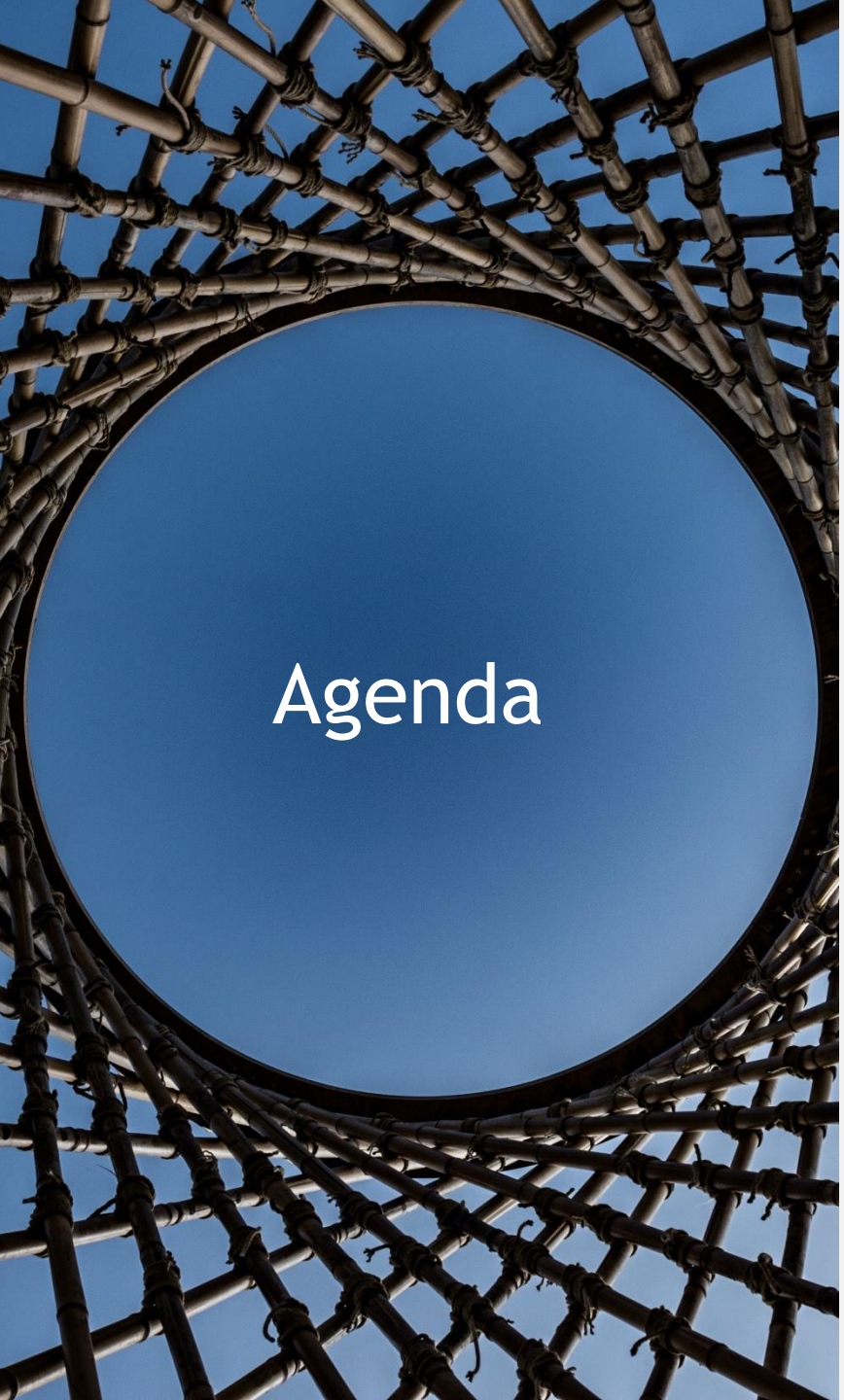
Other reflections after viewing the live demonstration?

…

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Agenda

Implications of two-stage approach	5 mins
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For feedback: Draft interactive dashboard	20 mins
Quick steering on three elements of Stage Two: • FTB (options for moving to a single rate) • Household income test • Streamlining waiting periods	10 mins
Next steps	5 mins

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☆ For discussion today

Stage Two: Policy measures that could be in place from 20 March 2021 and 1 July 2021

Note: Cost & saving estimates are indicative - actual costs of each option vary based on combination selected

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test — $500-$650m pm	Extend C-19 'access to payments' measures: assets test, verifications, partner income test eligibility expanded — $100-$300m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm ☆
	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]
Rates	Lift rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, phone, APW, LLN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd ☆
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd ☆	Double the nil rate period to 12 fortnights — tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates

Source: DSS data, BCG analysis

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FTB A & B: Policy goals and key issues to address

Policy goal of FTB

Support low and low-middle income families with a contribution toward the cost of raising children

Note: FTB has historically had the effect of reducing overall income inequality in Australia – however this effect has been declining for over a decade

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- FTB-A only steps up once at 13yo, and FTB-B steps down at 5yo

Separate A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- FTB-A provides a consistent amount per child, rather than decreasing as the family grows

Delivery via Services Australia brings >750,000 additional people into the welfare system – with ~57% of FTB recipients not on an income support payment

Several payment cliffs:

- At $80,000 income due to FTB-A supplement cut-out
- At $100k for the primary income earner for FTB-B
- At the base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Figures exclude FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB: Example reform options

Update: Now includes a lower taper rate for single parent households

	1: Single FTB payment, with decreasing rates per child as family grows	2: As per Example 1, but with earlier taper cut-in, and lower taper rate	3: As per Example 2, but with lower rate for 0-4s, and expanded Newborn Supplement
Description	First Child: Equivalent to FTB A & B incl. supplements rolled together, except 5-12 children take average of 0-4 and 13-18 rates 2nd & 3rd children: Equiv. to FTB A, but without the $766.50 supplement 4th & subsequent: Half of 2nd/3rd rate Tapers: Cut-in as per FTB A, at 30%, or 25% for single parents Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 1 2nd & 3rd children: As per Example 1 4th & subsequent: As per Example 1 Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 2, but 0-4 rate 30% reduced, and 5-12 rate 15% reduced 2nd & 3rd children: Same % reductions as for 1st 4th & subsequent: Half of 2nd/3rd rate For newborns: Expand Newborn Supplement to $3,696. Would remove multiple birth allowance Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained
Winners	✓ Almost all dual-earner households ✓ Families with 6-12 aged children ✓ Single-earner households with 2+ children and >$100k income	✓ Dual-earner households, except 1-child households earning $86k-$106k ✓ Single-earner households with 2+ children earning >$100k	✓ Families with newborns (0-1 yo) ✓ Dual-earner households, except those with children aged 1-4 ✓ Single-earner households with 2+ older children, earning >$100k
Losers	x Single-earner families with 1 child, and income >$56k x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement)	x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement) x Dual-earner families with 1 child earning $86k-$106k	x Almost all families with 1-4 year olds x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction x Dual-earner families with 1 child earning $86k-$106k

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

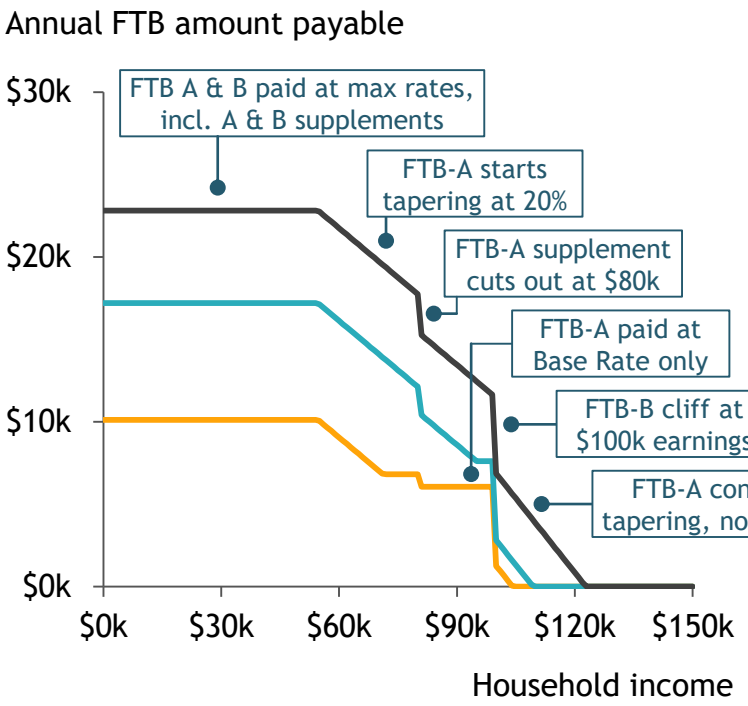
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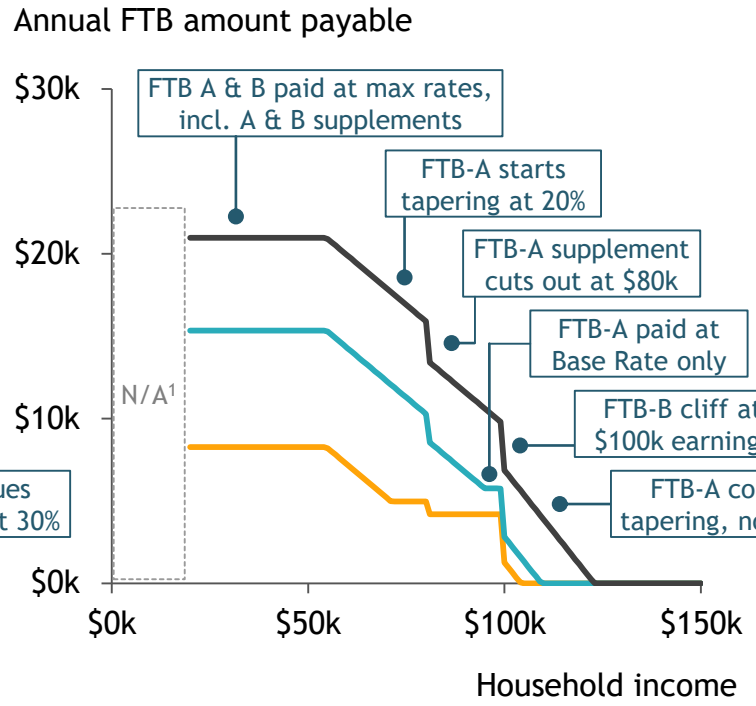
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FTB: Current income tests for varying family circumstances

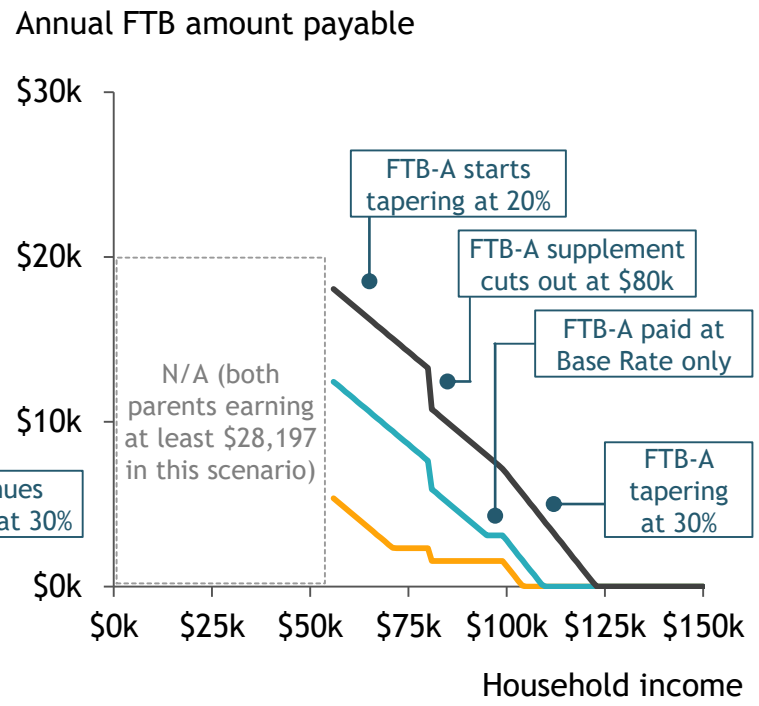
Current: One earning parent



Current: Two earning parents, with $15k income for secondary earner



Current: Two earning parents, with >$28,197 income for secondary earner



- Family with 1 child <5,
- Family with 2 children, 1x<5, 1x16
- Family with 3 children, 1x<5, 1x10,1x16

1. Both parents earning at least $10,000 in this scenario

Source: BCG analysis; Services Australia Guide to welfare payments

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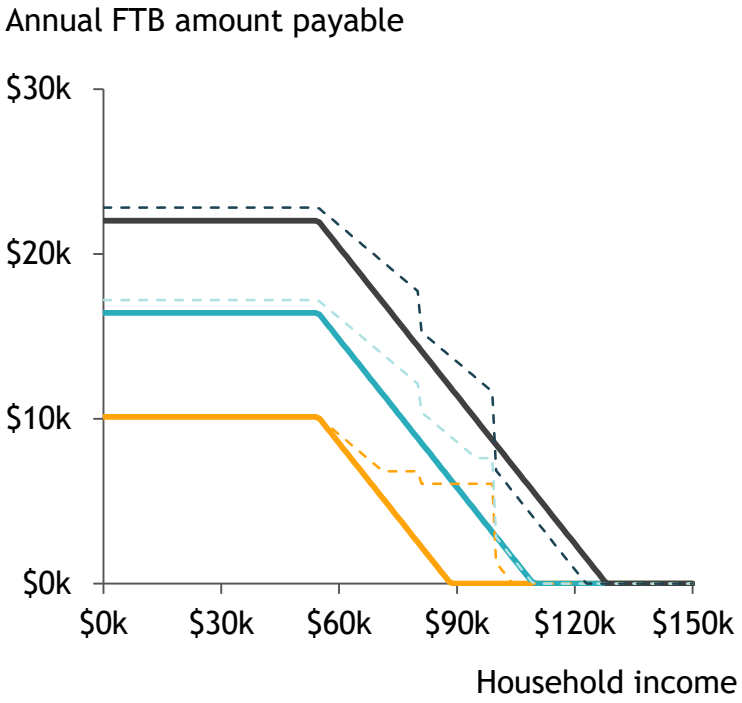
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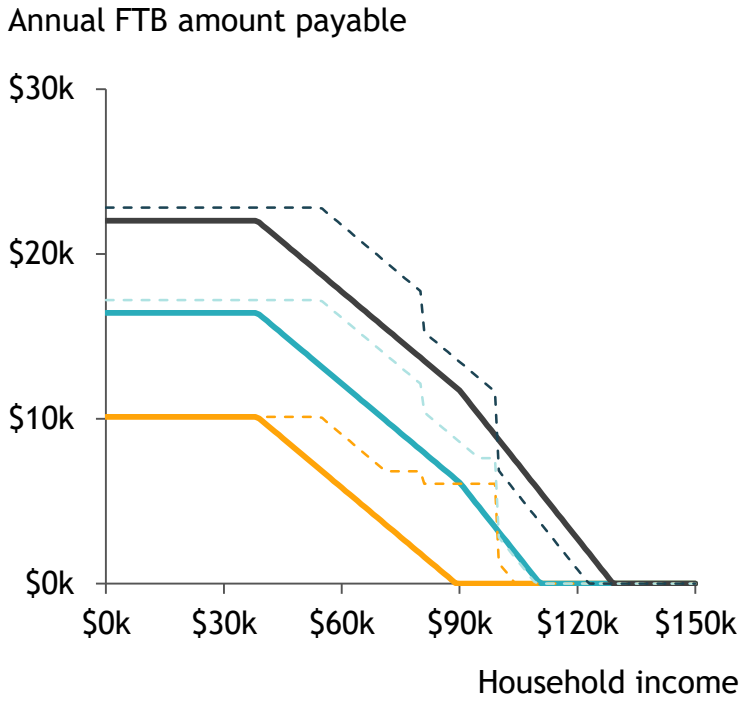
FTB: Example income tests for the three reform options

Comparison vs Two-parent single-earner households

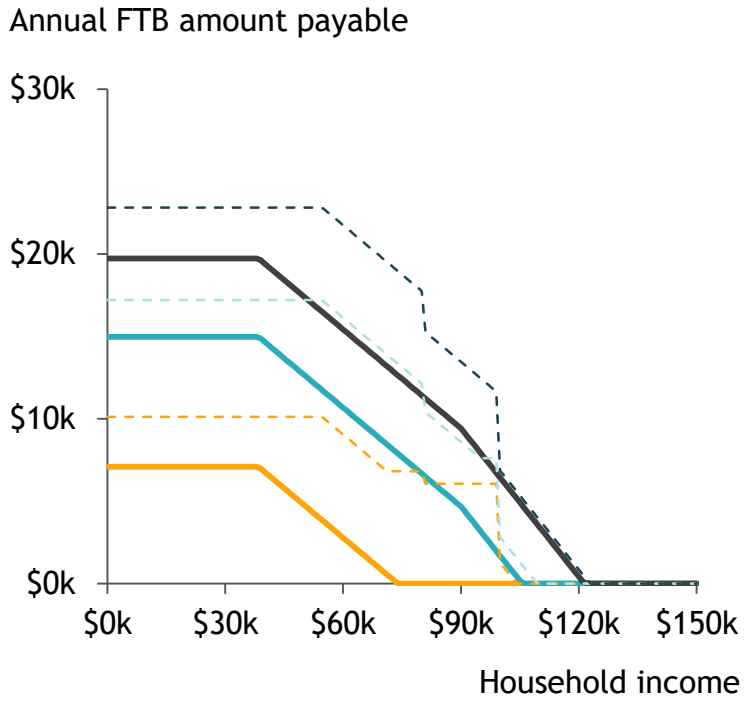
Example 1: Single FTB payment, with decreasing rates per child as family grows



Example 2: As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Example: Family with 1 child <5,
Example: Family with 2 children, 1x<5, 1x16
Example: Family with 3 children, 1x<5, 1x10,1x16
Current: Family with 1 child <5 (single income)
Current: Family with 2 children, 1x<5, 1x16 (single income)
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Source: BCG analysis

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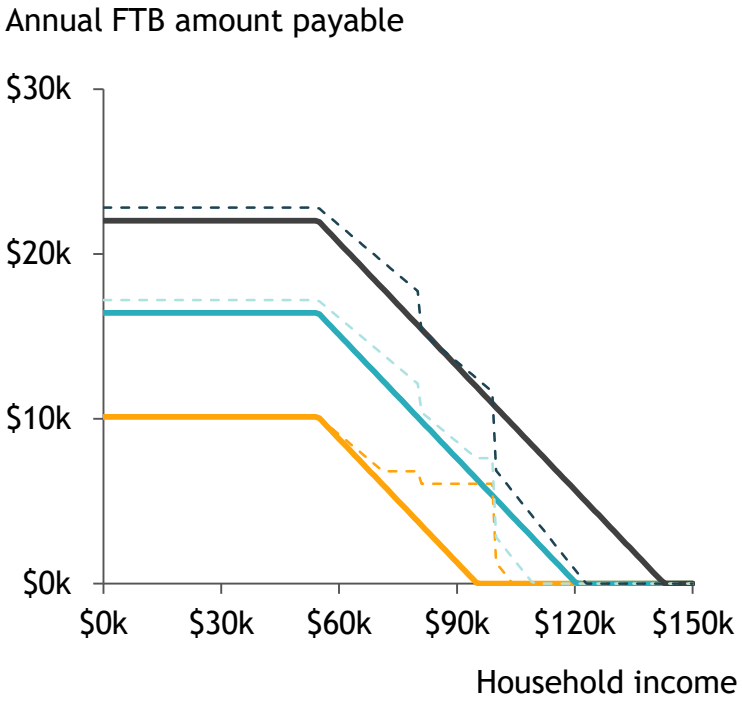
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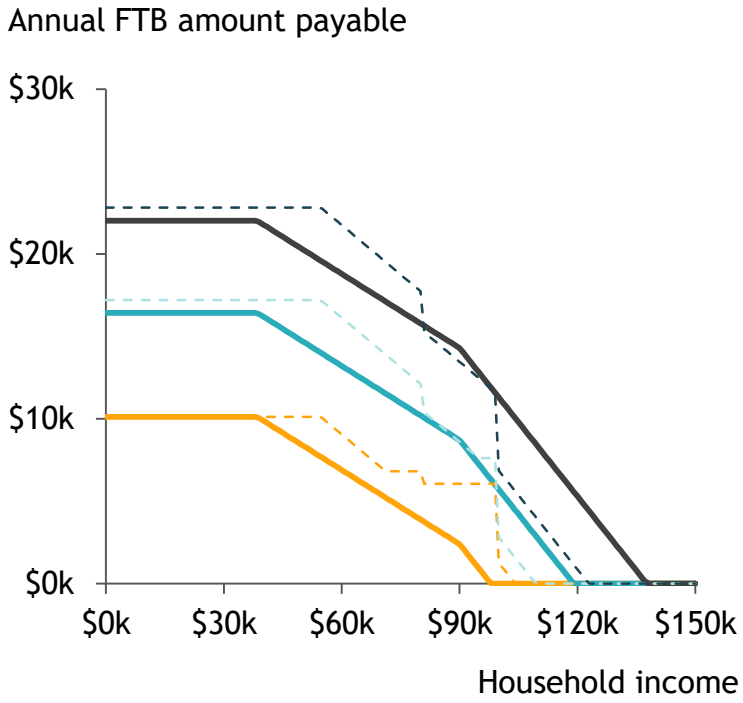
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Comparison vs Single parent households

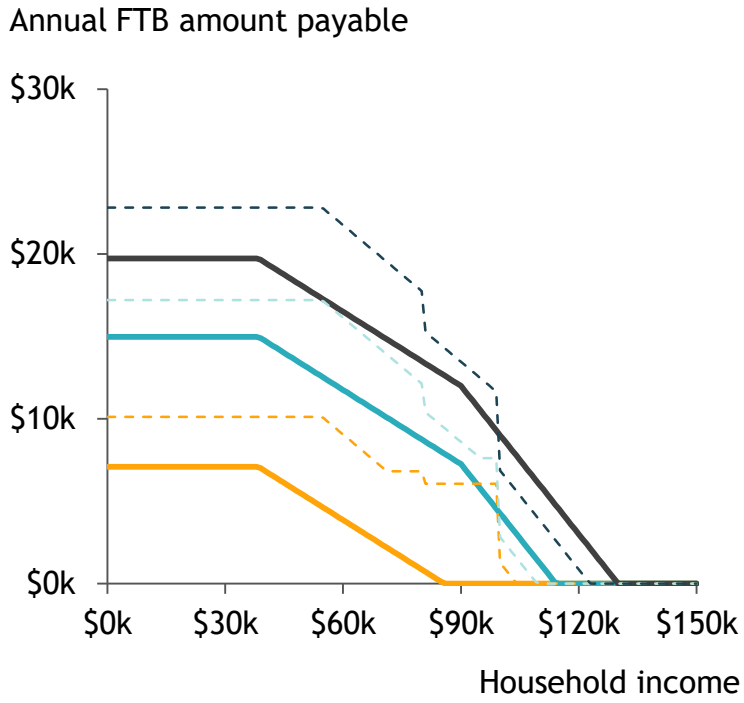
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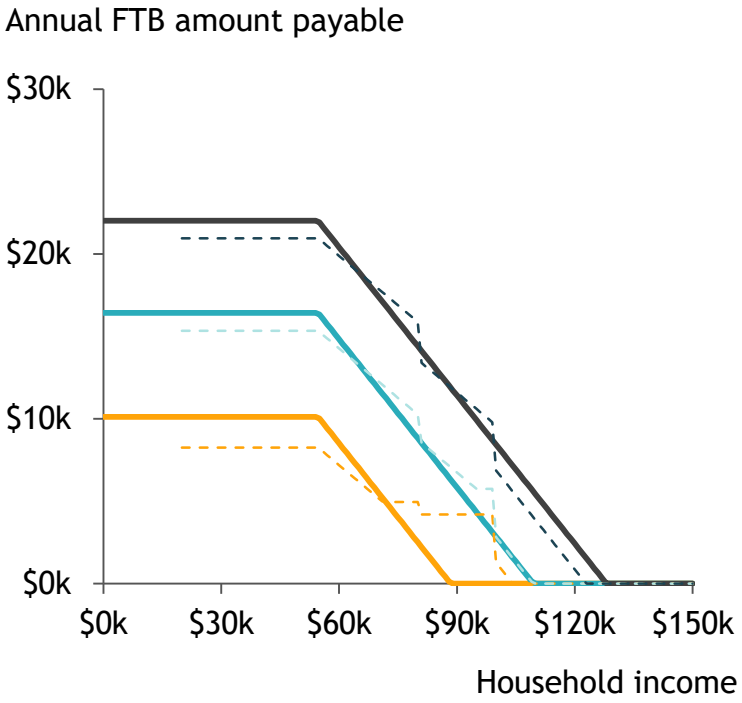
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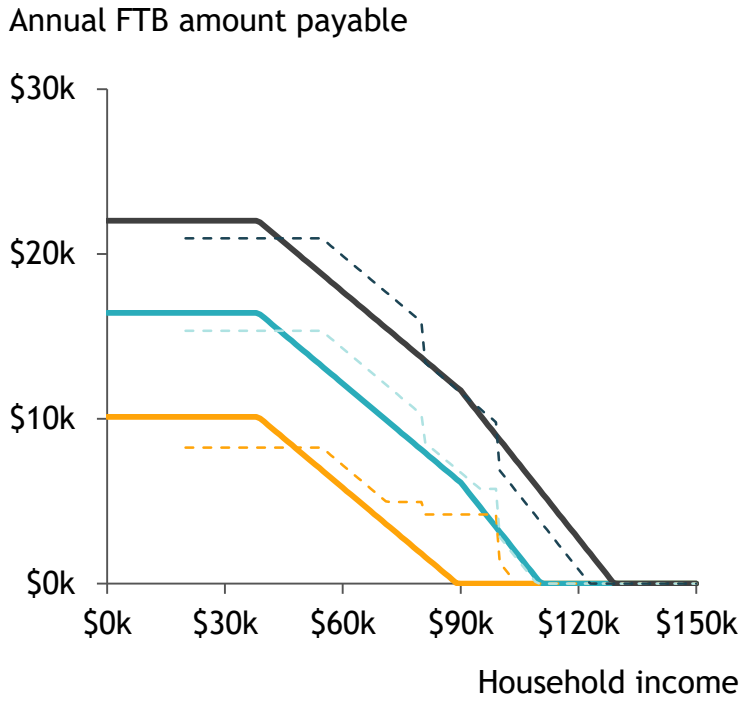
FTB: Example income tests for the three reform options

Comparison vs Two earning parents, with $15k income for secondary earner

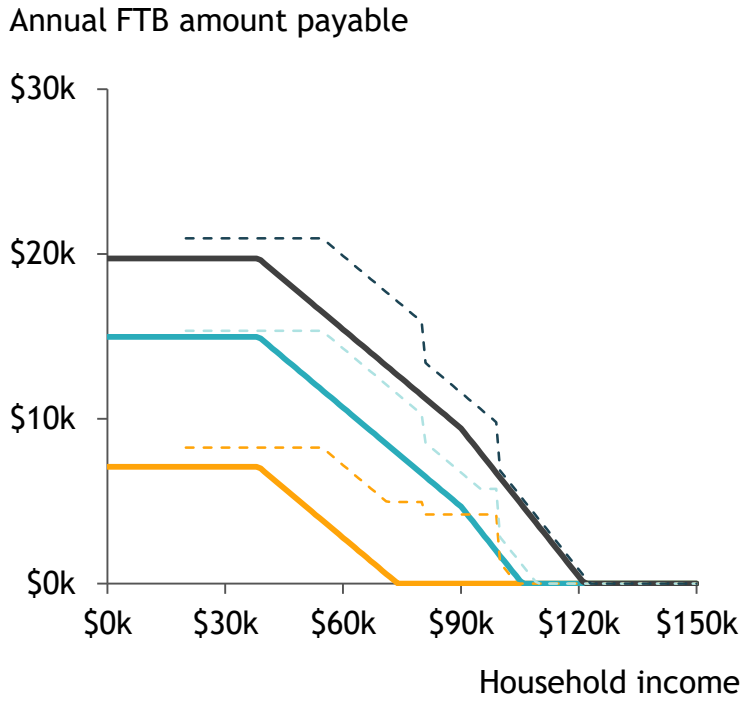
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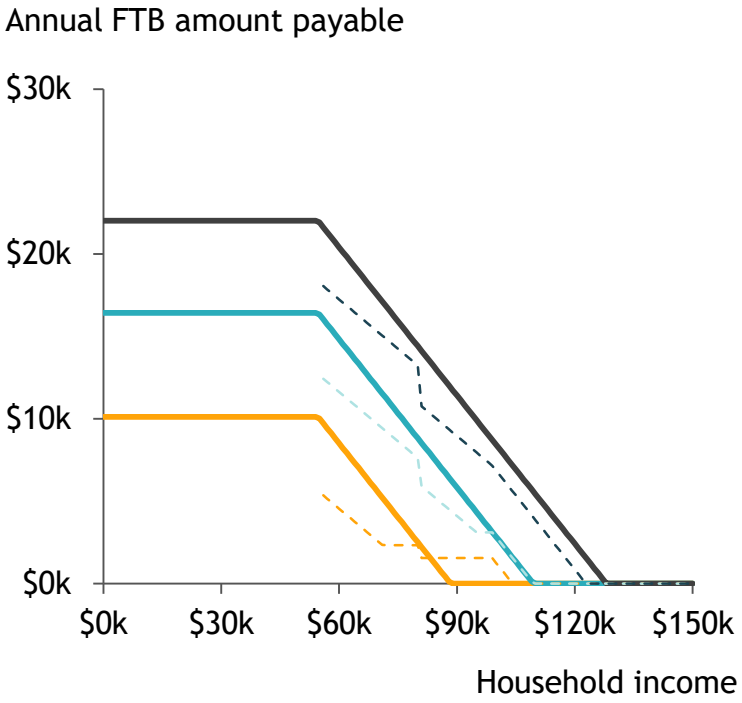
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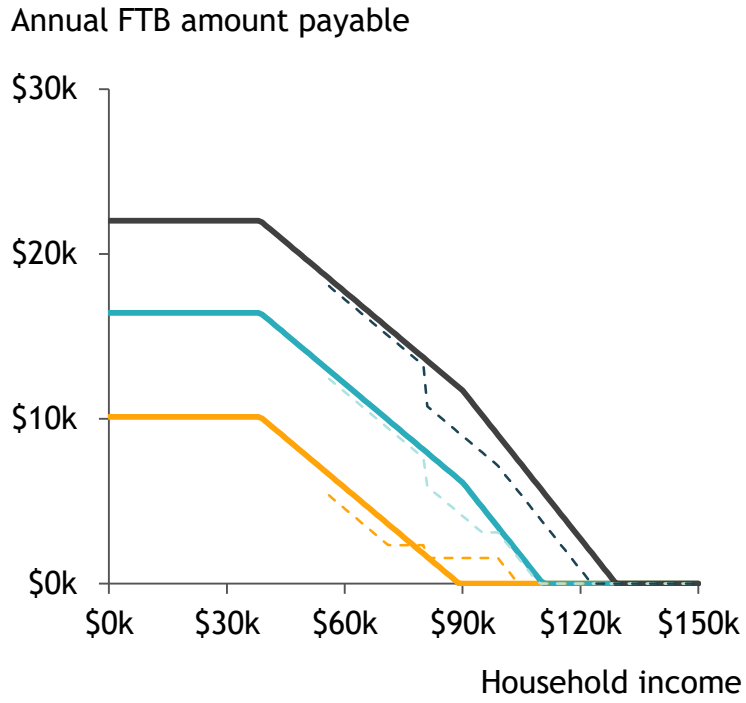
FTB: Example income tests for the three reform options

Comparison vs Two earning parents, with >$28,197k income for secondary earner

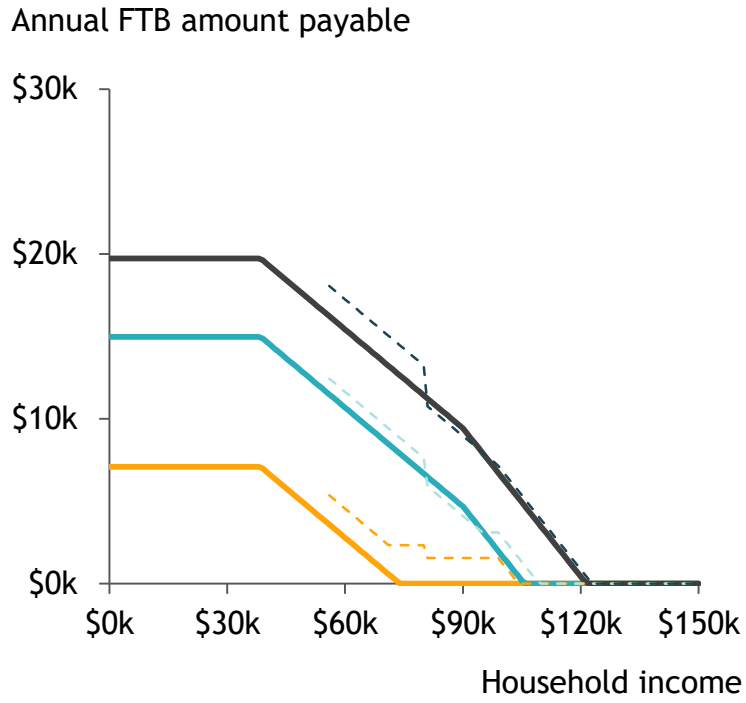
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Source: BCG analysis

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Household (Couple) Income Test: Context

For discussion: What are the policy objectives to consider when exploring the Couple Income Test in the coming week?

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance.

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases.

There are currently different income testing arrangements between Pension and Allowance recipients.

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source.

Sequential Income Testing (currently used for Allowances)

1. Apply the personal income test to the earned income of the recipient.
2. Apply the partner income test to the residual entitlement once the personal income test has been applied.
3. The remaining entitlement from both tests is the recipient's entitlement.

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA and lower taper
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests

Combined Income Testing (currently used for Pensions)

1. Combine the income of the couple and then halve.
2. Assess the recipient's entitlement based on their half of the income.

Pros:

- ✓ Simpler: One income test
- ✓ Achieves same welfare entitlement regardless of income distribution within the household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Creates greater financial dependence for the lower income earner, assumes financial resources shared equally

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Two opportunities to streamline waiting periods (I)

Merging the Ordinary Waiting Period into the Liquid Assets Waiting Period

Description:

- Claimants of JobSeeker payment, Youth Allowance (JobSeeker only) and Parenting Payment (Partnered and Single) must wait one week before receiving income support
- The OWP must be served in addition to other applicable waiting periods

Rationale for change

- The OWP could be seen as arbitrary in that it makes only a limited reference to means and circumstances. The OWP has been criticized as unnecessary by stakeholders on these grounds
- The OWP can be waived for a number of reasons such as financial hardship. In the second half of 2017 (after changes intended to reduce OWP waivers) the OWP was still waived or exempted for over 46% of claimants

Rationale for proposal

- Incorporating the OWP in to the LAWP would better target waiting periods to those with the resources to provide for themselves

Potential change

Proposal:

- Lower LAWP reserve amounts by $500 (singles) and $1,000 (couples) to offset removal of OWP:
  - From $10,000 to $9,000 for coupled claimants/those with dependent children
  - From $5,000 to $4,500 for single claimants
- And increase maximum duration of LAWP from 13 to 14 weeks

Results:

- Claimants without liquid assets ($5,000< for singles) would experience no delay in claiming payment (advantaged)
- Claimants with moderate liquid assets ($5,000 - $11,500 for singles) would serve the LAWP from a lower reserve amount, but would avoid the OWP (no change)
- Claimants with a large amount of liquid assets ($11,500+ for singles) would wait an additional week before receiving income support (disadvantaged)

Costs:

- Cost of approximately **$140 million per year** based on administrative data for 2018/19
- This is because the number of LAWPs applied each year is far below the number of OWPs applied (even after waivers and exemptions), and because most new recipients have liquid assets far above their reserve amount and so would not be affected by proposed change

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Two opportunities to streamline waiting periods (II)

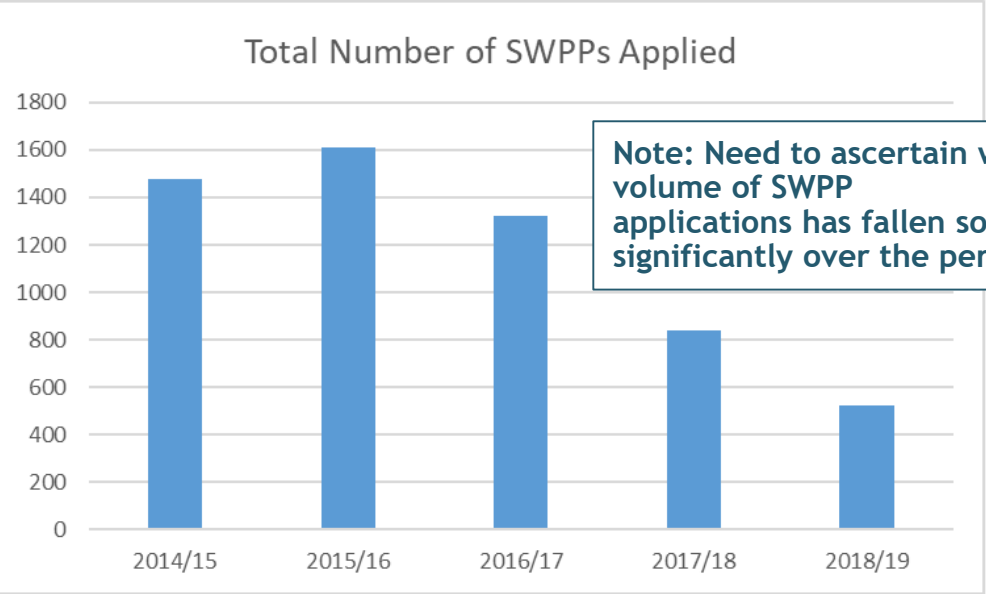
Abolishing the Seasonal Work Preclusion Period

Description:

- The SWPP is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual & the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in 2018/19 a total of 521 SWPPs were applied



Potential changes

Proposal:

- Abolish the SWPP and instead rely on the LAWP to target support

Rationale for proposal:

- Abolishing the SWPP would remove a disincentive for individuals to take up contract work, and work in the arts and agricultural sector
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work
- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs and Outcomes

- Approximately **$17 million over four years** based on administrative data for 2018/19
- The removal of the SWPP would simplify administration and significantly benefit a small cohort of individuals

Additional Considerations

- Although rarely applied, SWPPs are often applied for long periods. For example, in 2018/19 the ten SWPPs applied to Carer Payment recipients had an average duration of 581 days (i.e. over $32,000 in income support)
- Consideration could be given to including a seasonal work component in the Income Maintenance Period calculation, however this would risk shifting, rather than reducing, complexity

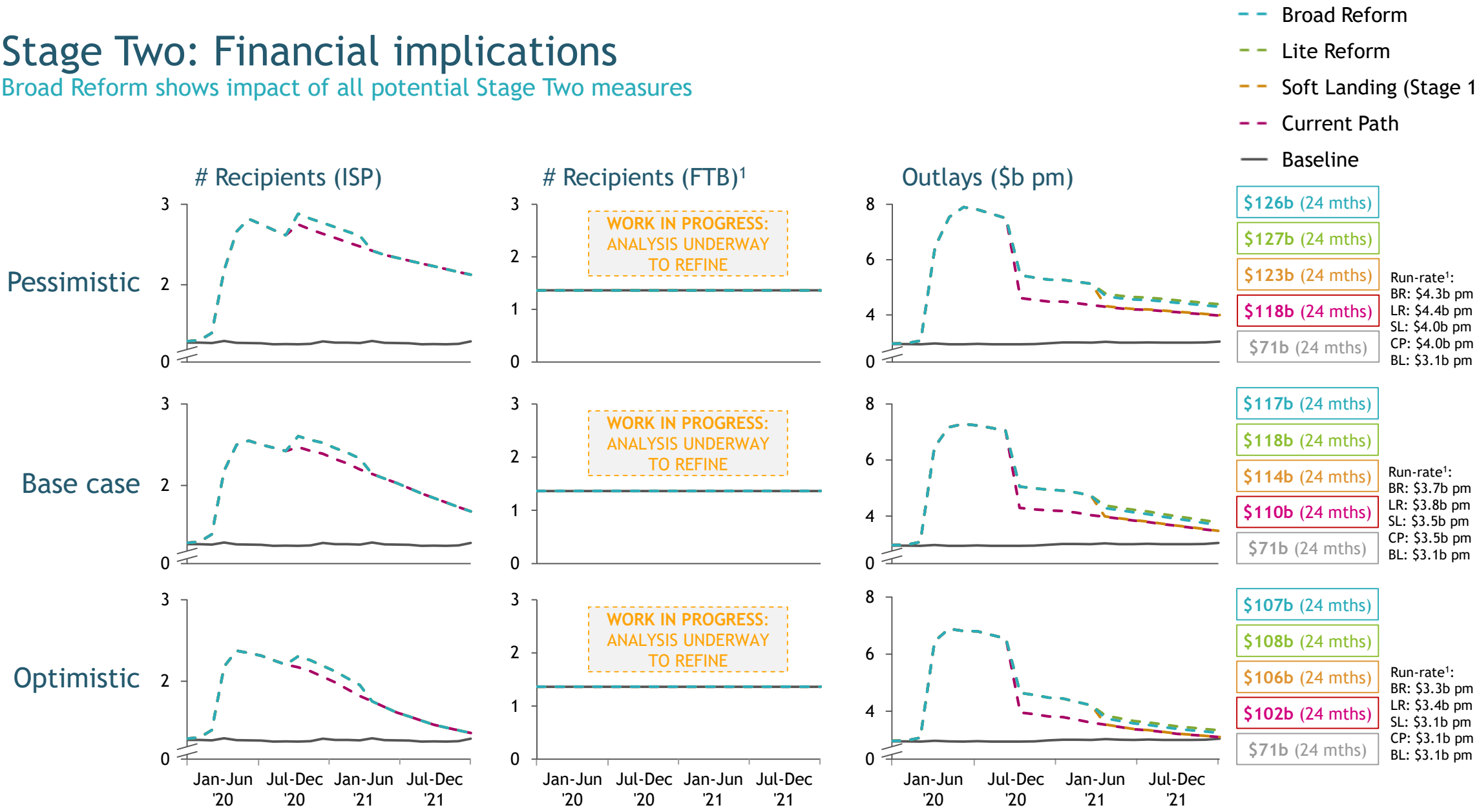
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Stage Two: Financial implications

Broad Reform shows impact of all potential Stage Two measures



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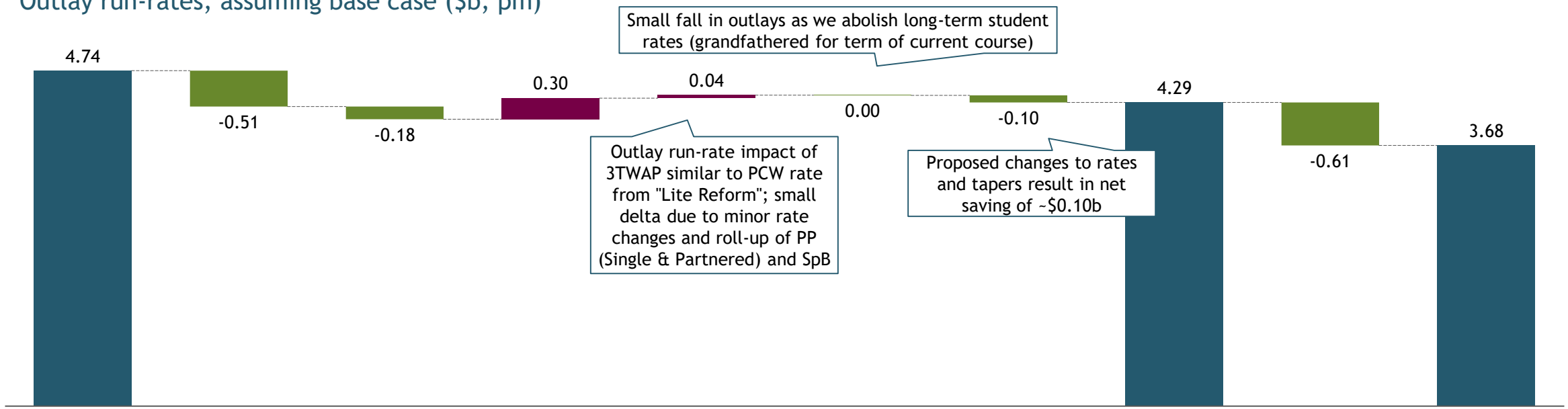
1. Monthly outlays for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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Financial implications: "Stage Two – Broad Reform" run-rate build-up (Jan '22)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	Stage #1 run-rate (March '21)	Remove $100 COVID supplement	Remove JSP eligibility & partner taper	Add $100 ISP rate increase, remove energy & pharam suppl.	Create new 3-Tier Working Age payment (JSP, YA(O), PP, SpB)	Create new simplified Student payment (YA(S), Austudy)	Create new simplified FTB payment (FTB-A, FTB-B)	Stage #2 - Broad Reform run-rate (April '21)	Macro job growth volume impact[1]	Stage #2 - Broad Reform run-rate (Jan '22)
No. ISP recipients[2]	2.3m		-0.1m	tbd	tbd	tbd	tbd	2.2m	-0.5m	1.6m
No. FTB recipients	1.4m							1.4m		1.4m

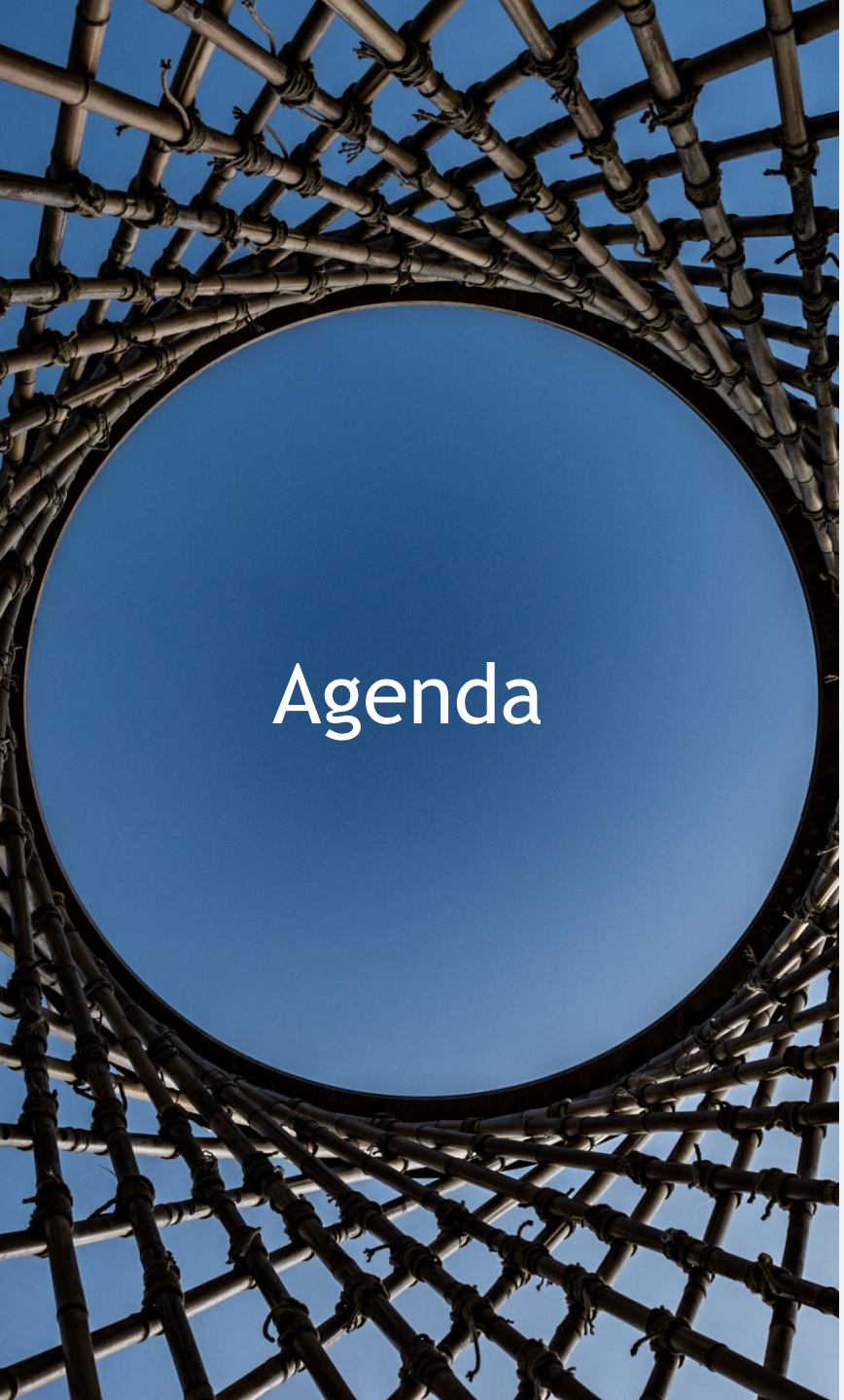
Not -0.2m impact as for Stage #1, since changes applied to a smaller volume base

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Agenda

Implications of two-stage approach	5 mins
Discuss specific policy settings for Stage One: 25 Sep - 20 Mar	20 mins
For feedback: Draft interactive dashboard	20 mins
Quick steering on three elements of Stage Two: • FTB (options for moving to a single rate) • Household income test • Streamlining waiting periods	10 mins
Next steps	5 mins

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Next steps

Suggested areas of focus, in case helpful

Next week (8-12 June)

Finalise view of settings for Stage One measures, incorporating feedback from today

Consolidate materials on Stage Two measures, ready for further work

Update interactive dashboard, incorporating feedback from today

Refine cohort-level impact analysis based on unit level data, to the extent possible

- Key need is to update recipient payment sub-type distributions and income distributions based on Blue Book data. Will commence this work but unlikely to be fully complete within next week
- Data received on 3 June (will do as much as we can within the time available)

Several handover sessions for the model (need person from DSS modelling team identified ASAP)

For discussion: A briefing for the Secretary next week?

Sprint 5 (two weeks: 15-26 June)

Rapidly iterate Stage One costings and policy detail based on feedback from Secretary/Minister

- Add new features to model if new policy design ideas requested

Round out Stage Two policy design, coming to a view on FTB, mature-aged rate, MOCA, payment type consolidation, indexation, sharer rate, & waiting periods

- Add any new features required to model to reflect new/different policy approaches from those already considered

More detailed consideration of legislative requirements and implementation timeframes, incl. engaging with Services Australia

[Potentially] Prepare Min Briefing and/or first daft of Cabinet Submission for Stage 1 package

Continue integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two options based on unit-level data

Continue adding features to model in-line with Model Backlog, to keep improving fidelity & versatility

Sprint 6 (two weeks: 29 Jun – 10 Jul)

Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister

- Add new features to model if new policy design ideas requested
- Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
- Engage Services Australia on possible implementation timing & constraints

[Potentially] Iterate and finalise Cabinet Submission for Stage One package

[Potentially] Prepare Ministerial Briefing and/or Cabinet Submission for Stage Two package

Complete integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two options based on unit-level data

Continue adding features to model in-line with Model Backlog, to keep improving fidelity & versatility

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Project Canoe: Appendix

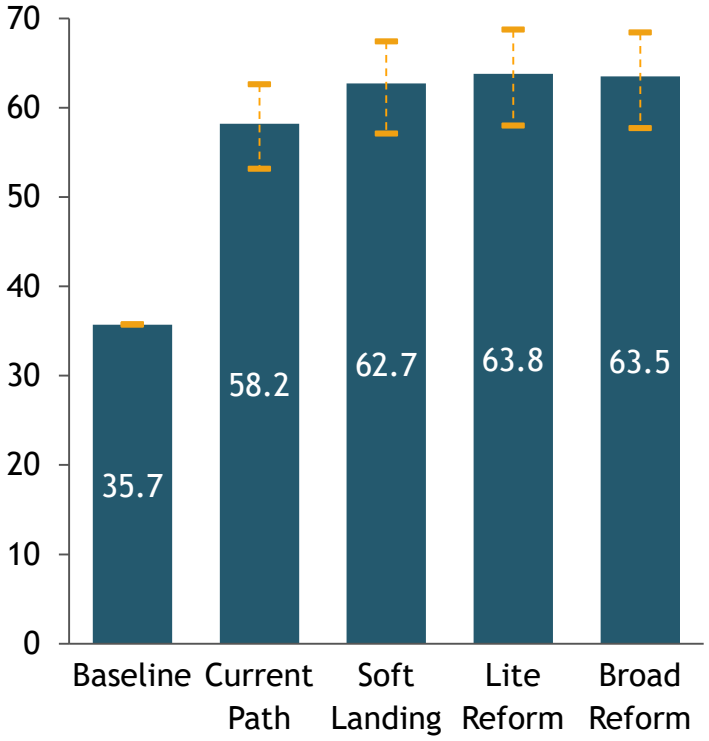
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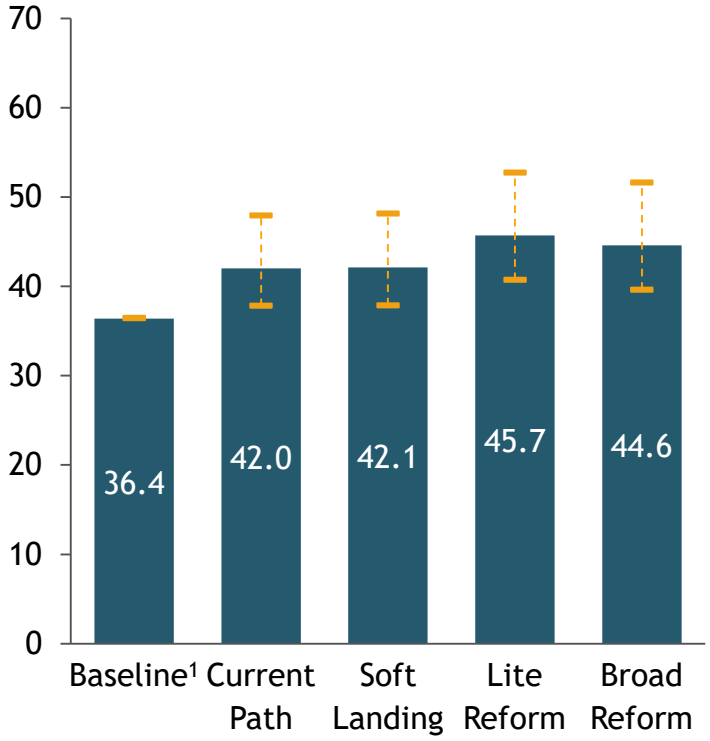
Financial implications: Comparison of FY21 and FY22 outlays

Figures are very initial, to inform early discussions, require significant further work before being relied upon

FY21 outlays ($b pa)



FY22 outlays ($b pa)



1. **FY22 outlays are generally lower than FY21** – Job loss volumes are projected to improve in all scenarios

2. **Soft Landing FY22 outlays do not quite equal Current Path** - After Feb '21, Soft Landing still includes income test standardization (~$100-$200m pa)

3. **Soft Landing, Reform Lite and Broad have similar FY21 outlays** - Each of these options shares the share policy settings from July '20 to March '21, before diverging

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

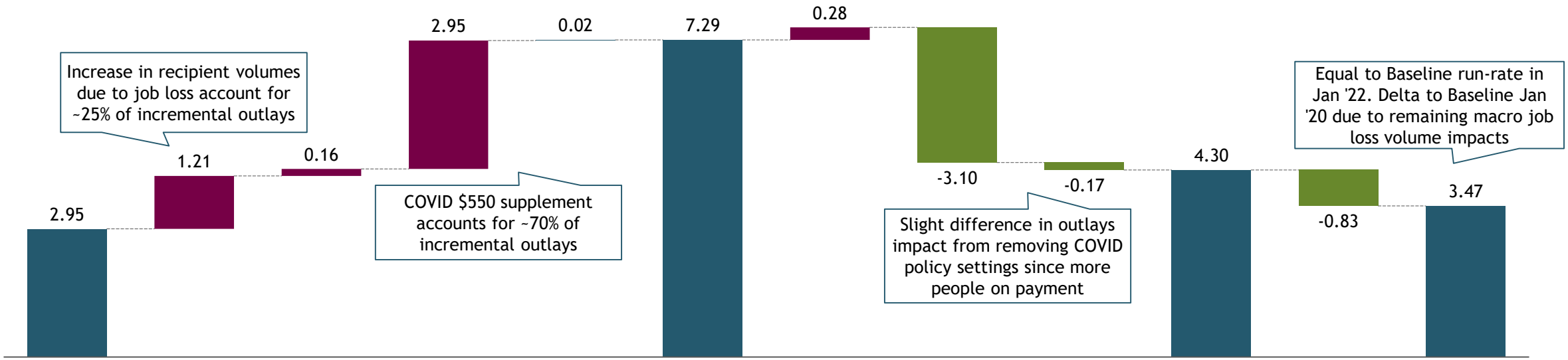
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Financial implications: "Current Path" run-rate build-up (Jan '22)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	Baseline run-rate (Jan '20)	Macro job loss volume impact driven by COVID-19[1]	Relaxed JSP eligibility (mutual obs, asset test)	COVID $550 ISP supplement	Reduced JSP partner taper to 25c	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Remove $550 COVID supplement	Remove JSP eligibility & partner taper	Current Path run-rate (Oct '20)	Macro job growth volume impact[1]	Current Path run-rate (Jan '22)
No. ISP recipients[2]	1.3m	+1.1m	+0.2m			2.6m	+0.1m		-0.2m	2.5m	-0.9m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP				1.4m				1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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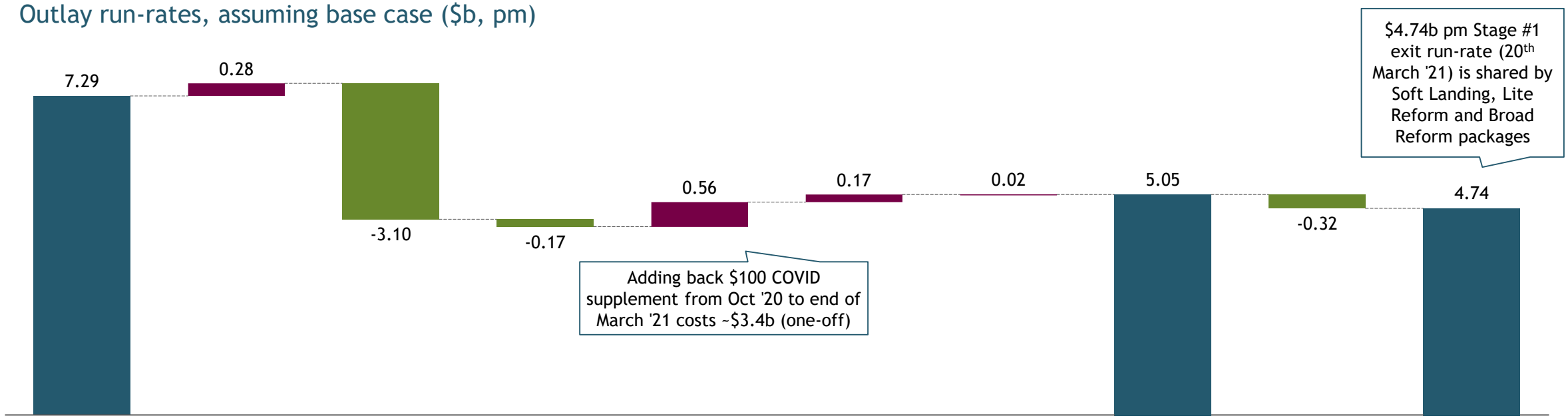
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Financial implications: "Stage One" run-rate build-up (March '21)

Figures are initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.6m	+0.1m		-0.2m		+0.2m	tbd	2.6m	-0.3m	2.3m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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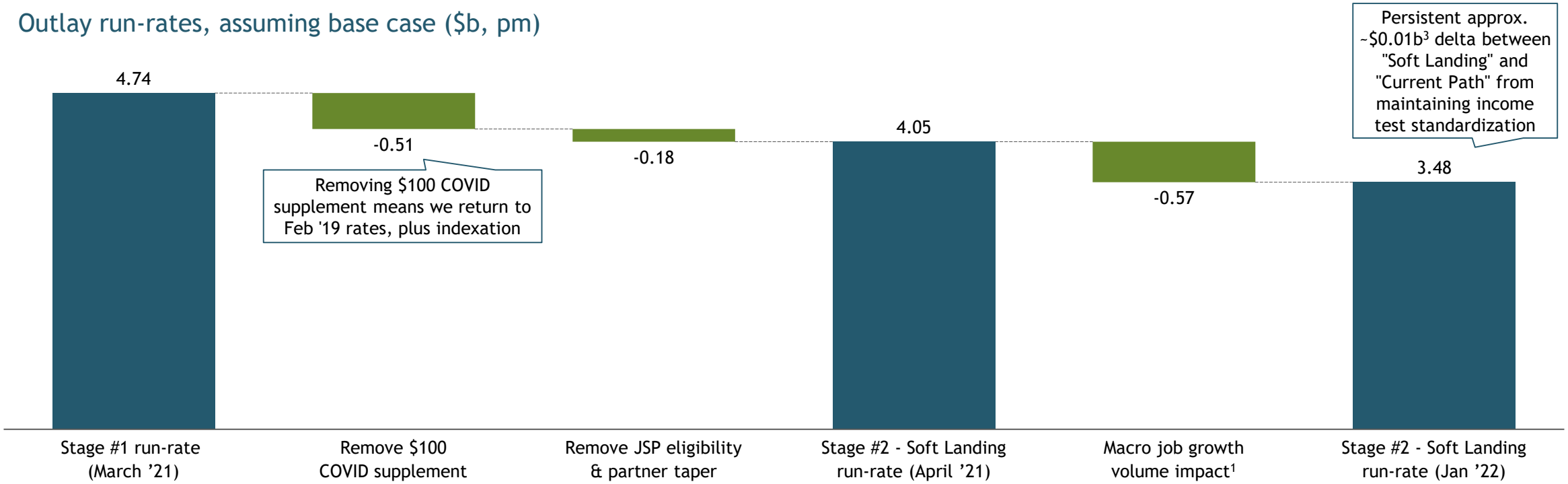
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Financial implications: "Stage Two – Soft Landing" run-rate build-up (Jan '22)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.3m		-0.1m	2.2m	-0.5m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP		1.4m		1.4m

Not -0.2m impact as for Stage #1, since changes applied to a smaller volume base

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. Less than $0.02b impact from Stage #1 since applied to lower volumes in Jan '22. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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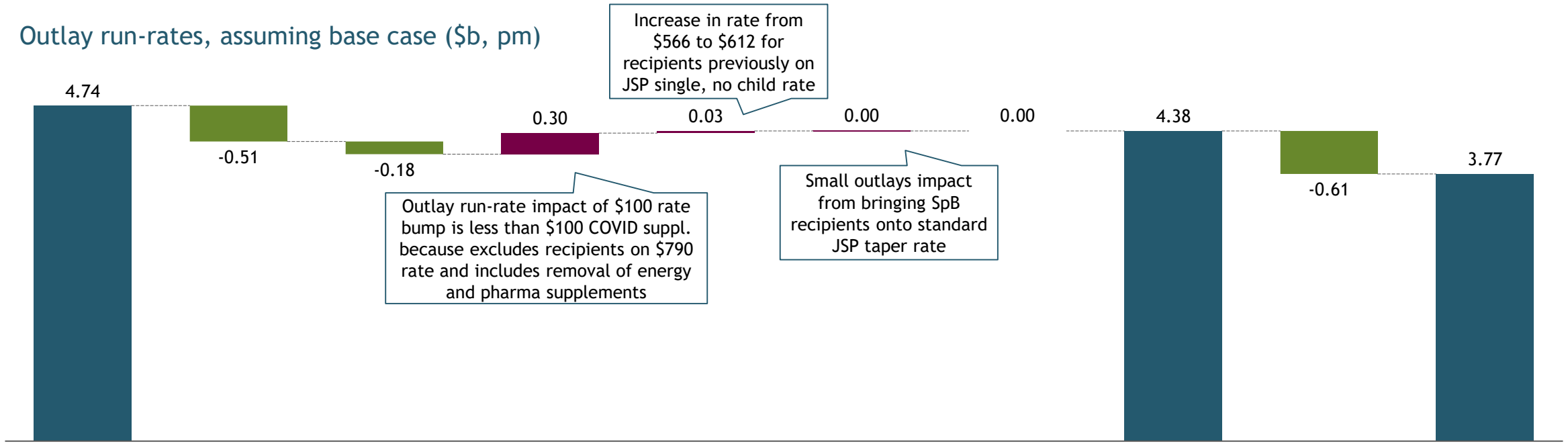
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Financial implications: "Stage Two – Lite Reform" run-rate build-up (Jan '22)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	Stage #1 run-rate (March '21)	Remove $100 COVID supplement	Remove JSP eligibility & partner taper	Add $100 ISP rate increase, remove energy & pharam suppl.[3]	Create new mature age PCW rate	Roll 65+ and TPV SpB cohorts into JSP, YA (O) and Austudy	Roll PP (Single & Partnered) into JSP	Stage #2 - Lite Reform run-rate (April '21)	Macro job growth volume impact[1]	Stage #2 - Lite Reform run-rate (Jan '22)
No. ISP recipients[2]	2.3m		-0.1m	tbd	tbd			2.2m	-0.5m	1.6m
No. FTB recipients	1.4m					Note: FTB volumes are WIP		1.4m		1.4m

Not -0.2m impact as for Stage #1, since changes applied to a smaller volume base

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. No increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

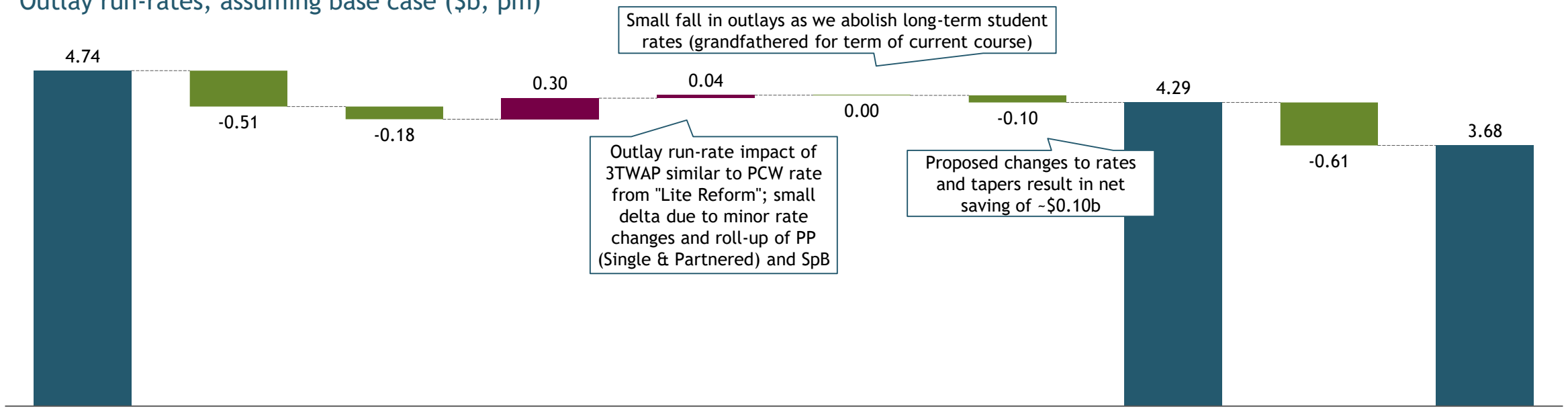
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Financial implications: "Stage Two – Broad Reform" run-rate build-up (Jan '22)

Figures are very initial, to inform early discussions, require significant further work before being relied upon

Outlay run-rates, assuming base case ($b, pm)



	Stage #1 run-rate (March '21)	Remove $100 COVID supplement	Remove JSP eligibility & partner taper	Add $100 ISP rate increase, remove energy & pharam suppl.	Create new 3-Tier Working Age payment (JSP, YA(O), PP, SpB)	Create new simplified Student payment (YA(S), Austudy)	Create new simplified FTB payment (FTB-A, FTB-B)	Stage #2 - Broad Reform run-rate (April '21)	Macro job growth volume impact[1]	Stage #2 - Broad Reform run-rate (Jan '22)
No. ISP recipients[2]	2.3m		-0.1m	tbd	tbd	tbd	tbd	2.2m	-0.5m	1.6m
No. FTB recipients	1.4m							1.4m		1.4m

Not -0.2m impact as for Stage #1, since changes applied to a smaller volume base

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Backup: FTB example rate tables

Current rates

Current rates

	Age		0-12		13-19	
FTB-A	Standard rate	$	4,855	$	6,315	
	Taper 1 - cut in	$	54,677		Taper rate	20%
	Taper 2 - cut in	$	98,988		Taper rate	30%
	Base Rate	$	1,559	$	1,559	
	Taper		30%	$	98,988	
	Supplement	$	767		Cut-out	$ 80,000

	Age		0-4		5-18	
FTB-B	Standard Rate incl. Suppl.	$	4,500	$	3,256	
	Taper - Cut in	$	5,694		Taper rate	20%
	Primary income earner cut-off	$	100,000			

Example options for rates

	Age	0-4	5-12	13-18
Example 1	Rate – First child	$ 10,121	$ 10,851	$ 11,581
	Rate - 2nd & 3rd child	$ 4,855	$ 5,585	$ 6,315
	Rate – Subsequent children	$ 2,427.25	$ 2,792.25	$ 3,157.25
	Taper 1 - cut in	$ 54,677	Taper rate	30%
	Taper 2 - cut in		Taper rate	

	Age	0-4	5-12	13-18
Example 2	Rate – First child	$ 10,121	$ 10,851	$ 11,581
	Rate - 2nd & 3rd child	$ 4,855	$ 5,585	$ 6,315
	Rate - Subsequent children	$ 2,427.25	$ 2,792.25	$ 3,157.25
	Taper 1 - cut in	$ 38,520	Taper rate	20%
	Taper 2 - cut in	$ 90,000	Taper rate	30%

	Age	0-4	5-12	13-18
Example 3	Rate – First child	$ 7,085	$ 9,224	$ 11,581
	Rate - 2nd & 3rd child	$ 3,398	$ 4,747	$ 6,315
	Rate - Subsequent children	$ 1,699.08	$ 2,373.41	$ 3,157.25
	Taper 1 - cut in	$ 38,520	Taper rate	20%
	Taper 2 - cut in	$ 90,000	Taper rate	30%

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement

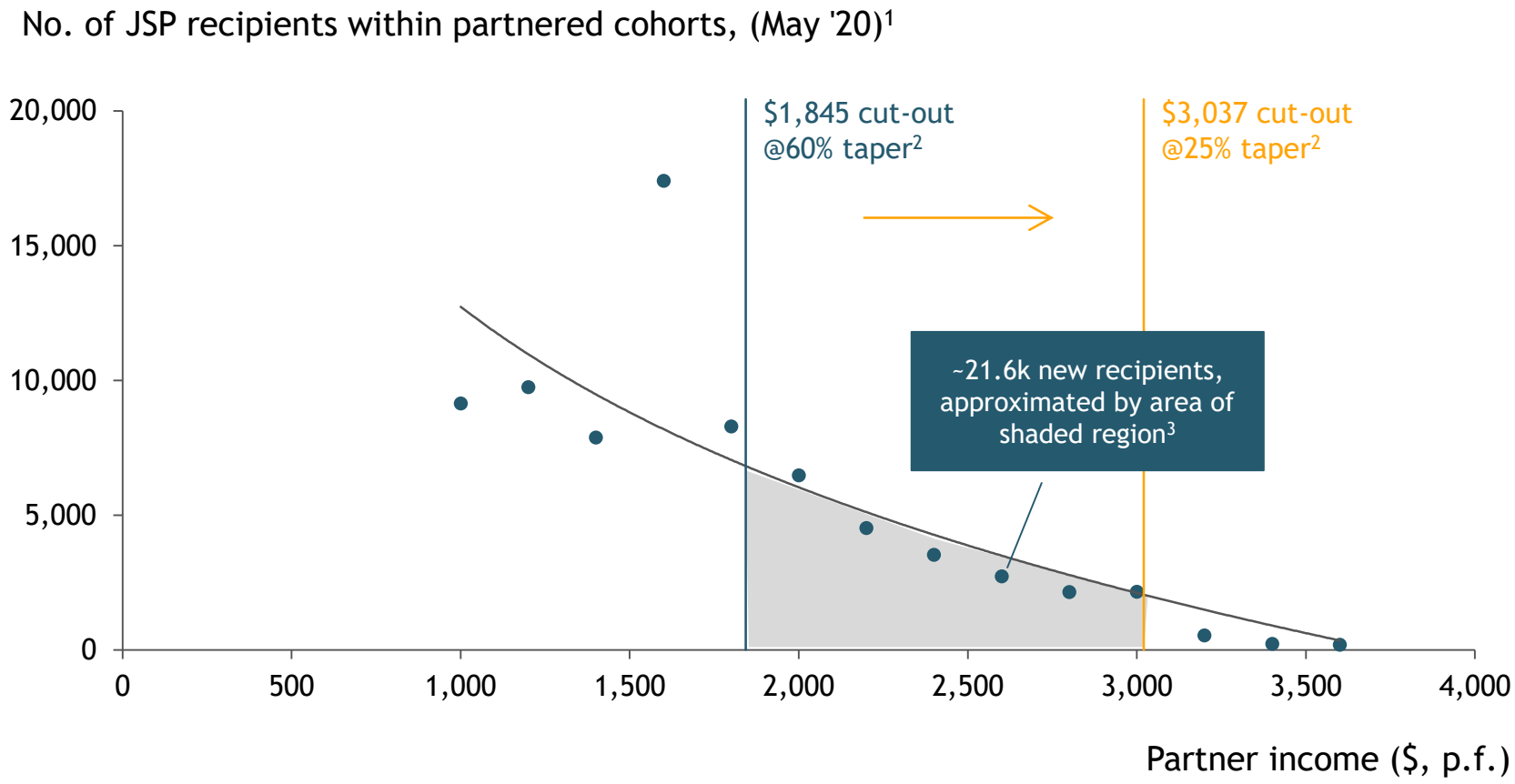
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Illustrative example: Reducing partner income taper from 60% to 25% would result in approx. 21.6k recipients coming onto payment for JSP partnered

Note, we assume can extrapolate existing partner income distribution to infer new claimant volumes



1. Excludes recipients on maximum rate to avoid distortion of the axes and allow us to zoom in on trend for recipients on tapered rates. 2. Assumes recipient has no earnings. This was true for 88% of JSP recipients in April '20. 3. ~21.6k increase on a base of 443k recipients.
Source: DSS data, BCG analysis

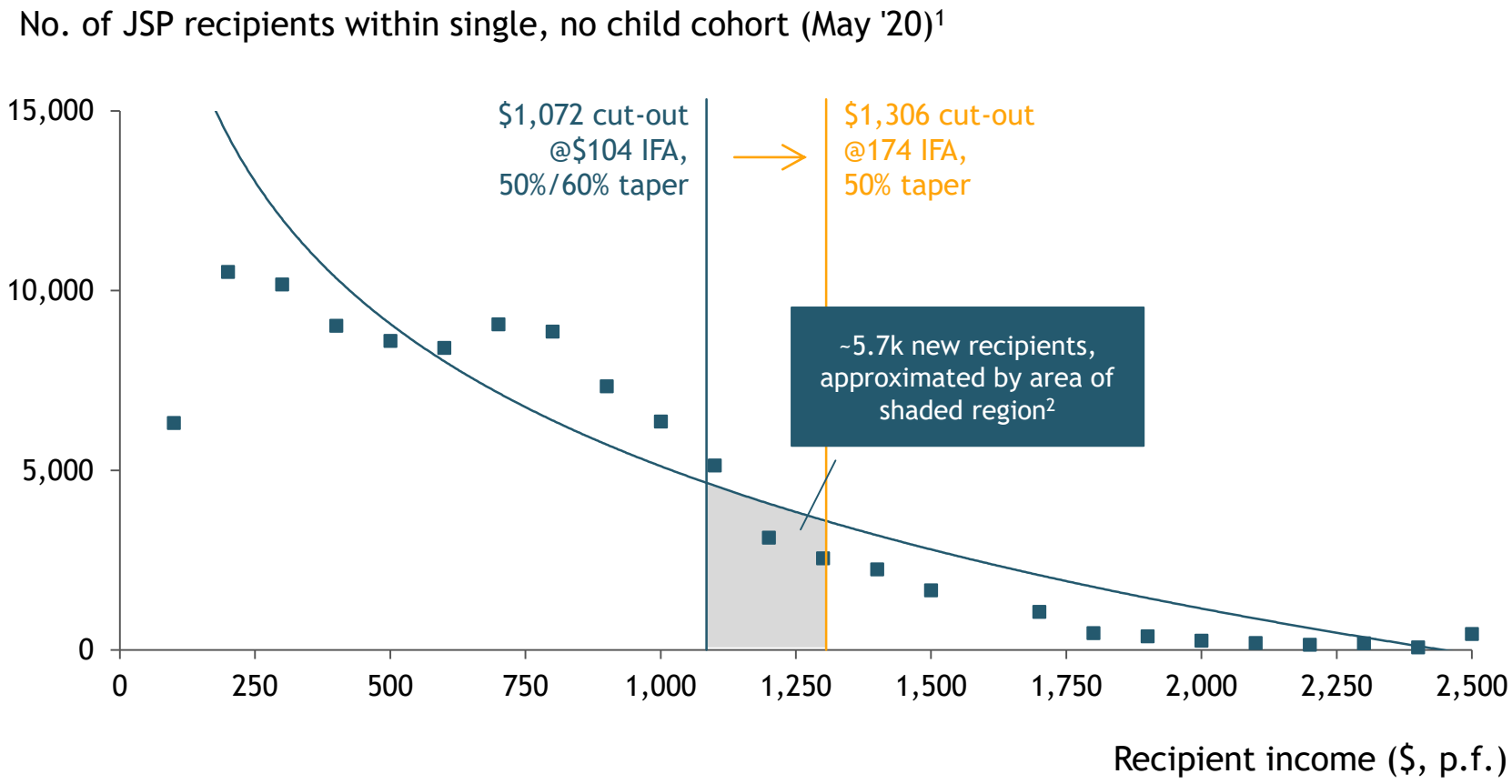
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Illustrative example: Standardising income test to $174 IFA, 50% taper would result in approx. 5.7k recipients coming onto payment for JSP single, no child

Note, we assume can extrapolate existing income distribution of recipients to infer new claimant volumes



1. Excludes recipients on maximum rate to avoid distortion of the axes and allow us to zoom in on trend for recipients on tapered rates. 2. ~5.7k increase on a base of 938k recipients (1.6m recipients on JSP multiplied by 58% to reflect size of single, no child cohort).
Source: DSS data, BCG analysis

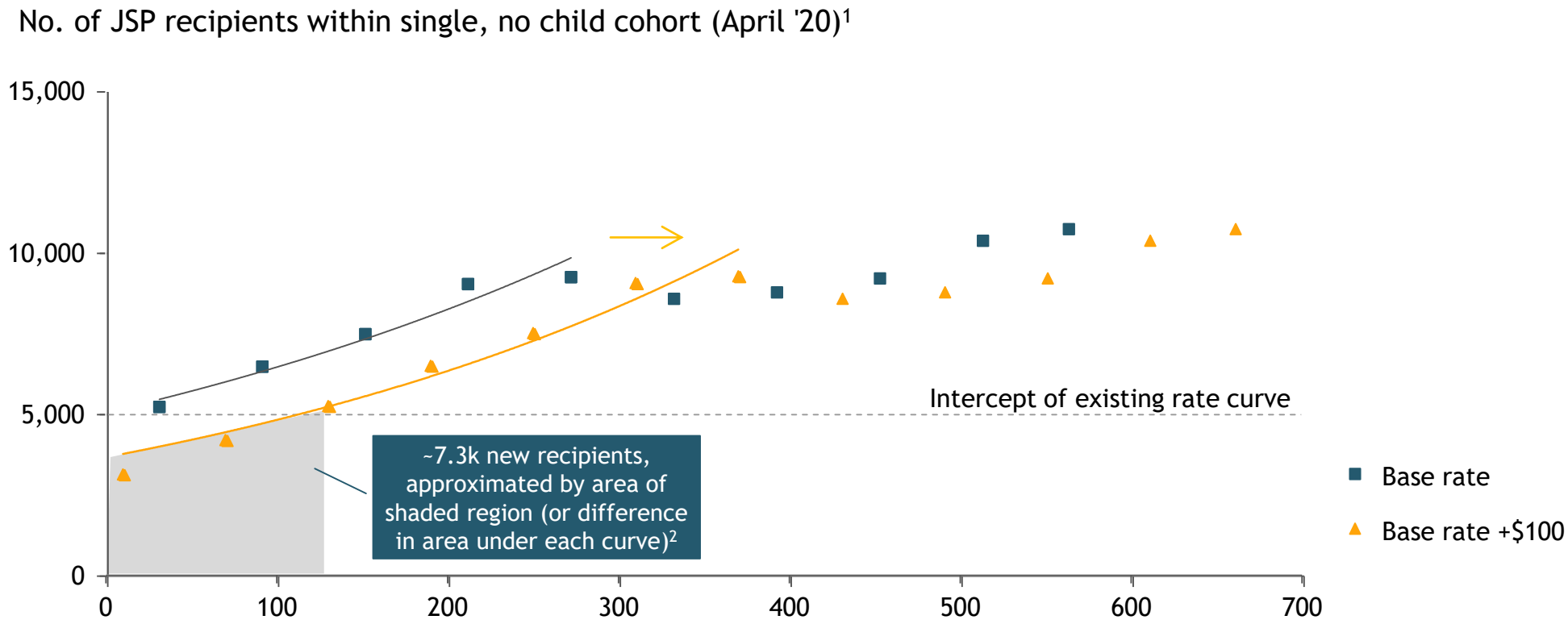
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Illustrative example: Increasing base rate by $100 would result in approx. 7.3k recipients coming onto payment for JSP single, no child rate

Note, we assume can extrapolate existing distribution of recipients by payment rate to infer new claimant volumes



1. Excludes recipients on maximum rate to avoid distortion of the axes and allow us to zoom in on trend for recipients on tapered rates. 2. ~7.3k increase is on a base of 938k recipients (1.6m recipients on JSP multiplied by 58% to reflect size of single, no child cohort).
Source: DSS data, BCG analysis

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Cameo – Couple with one recipient

Current Income Testing Parameters

JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold 1:	$104.00
JobSeeker Threshold 2:	$254.00
JobSeeker Taper Rate 1:	$0.50
JobSeeker Taper Rate 2:	$0.60
Partner Threshold:	$994.00
Partner Taper Rate:	$0.60

New Income Testing Parameters

JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold (Single):	$174.00
JobSeeker Threshold (Couple combined):	$308.00
JobSeeker Taper Rate (Single):	$0.50
JobSeeker Taper Rate (Each member of a couple):	$0.25

Sequential Income Testing	
Jenny's Income	$1481.60
Adam's Income	$200.00
First, apply the personal income test to Adam's income	
Income after personal income test	$471.00
Next, apply the partner income test, taking into account Jenny's income based on the result from the personal income test	
Income after personal income test	$178.44
Adam's total entitlement	**$178.44**

Combined Income Testing	
Jenny's Income	$1481.60
Adam's Income	$200.00
First, combine income of the couple and then halve	
Adam's income for the purpose of the income test	$840.80
Next, apply the personal income test	
Income after personal income test	$175.30
Adam's total entitlement	**$175.30**

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Cameo – Couple where both are recipients

Current Income Testing Parameters

JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold 1:	$104.00
JobSeeker Threshold 2:	$254.00
JobSeeker Taper Rate 1:	$0.50
JobSeeker Taper Rate 2:	$0.60
Partner Threshold:	$994.00
Partner Taper Rate:	$0.60

New Income Testing Parameters

JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold (Single):	$174.00
JobSeeker Threshold (Couple combined):	$308.00
JobSeeker Taper Rate (Single):	$0.50
JobSeeker Taper Rate (Each member of a couple):	$0.25

Sequential Income Testing	
Mark's Income	$300.00
Lisa's Income	$200.00
First, apply the personal income test to Mark's income and to Lisa's income	
Lisa's income after personal income test	$470.70
Mark's income after personal income test	$416.10
Neither are subject to the partner income test as their incomes don't exceed $944.00	
Combined total income	**$886.80**

Combined Income Testing	
Mark's Income	$300.00
Lisa's Income	$200.00
First, combine income of the couple and then halve for each recipient	
Adam's income for the purpose of the income test	$250.00
Lisa's income for the purpose of the income test	$250.00
Next, apply the personal income test	
Each person's income after personal income test	$470.70
Adam's total entitlement	**$941.40**

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Cameo – Different distributions of household income

Sequential Income Testing - One earning $40k	
Shirley's Income	$1538.00
Ian's Income	$0.00
First, apply the personal income test to Adam's income	
Income after personal income test	$518.70
Next, apply the partner income test, taking into account Shirley's income based on the result from the personal income test	
Income after personal income test	$192.30
Ian's total entitlement	**$192.30**

Sequential Income Testing - Both earning $20k	
Shirley's Income	$769.00
Ian's Income	$769.00
First, apply the personal income test to Mark's income and to Lisa's income	
Lisa's income after personal income test	$134.70
Mark's income after personal income test	$134.70
Neither are subject to the partner income test as their fortnightly incomes don't exceed $944.00	
Total entitlement (each)	**$134.70**

Under the combined income model, both scenarios would result in an entitlement of $134.70.

- Combined income testing achieves greater consistency across households with same income levels, regardless of distribution.
- There is a greater expectation for costs to be shared from the primary income earner to the second income earner than the current sequential income testing arrangement.

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Sunday, 14 June 2020 3:04 PM
To: WILLIAMSON, Nathan; MCLARTY, Mary; PATON, Kath
Cc: s 22 Carrasco, Miguel; Clancy, Trish; s 22
s 22
Subject: Canoe: End of sprint 4 materials
Attachments: Compendium vDraft - End of Sprint 4.pdf

Hi Nathan, Mary, Kath

In case it's helpful, attached is a draft "compendium" of materials from the Project Canoe work – noting that these are a draft as at the end of Sprint 4.

There are a number of areas that we look forward to progressing in the coming fortnight – not least grounding the financial impact in analysis of unit level data. As such, there are a few 'work in progress' items flagged in these materials.

Looking forward to continuing to work on this topic with you, and I'll look forward to speaking with you this week.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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WORK IN PROGRESS VERSION
AS AT END OF SPRINT 4

Project Canoe

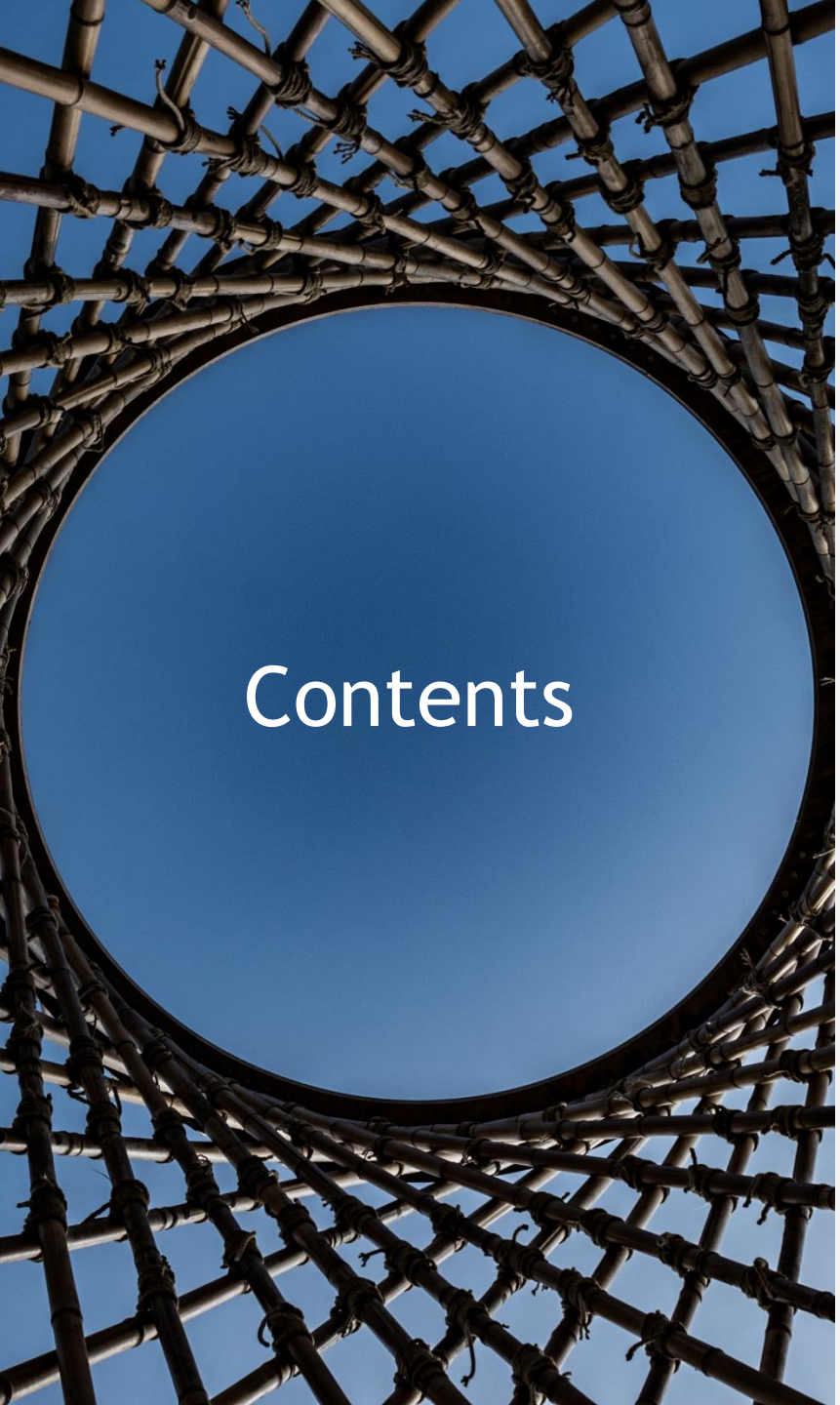
Compendium of materials

12 JUNE 2020

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Executive Summary

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On current path, significant contraction of welfare payments will coincide with end of JobKeeper

12 Mar 2020 — Gov't announced significant expansion of working-age welfare policy settings

- Coronavirus supplement instituted ($550 p/f)
- Jobseeker eligibility expanded
- Assets test waived
- Partner income test relaxed
- Waiting periods waived

March to June 2020 — As expected, a significant inflow of recipients followed

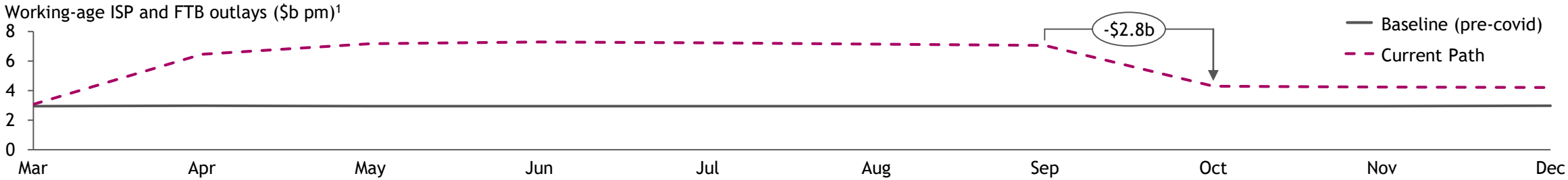
- ~900k to JobSeeker
- ~100k to YA(other)
- ~25k to Parenting Payment (P&S)
- ~45k to YA (S) and Austudy

24 Sep 2020 — Expanded welfare policy settings end on 24 September…

- Coronavirus supplement ends, withdrawing ~$2.8b p.m. in welfare spending
- Average payment rates drop 45-60%
- Eligibility, assets tests, partner income tests, and NARWP revert to pre-covid settings, removing ~96k recipients from welfare

27 Sep 2020 — …JobKeeper payment finishes 3 days later (under current timeline)

- Withdrawal of $1500 p/f from ~3.5m workers
- Anticipate 150-350k[2] job losses, with those individuals flowing onto welfare[3]



1. Covers JSP, PP, student payments, SB, FTB A & B, excludes supplements except energy supplement and pharma allowance 2. Indicative estimate, based on C'th Treasury's announcement that JobKeeper would reduce unemployment by ~500,000 jobs (5 ppts on the unemployment rate). Assumption is that the removal of Jobkeeper will see job losses in the range of 30-60% of the original figure 3. Based on % flow into welfare of job losses over March to May 2020, after excluding those who would have been ineligible but for the changes to eligibility, assets test, partner income test, and NARWP

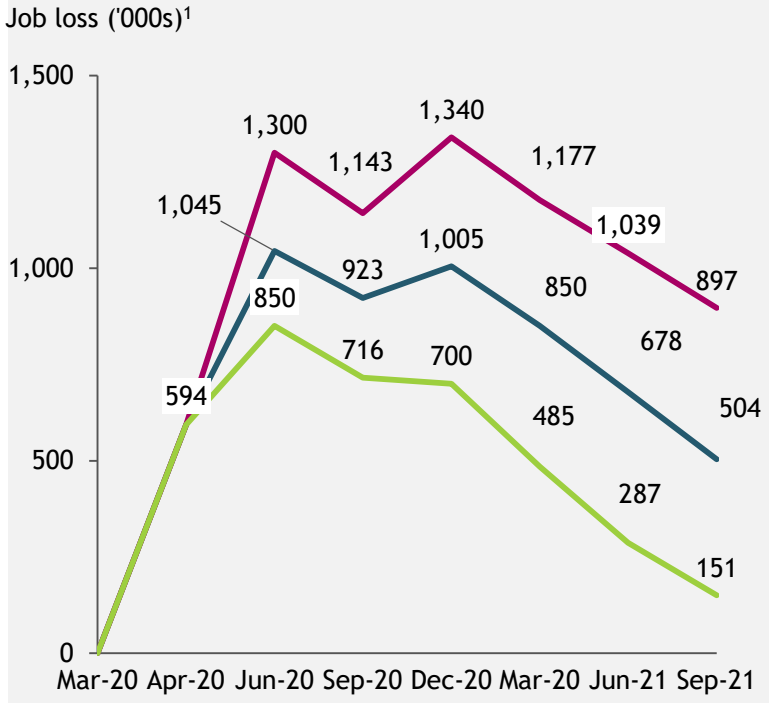
Source: DSS data, Project analysis

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Data as at 5th June 2020
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End of JobKeeper expected to accompany "second peak" in working-age welfare recipients

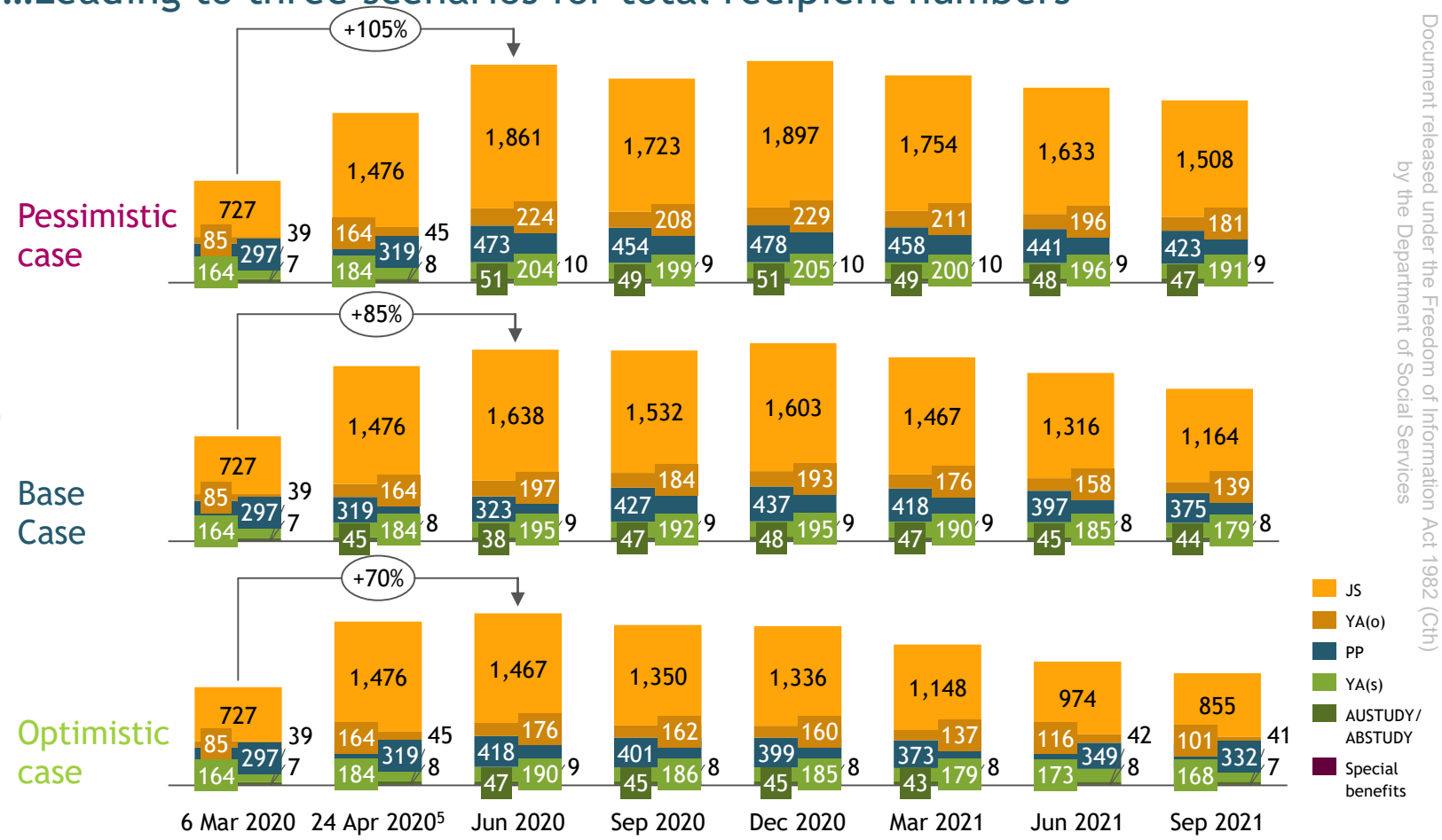
Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k jobs to be lost post-JK
- Base case: ~225k jobs to be lost post-JK
- Optimistic case[4]: ~150k jobs to be lost post-JK

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 850k job loss in Jun 2020 aligns with Citibank forecasts (856k); 5. JS, YA(o) Apr includes claims on hand
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include recipients on nil rates
Source: ABS Data, DSS Data, Treasury estimates, RBA estimates, Senate media release, Project analysis

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Six high level policy goals inform the potential response



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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A menu of policy options has been developed – to manage the disruption and deliver reform

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test – $500-$650m pm	Extend C-19 'access to payments' measures: assets test, verifications, partner income test eligibility expanded – $50-$100m pm	Expand discretion able to be exercised around unrealisable assets – tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) – No outlay impact	Merge YA(s) and Austudy into a new student payment – $0-($5)m pm[1]	Merge into JobSeeker: Special Benefit TPV holder cohorts – $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) – No outlay impact	Merge into JobSeeker: Special Benefit >65s – $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child – $0-($200)m pm
Rates	Lift rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, phone, APW, LLN – $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week – $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates – $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 – tbd	Move allowance recipients onto a "household" income test, similar to pensions – tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts – tbd	Streamline waiting periods: Abolish SWPP – tbd	Double the nil rate period to 12 fortnights – tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates
Source: DSS data, Project analysis

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

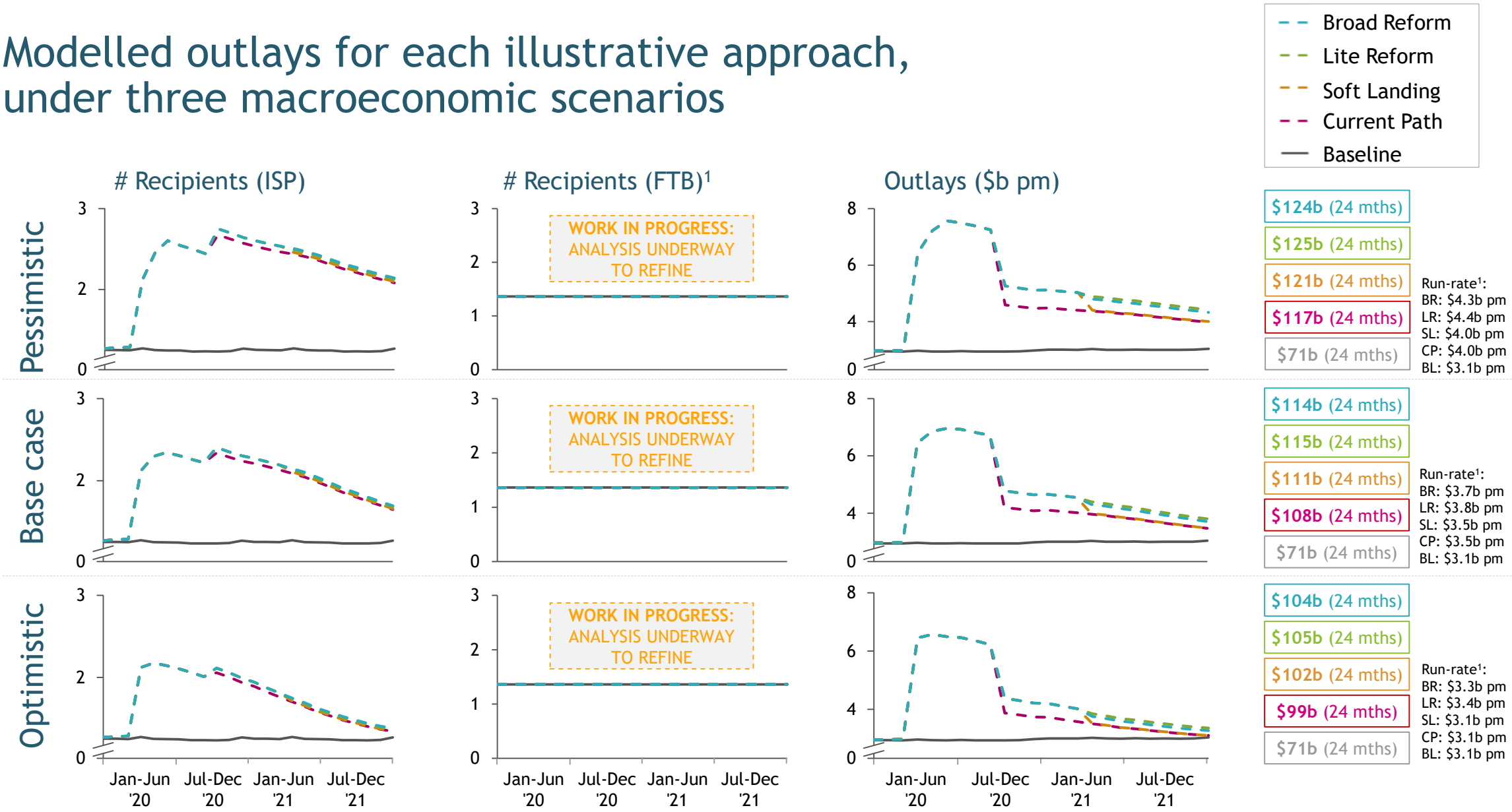
	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (e.g. ~4-6 months)	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP
Financial Impact[1]	In FY21: $55-66b (+$3b vs. Current Path) In FY22: $38-48b (+$0.1b vs. Current Path)	In FY21: $56-67b (+$5b vs. Current Path) In FY22: $41-53b (+$4b vs. Current Path)	In FY21: $55-67b (+$4b vs. Current Path) In FY22: $40-52b (+$3b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Working credit changes not yet incorporated in modelling .
Source: DSS Data, Project analysis

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Modelled outlays for each illustrative approach, under three macroeconomic scenarios



1. Monthly outlays for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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Stage One: Implications for recipients at 25 Sep 2020

Note: Excludes impact of any changes to FTB

	Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers New JSP	Students YA(s), Austudy ABSTUDY	Parents New JSP	Jobseekers New JSP	Students New Austudy ABSTUDY	Parents New JSP
Drop in average payment rate ($ pf)[1]:	~$550 (~50%)	-$550 (~60%)	~$550 (~45%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)
# Removed from payment[2]: PRELIMINARY ASSETS TEST, ELIGIBILITY, NARWP, PARTNER INCOME IMPACT SHOWN	~96k	~1k	~1k	~77k	~0.9k	~0.4k	~77k	~0.9k	~0.4k	~77k	~0.9k	~0.4k
# Required to update info[3]:	~900k	~25k	~40k	-900k	-25k	-40k	~900k	~25k	~40k	~900k	~25k	~40k
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max weighted average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 19 Mar '21 to forecasted 20 Mar '20 due to assets testing, eligibility, NARWP, and partner income. 3. Assumes an average of ~60-70k new total applications granted per month as part of BAU
Note: Assumes base case economic scenario
Source: Project analysis

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Each Stage likely needs to progress separately

I.e. two separate Cabinet Submissions, two Bills for Parliament

Note: Assumes Package 3 "Broader Reform" being pursued

Temp relief
Payment types
Rates
Incentives
Service delivery

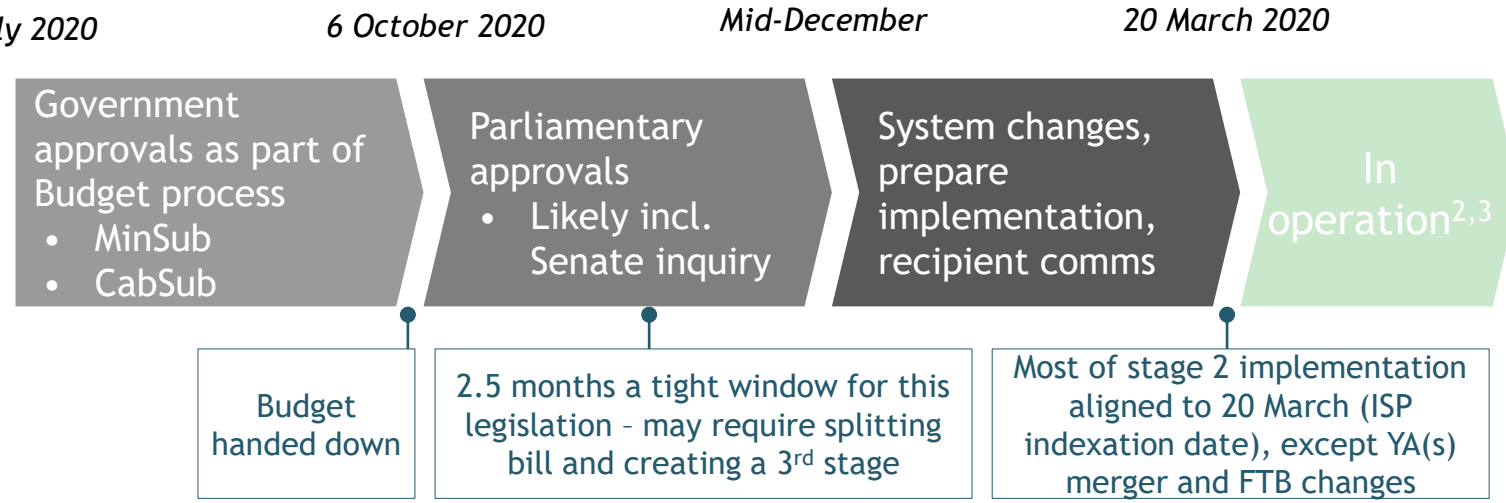
Stage 1: C-19 Response

- Extend Coronavirus supplement at $100 p/f
- Extend C-19 'access to payments' measures
- Expand unrealisable assets discretion
- Align IFAs with pensions, max 50% tapers
- Expand & simplify working credit[1]
- Shift MOCA effort toward compliance
- Double the nil rate period to 12 fortnights



Stage 2: Broader reform

- Merge into JSP: PP(P), PP(S), and YA(o)
- Merge into JobSeeker: SB >65yo cohort
- Merge into JobSeeker: SB TPV cohort
- Merge YA(s) and Austudy into new payment[2]
- New single FTB payment, tiered by child age[3]
- Lift rates by $100 p/f, absorb supplements
- Create new mature aged / PCW rate in JSP
- Streamline waiting periods



Note: In practice, system changes will need to commence prior to legislation passing
1. Working credit changes not expected to be implemented until 20 March 2020 2. Merger of YA(s) and Austudy would take place in January 2021 3. Moving to single FTB payment would most likely take place at end of financial year, so from 1 July 2021

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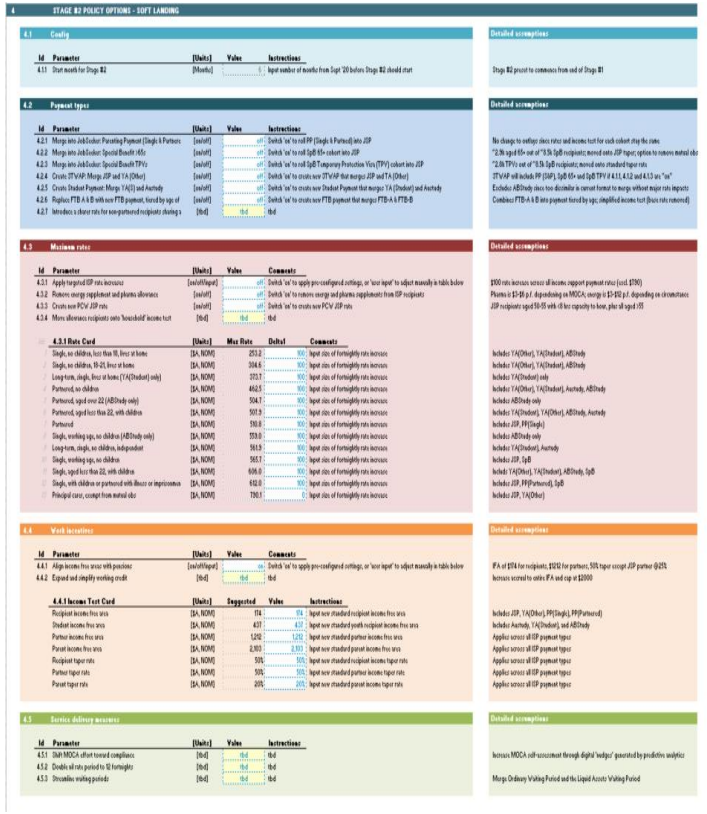
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An Interactive Dashboard has been developed to rapidly model combinations of "menu" options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test for current recipients only — $500-$650m pm	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility — $50-$100m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Youth Allowance (o) — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift payment rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, WFD, LIN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Prioritised backlog for next steps on the model set out in last section of this pack

Suggested next steps

Sprint 5

Rapidly iterate Stage One costings and policy detail based on feedback from Secretary/Minister

- Add new features to model as new policy design ideas are requested

Round out Stage Two policy design, coming to a view on FTB, mature-aged rate, MOCA, payment type consolidation, indexation, a household income test, sharer rate, & streamlining waiting periods

- Add new features required to model to reflect new/different policy approaches from those already incorporated

More detailed consideration of legislative requirements and implementation timeframes, incl. engaging with Services Australia

Prepare Min Briefing and/or first daft of Cabinet Submission for Stage 1 package

Integration of unit level analyses into the model - to improve model accuracy, and enable detailed cohort-level impact analysis of current glide-path and Stage One/Two policy choices

- Leverage unit-level data to consider risk-based approach to assets and rental verification, rather than triggering ~950k info requests

Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality

Progress model QA and handover to DSS modelling team, including 2-3 days of in-person handover in Canberra

Sprint 6

Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister

- Add new features to model if new policy design ideas requested
- Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
- Engage Services Australia on possible implementation timing & constraints

Iterate and finalise Cabinet Submission for Stage One package

Prepare Ministerial Briefing and/or Cabinet Submission for Stage Two package

Complete integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two policy choices based on unit-level data

Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality

If required, continue/finalise model QA and handover to DSS modelling team, including 2-3 days of in-person handover in Canberra

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Policy goals that this research is framed around

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Six high level policy goals



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Initial view of key pain points (I/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive/ employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age) • Child support tests can overlap with welfare payment income tests to produce EMTRs >100%
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • You can be on JSP if a casual working 40 hours/week, but can't be on JSP if permanent employee working 40 hours/week

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Initial view of key pain points (II/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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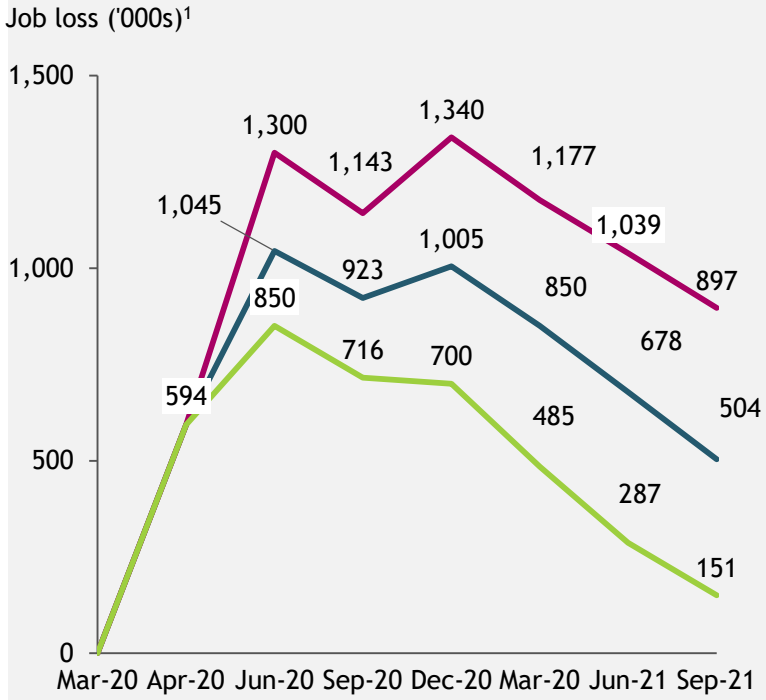
Current trajectory for working-age welfare post COVID-19

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Data as at 5th June 2020
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We have considered three macroeconomic scenarios

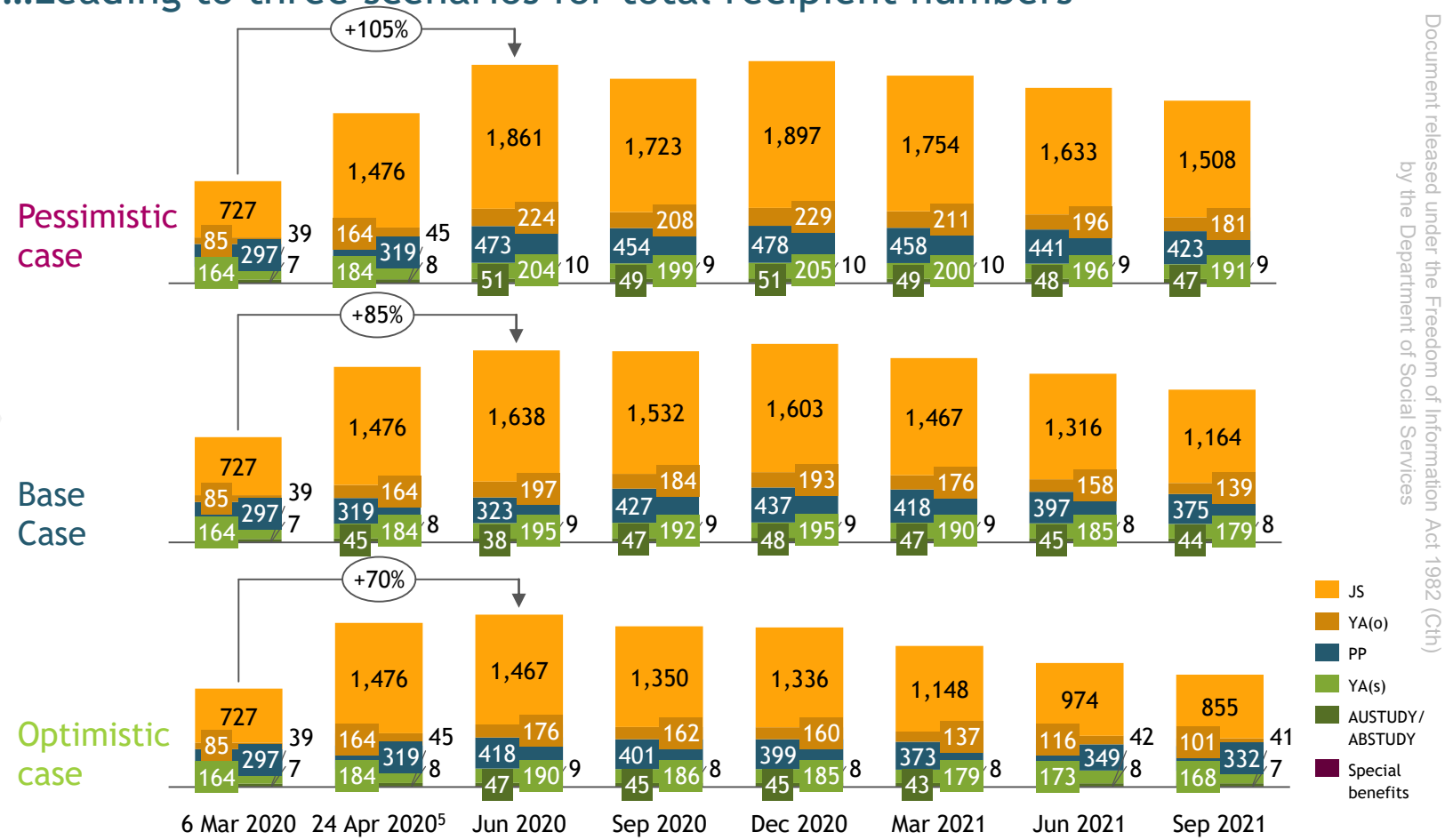
Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k jobs to be lost post-JK
- Base case: ~225k jobs to be lost post-JK
- Optimistic case[4]: ~150k jobs to be lost post-JK

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 850k job loss in Jun 2020 aligns with Citibank forecasts (856k); 5. JS, YA(o) Apr includes claims on hand
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include recipients on nil rates
Source: ABS Data, DSS Data, Treasury estimates, RBA estimates, Senate media release, Project analysis

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Backup: Macroeconomic scenarios focus on potential COVID-19 recovery pathways

Optimistic case

- Virus is suppressed; people movements are safe
- Continuation of favourable fiscal policies; limited challenges with global trade
- Workforce embraces new flexibility in remote working, driving higher productivity levels
- High consumer confidence and an increase in discretionary spending

- Job loss due to C-19 forecasted to reach 850k[1], with expectation to recover by Apr 2022
- Most sectors expected to recover by 2022, with significant recovery made by highly impacted sectors, incl., Arts and Recreation Services, Accommodation and Food Services

Base case (likely)

- Virus slowly eradicated; staged unwinding of social distancing restrictions
- Some favourable fiscal policies; some challenges with global trade
- Slow workforce adoption of remote-working with mixed results; little improvements in productivity
- Declining consumer confidence and discretionary spending

- Job loss due to C-19 forecasted to reach 1m[2], with expectation to recover by Apr 2023
- Most sectors expected to recover by 2022, with the exception of highly impacted sectors

Pessimistic case

- Wave 2/3 of virus; continued social distancing restrictions
- Lack of effective fiscal policies; increased protectionism in global trade
- Absenteeism and declining productivity due to remote working
- Low consumer confidence, drastic cutbacks in discretionary spending

- Job loss due to C-19 forecasted to reach 1.3m[3], with expectation to recover by Apr 2024
- Sectors slow to recovery, with sustained job loss for highly impacted sectors – permanent job loss expected

1. Aligns with Citibank forecasts (856k by Jun 2020); 2. Aligns with RBA forecast of 1 mil jobs lost by June 2020; 3. Aligns with Grattan Institute forecasts (1,370k by Jun 2020)

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Backup: Methodology applies job loss scenarios to current recipient numbers, to derive scenarios for recipient volumes

Modelling approach

Develop scenarios for job loss till Dec 2025

- **Forecasted job loss** due to C-19 conducted using sector by sector analysis, **and likely recovery pathway (e.g. V or U)**[1]
- **Estimate likely duration** till job loss will likely stabilise
- **Triangulate using estimates** from Treasury, RBA, Grattan Institute, industry experts
- Adjust job loss forecasts **to reflect additional job loss when JobKeeper ceases** (Oct-Sep 2020)

Determine April 2020 actuals for recipient #s

- **Assess extent of increase in recipient numbers** for each payment type **post-shutdown** using Apr, May 2020 actuals

Quantify likely impact of job loss #s on recipient #s

- **Adjust to reflect unique features of C-19 crisis and likely near-term trajectory** (e.g. travel/tourism hit hardest, with more young people)

Apply job loss #s to actuals to forecast recipient #s

- **Determine impact of changes in job loss recovery** on recipient numbers for each payment type
- **Calibrate trajectory according to likely response** when JK and coronavirus supplements end (in Sep)

1. https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy
Source: Project analysis

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Backup: Key assumptions in modelling total recipient numbers under each macroeconomic scenario

	Optimistic case	Base case	Pessimistic case
Job loss recovery	• No permanent job loss – V shaped recovery • Job loss stabilises in ~2 years	• No permanent job loss - U-shaped recovery • Job loss stabilises in ~3 years	• Permanent job loss following L-shaped recovery: 1.2% of jobs lost due to C-19 remain • Job loss stabilises in ~4 years
Job loss to recipient increase conversion[1]	• Same as base case	• Jobseeker: JS recipient increase equates to 87.6% of total job loss • YA(o): 10.5% • PP(p): 1.1% • PP(s): 1.5% • YA(s): 3.1% • AUSTUDY: 0.6% • ABSTUDY: 0.2% • Special benefits: 0.2%	• Same as base case
Post-JK impact on total job loss[2]	• ~115k jobs to be lost post-JK	• ~200k jobs to be lost post-JK	• 350k jobs to be lost post-JK

1. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; pessimistic case assumes 70% of 500,000 jobs will be realised; base case assumes 45%; optimistic case assumes 30%
Source: DSS data, RBA forecasts, Project analysis

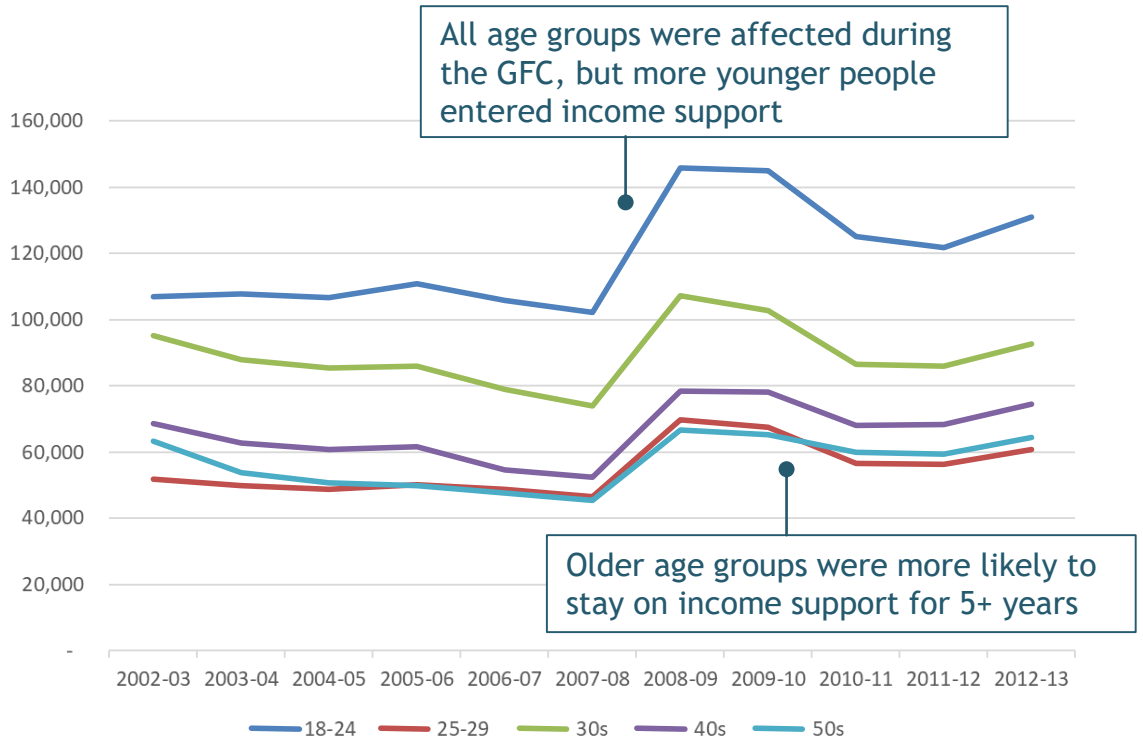
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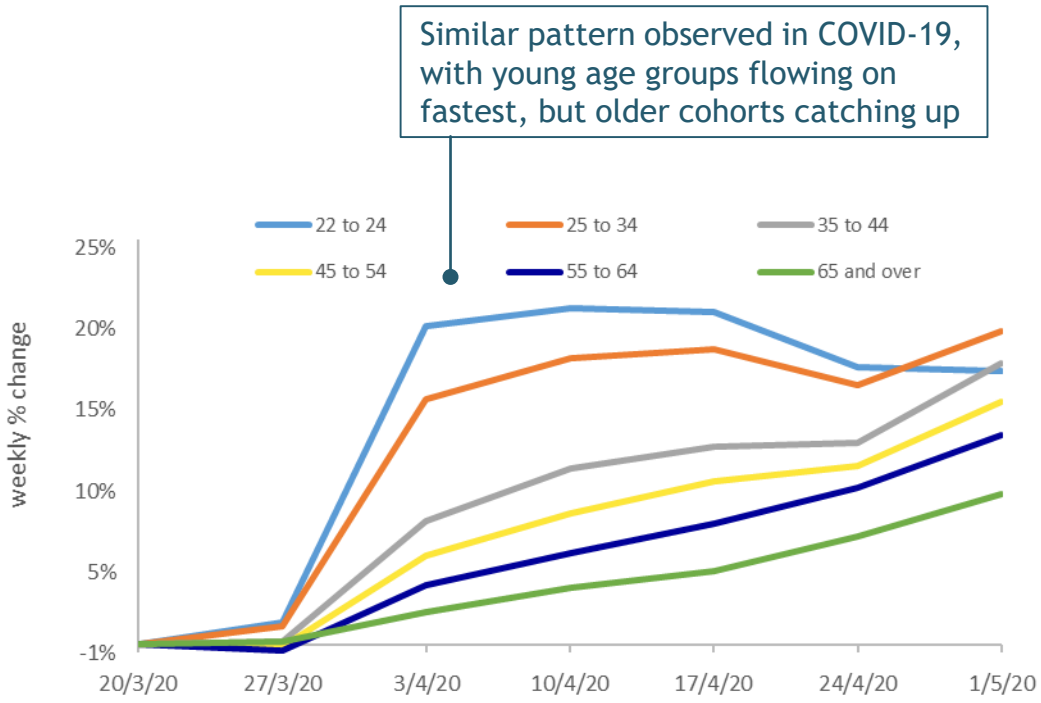
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 crisis is following a similar pattern so far

GFC: New entrants to income support, by age group



Today: Entrants to Jobseeker Payment, by age group



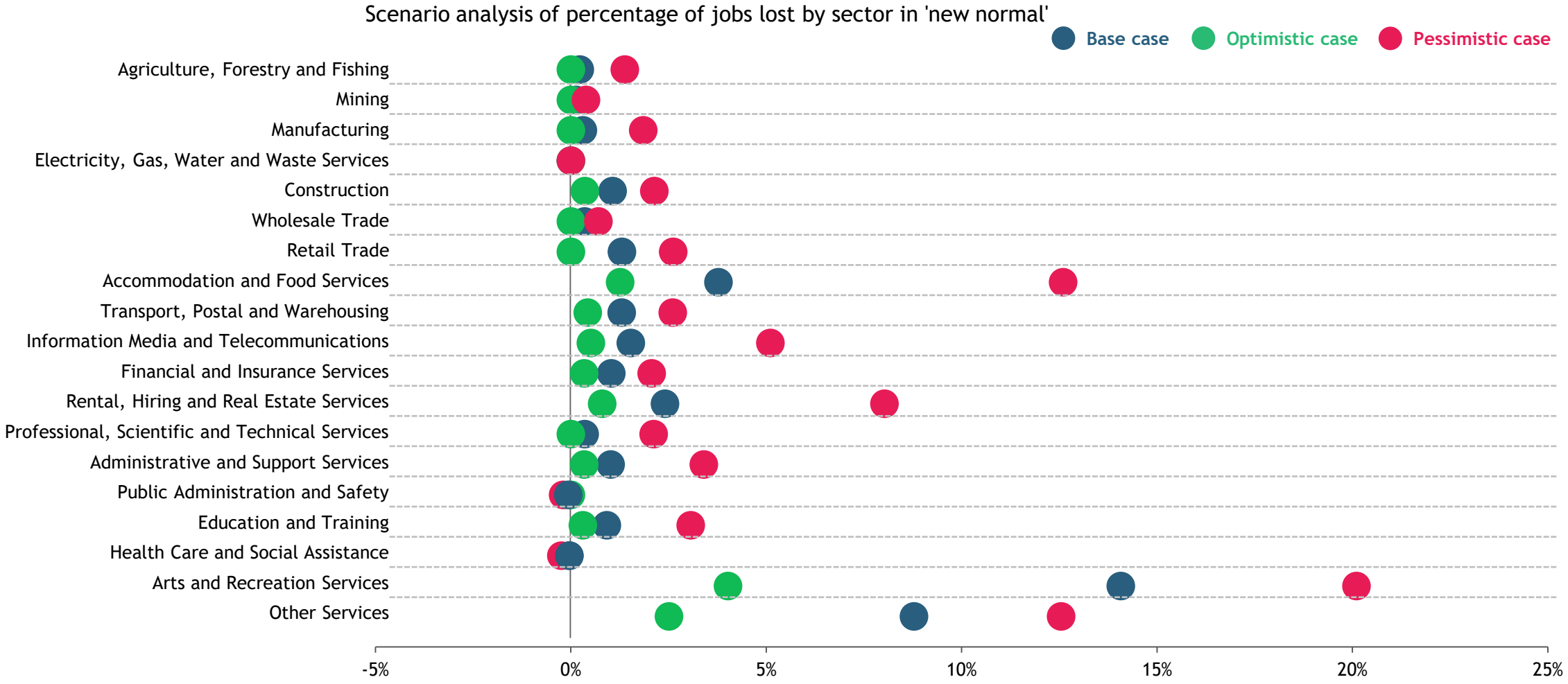
Source: DSS data

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Back-up: Unemployment rate forecasts were informed by job loss predictions for 19 sectors



Source: Project analysis, interviews with sector experts

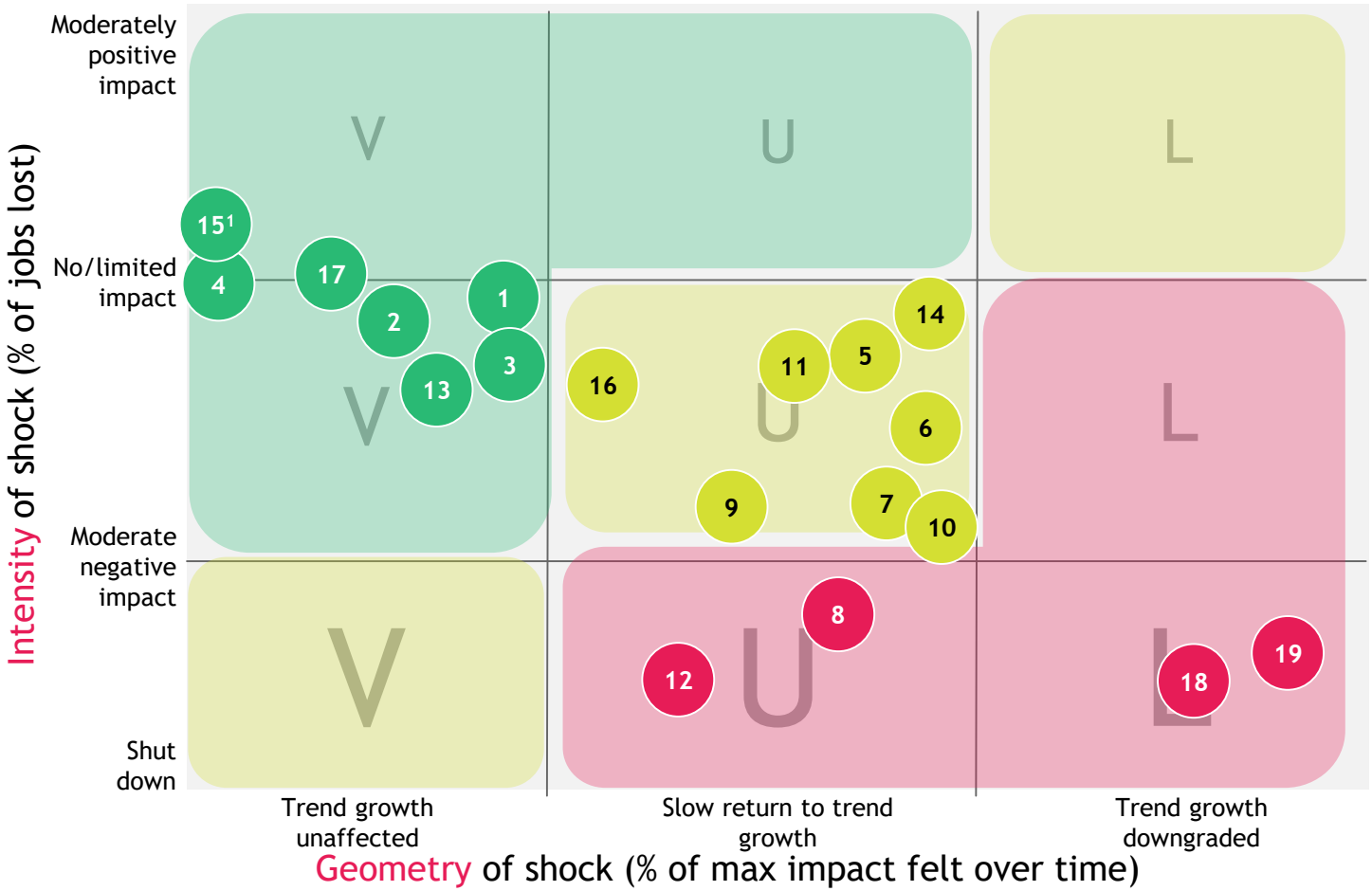
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Backup: Under the base case scenario, 2 sectors have an L-shaped recovery, and 7 sectors have a V-shape

Intensity and Geometry of each sector at max impact



1	Agriculture, Forestry and Fishing	11	Financial and Insurance Services
2	Mining	12	Rental, Hiring and Real Estate Services
3	Manufacturing	13	Professional, Scientific and Technical Services
4	Electricity, Gas, Water and Waste Services	14	Administrative and Support Services
5	Construction	15	Public Administration and Safety
6	Wholesale Trade	16	Education and Training
7	Retail Trade	17	Health Care and Social Assistance
8	Accommodation and Food Services	18	Arts and Recreation Services
9	Transport, Postal and Warehousing	19	Other Services
10	Information Media and Telecommunications		

1. Public administration and safety is estimated to see job increases (positive intensity) and so will not adopt a V-shape recovery

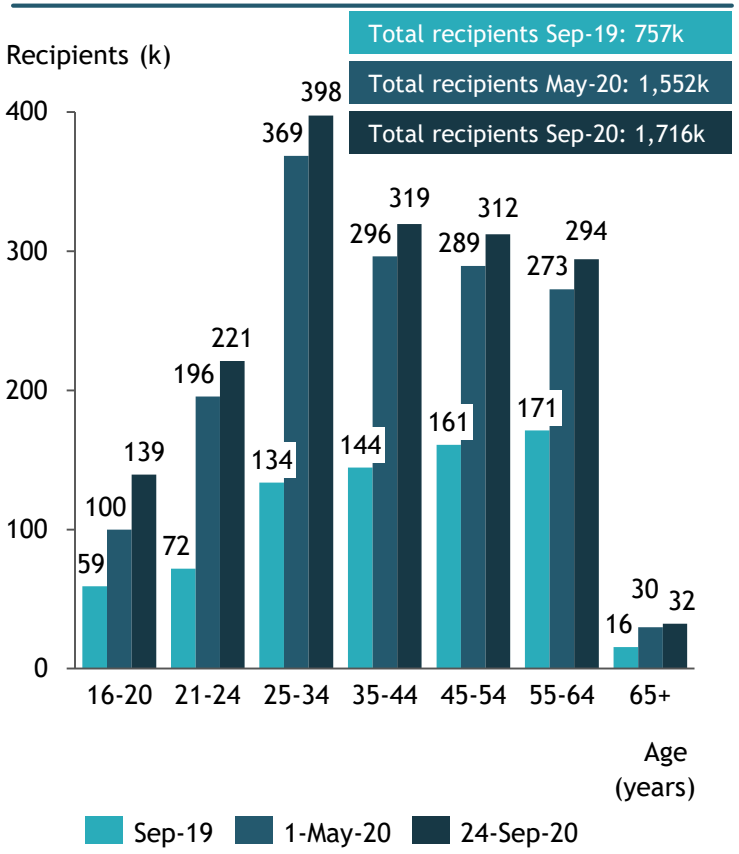
Source: Project analysis, interviews with sector experts

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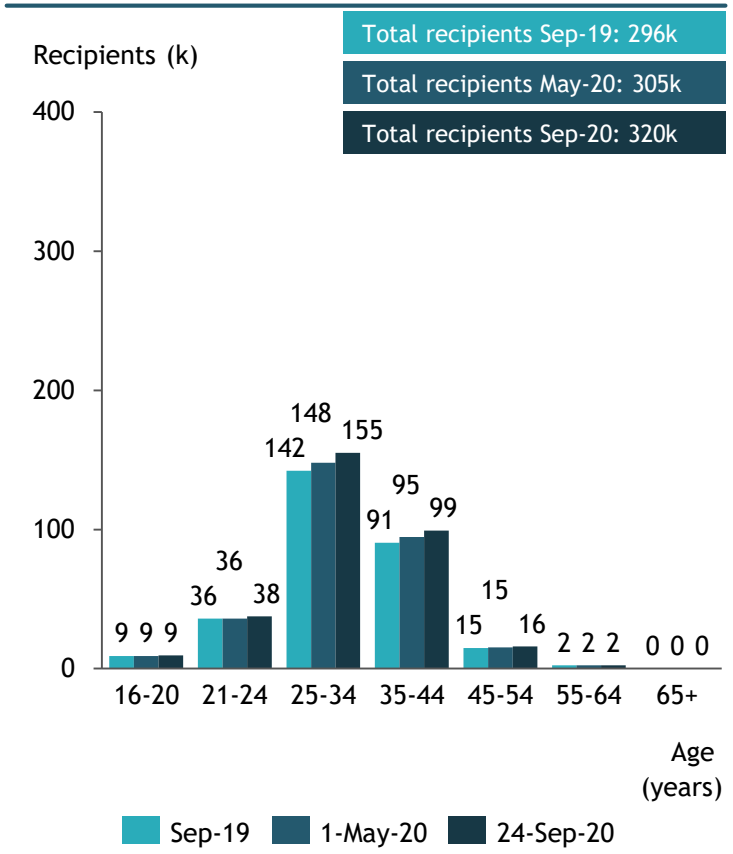
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Data as at 5th June 2020
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These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

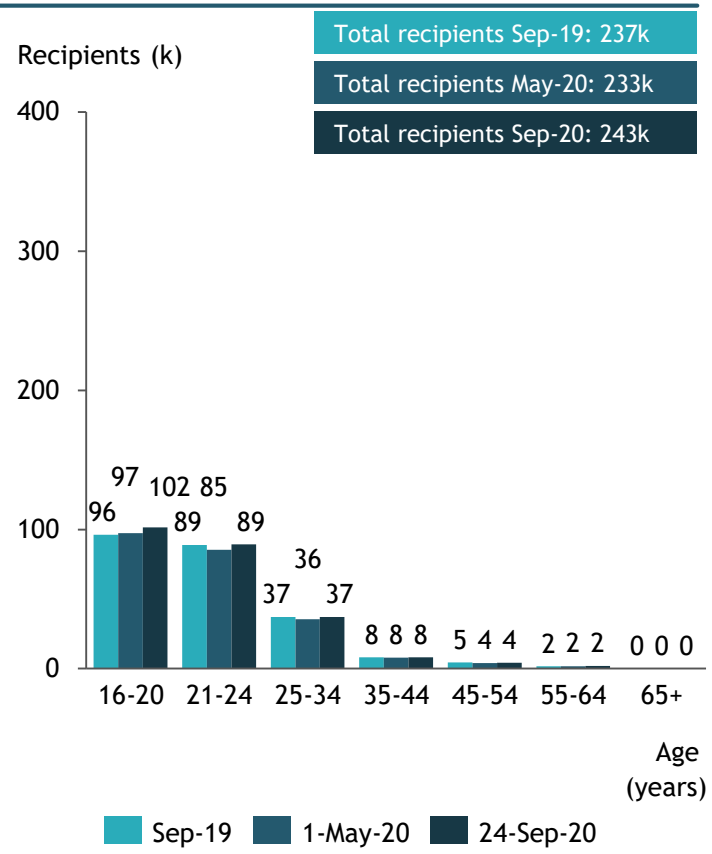
Jobseekers[1]



Parents of young children[2]



Students[3]



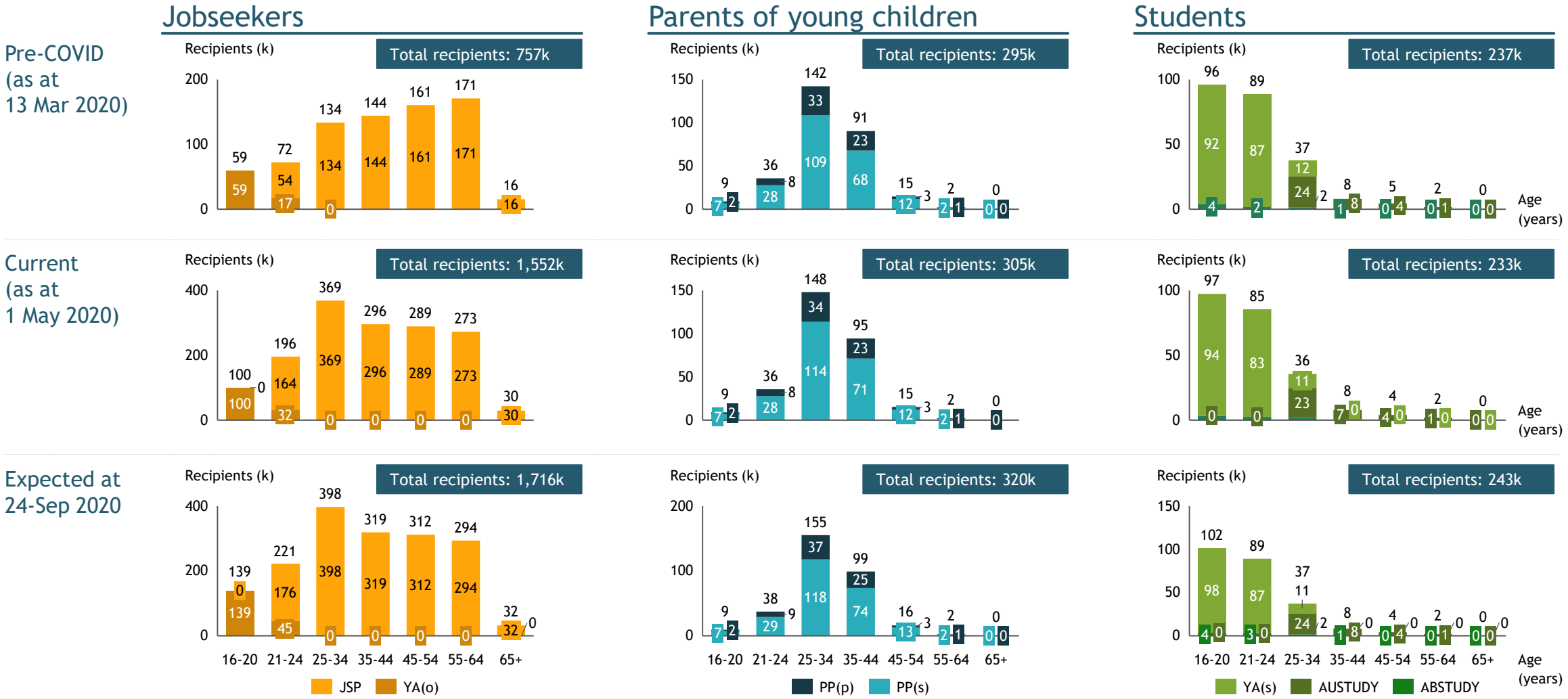
1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Includes nil rate earning recipients
Source: DSS Data, Project analysis

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Back-up: Expected shape of working-age welfare system by payment type

Note: Impact of JobKeeper withdrawal and timing is not yet known



Note: Excludes recipients aged <16 years old; assumes Sep 2020 age distribution is the same as May 2020; does not take into account impact of JobKeeper – timing not yet known
Source: DSS Data, Project analysis

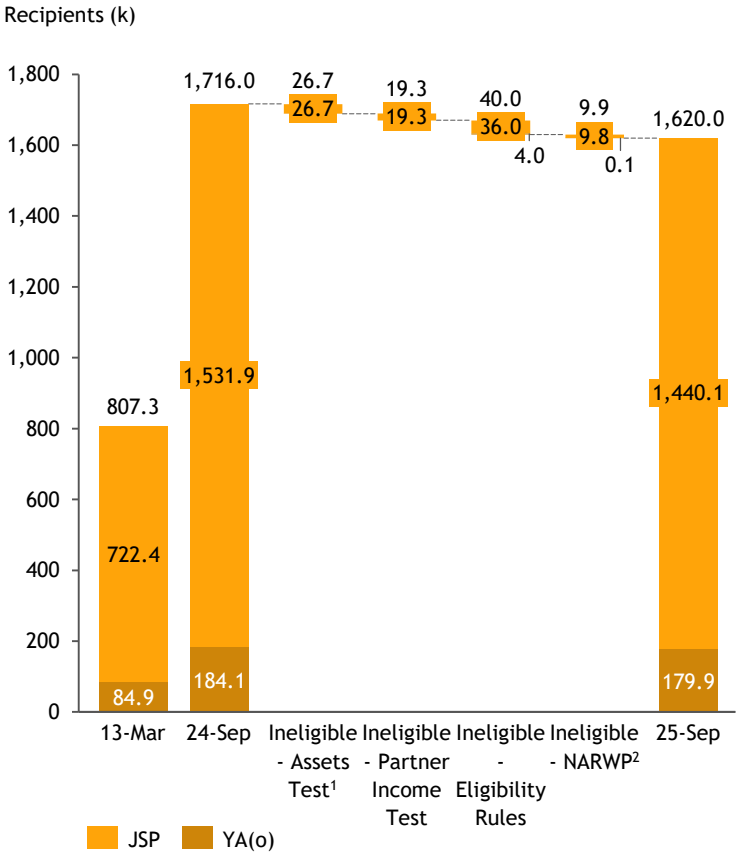
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Volume estimates to be updated
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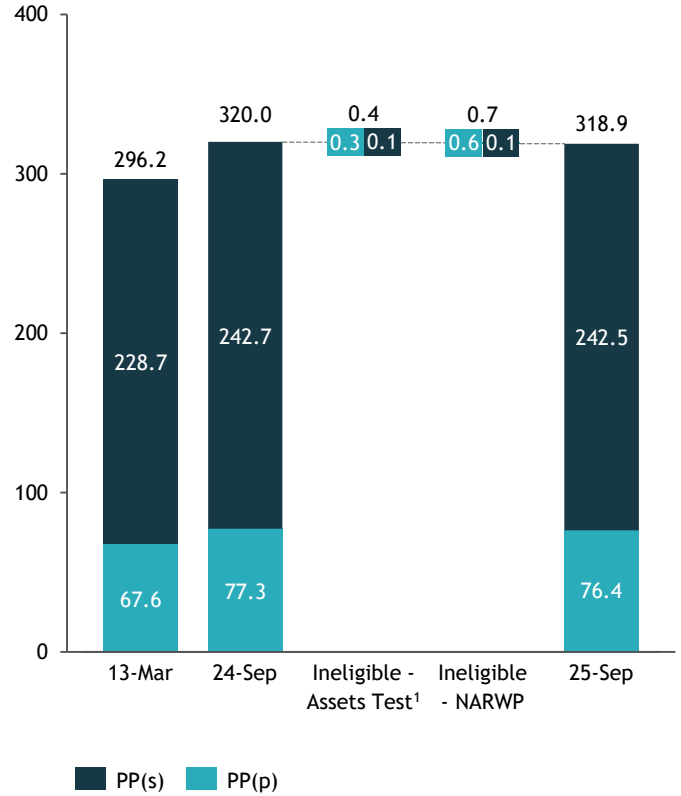
Current path: 98k+ recipients likely to be removed from payment in Sep 2020

Based on currently available financial asset data collected by Services Australia. Estimates to be updated using unit-level data

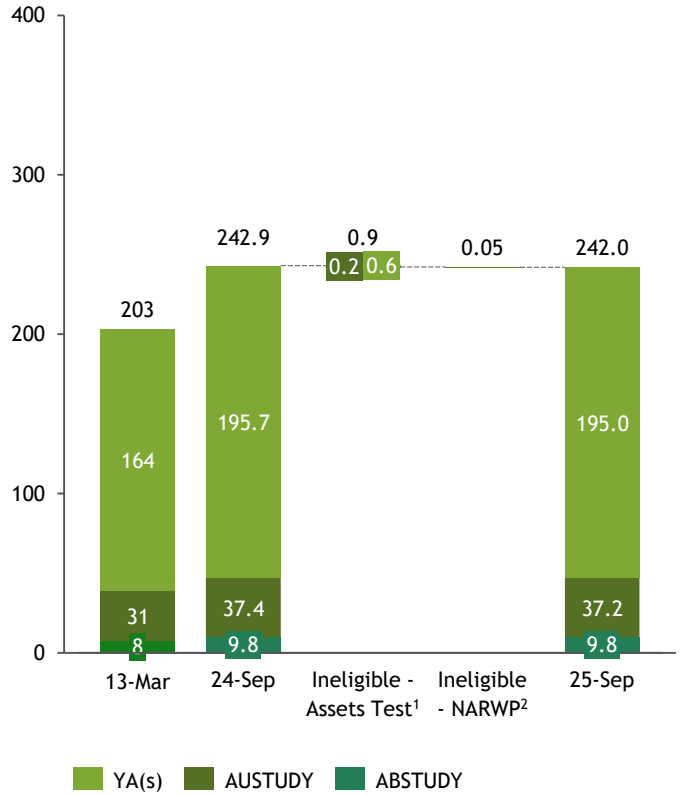
Jobseekers (96k+)



Parents of young children (1.1k+)



Students (0.9k+)



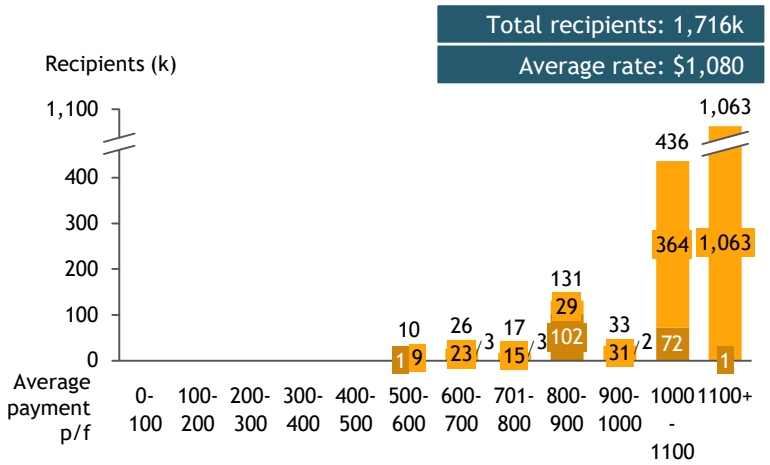
1. Financial asset data as at 8 May 2020 used as proxy for September 2020; YA(s) financial asset information assumed to be consistent with AUSTUDY and ABSTUDY 2. NARWP assessment based off 30 April 2020 NARWP estimates
Note: Includes nil rates
Source: DSS Data, Project Analysis

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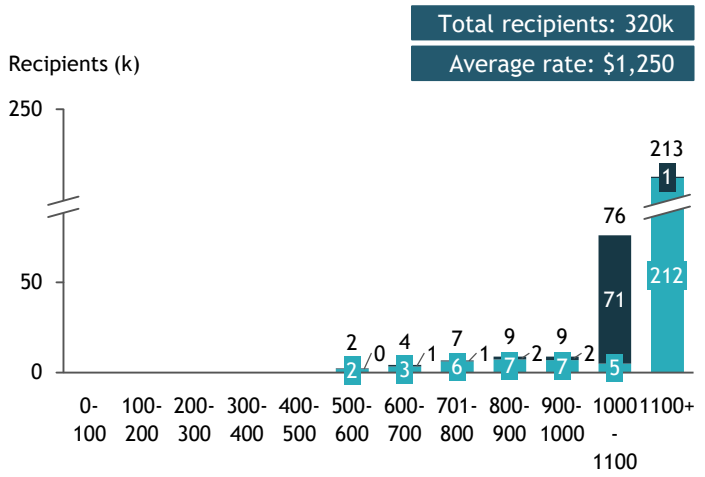
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Average payments will drop by ~45-60%...

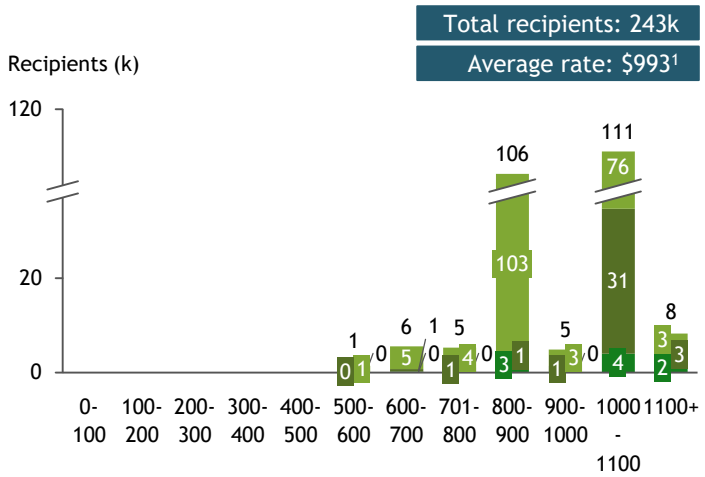
Jobseekers

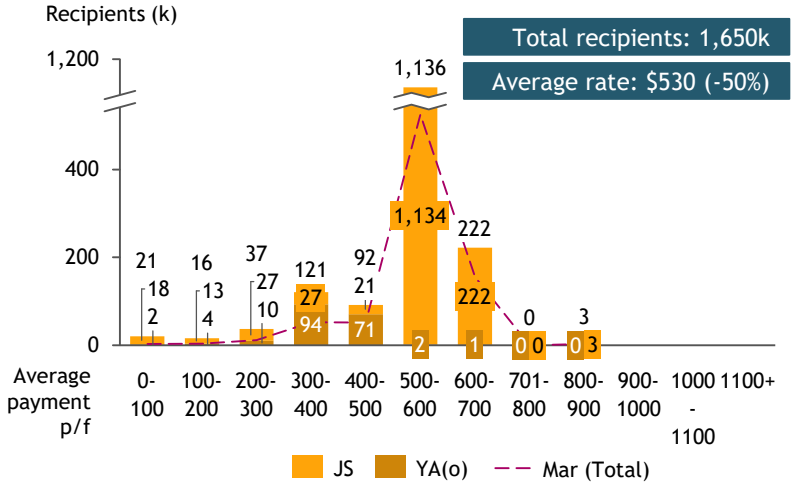


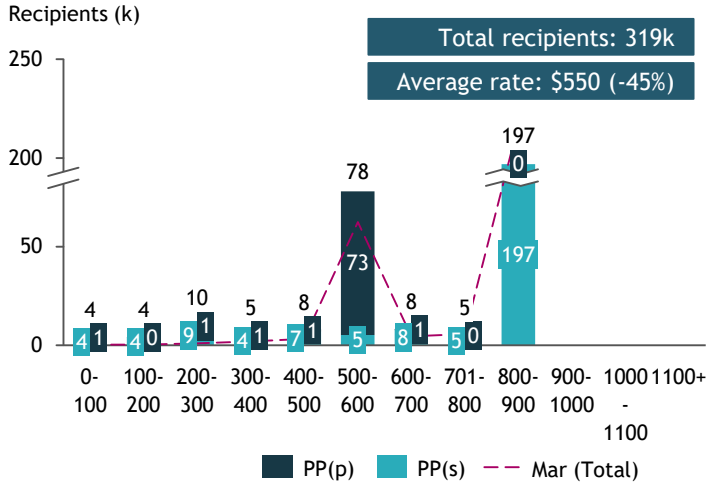
Parents of young children

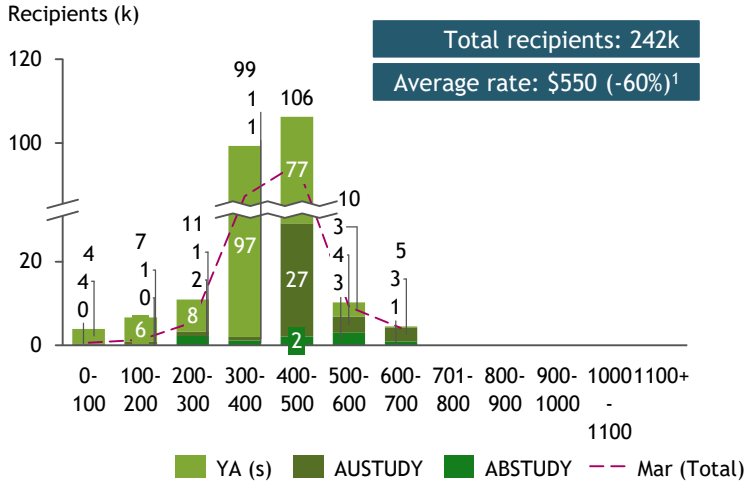


Students









1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Weighted averages used; Total PP recipient numbers on 25 Sep do not take into account NARWP reinstatement; Pharmaceutical and Energy Supplements factored into average payments; includes nil rates
Source: DSS Data, Project analysis

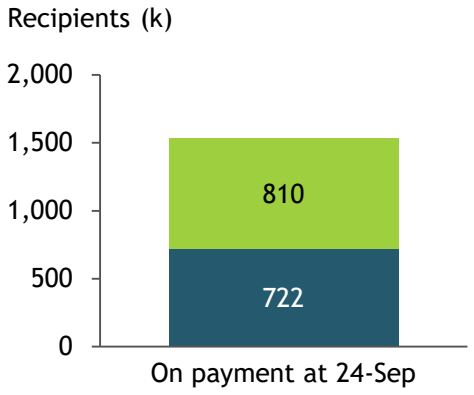
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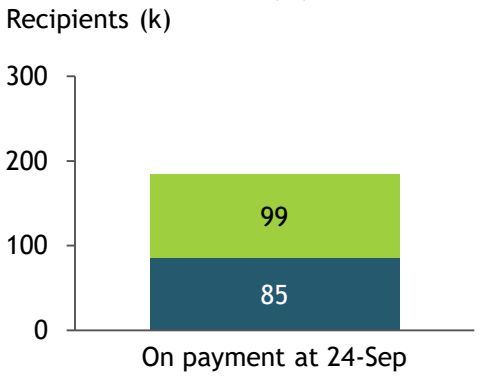
…And 950k+ recipients likely required to update information

Jobseekers

JSP

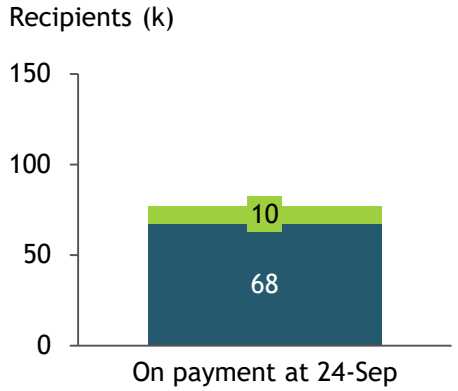


YA(o)

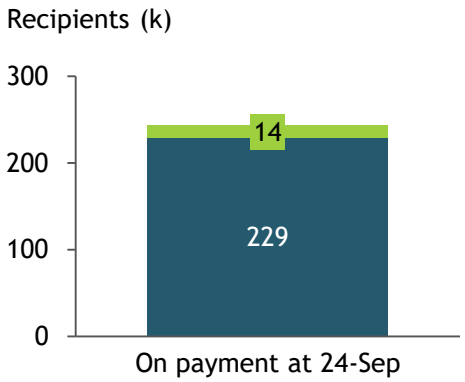


Parents

PP(P)

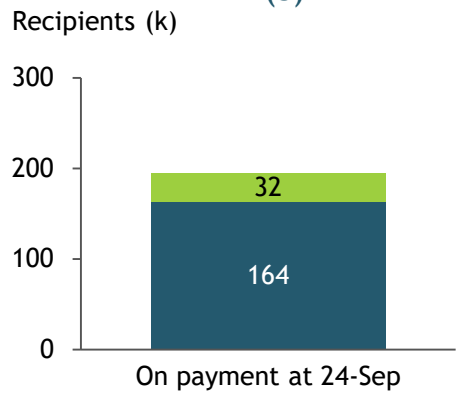


PP(S)

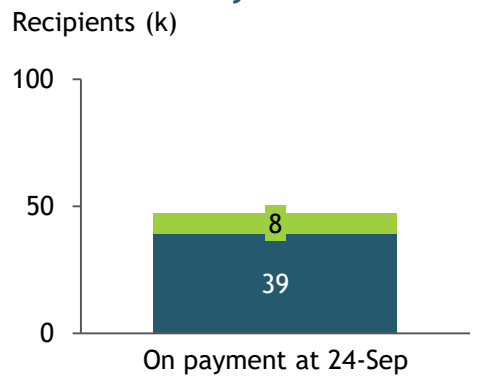


Students

YA(s)



Austudy/ABSTUDY



Source: DSS Data, Project analysis

"New" recipients, joined after 13-March-2020

"Old" recipients

Two key updates required

1. **Net assets held by recipients**
   - Services Australia has only collected data on financial assets

2. **Rental amounts being paid**
   - Currently only a self-declaration is required
   - Post 24-September, a lease or tenancy agreement must be provided

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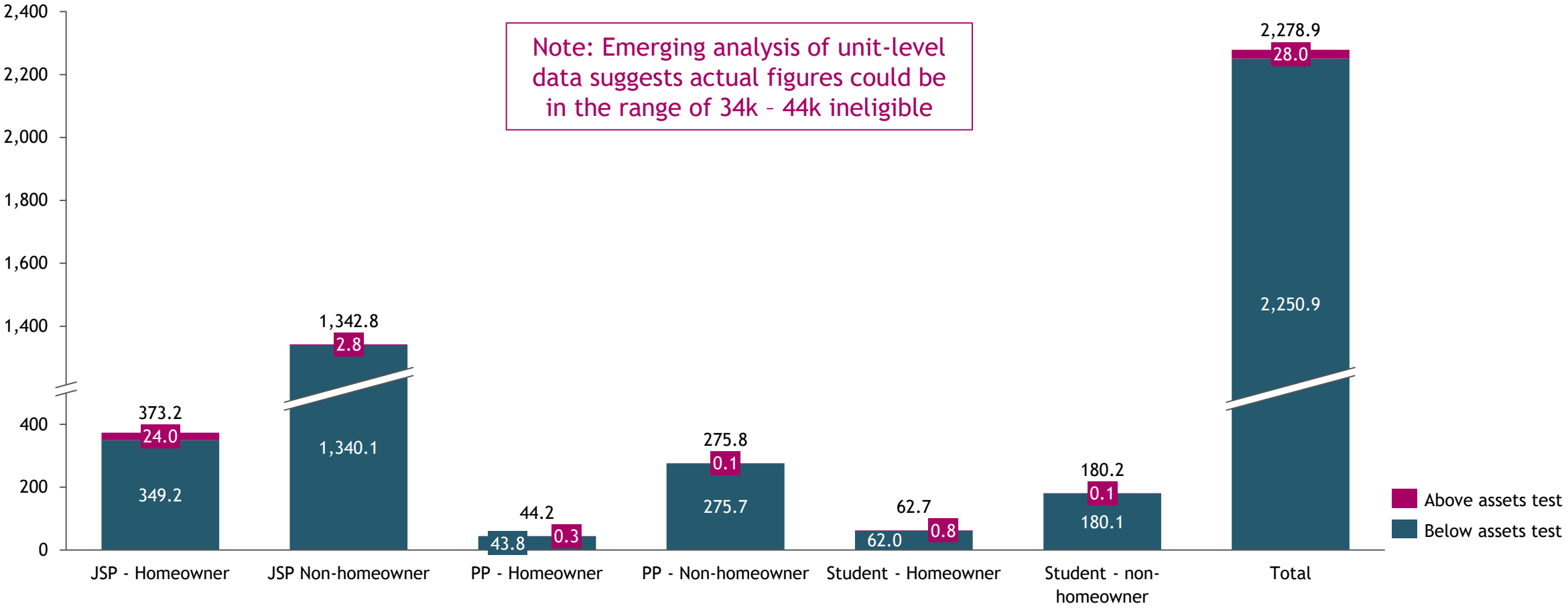
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Backup: ~28k recipients expected to be ineligible under assets test

As at 24 Sep

Based on currently available financial asset data collected by Services Australia. Actual numbers of ineligible recipients to be estimated

Recipients (k)/(% above assets limit)



Note: Emerging analysis of unit-level data suggests actual figures could be in the range of 34k – 44k ineligible

Note: Financial asset data as at 8 May 2020 used as proxy for September 2020; YA(s) financial asset information assumed to be consistent with AUSTUDY and ABSTUDY
Source: DSS Data, Project analysis

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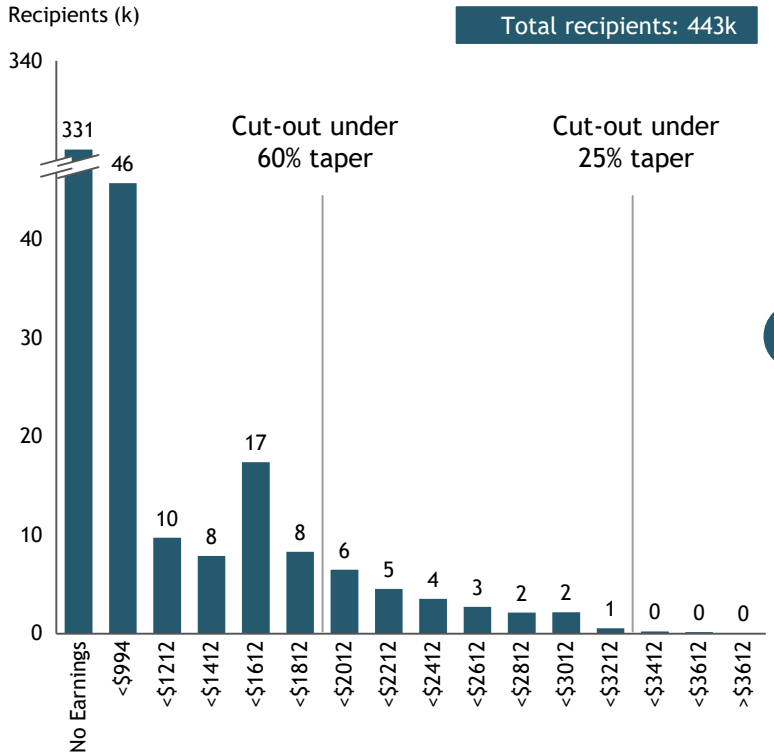
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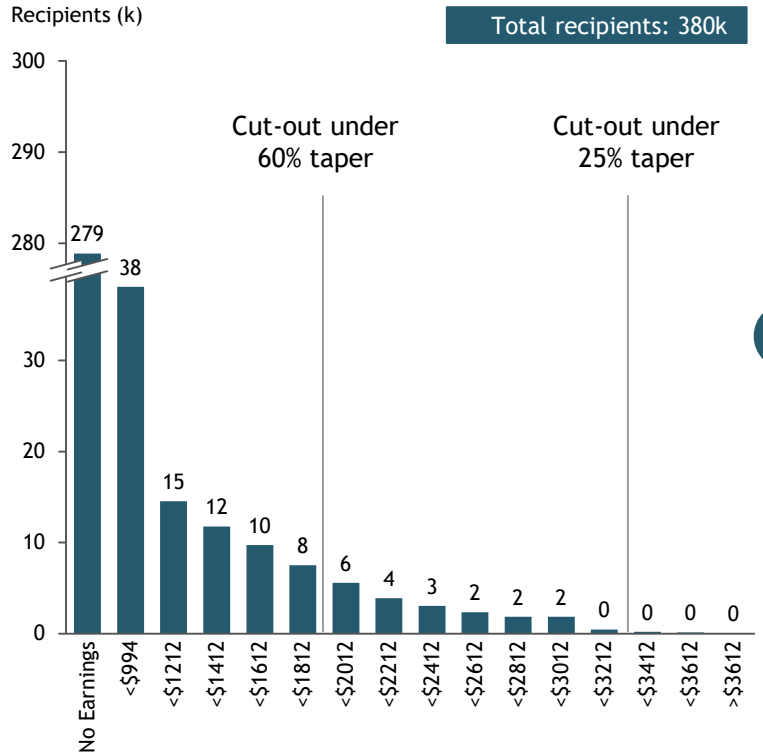
Backup: ~20k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

Note: Recent data indicates higher proportion of partnered JS; actual figures will likely be higher. Estimates to be updated with incoming data

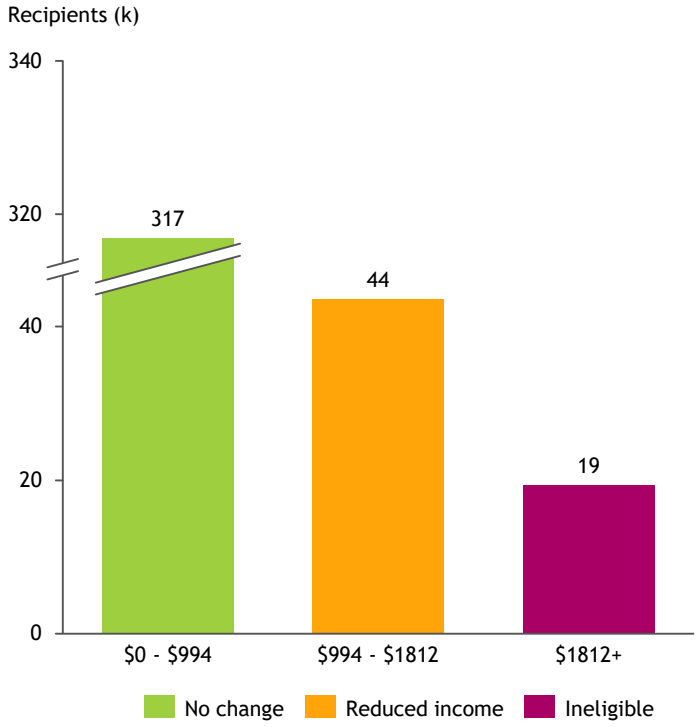
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at 25 Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

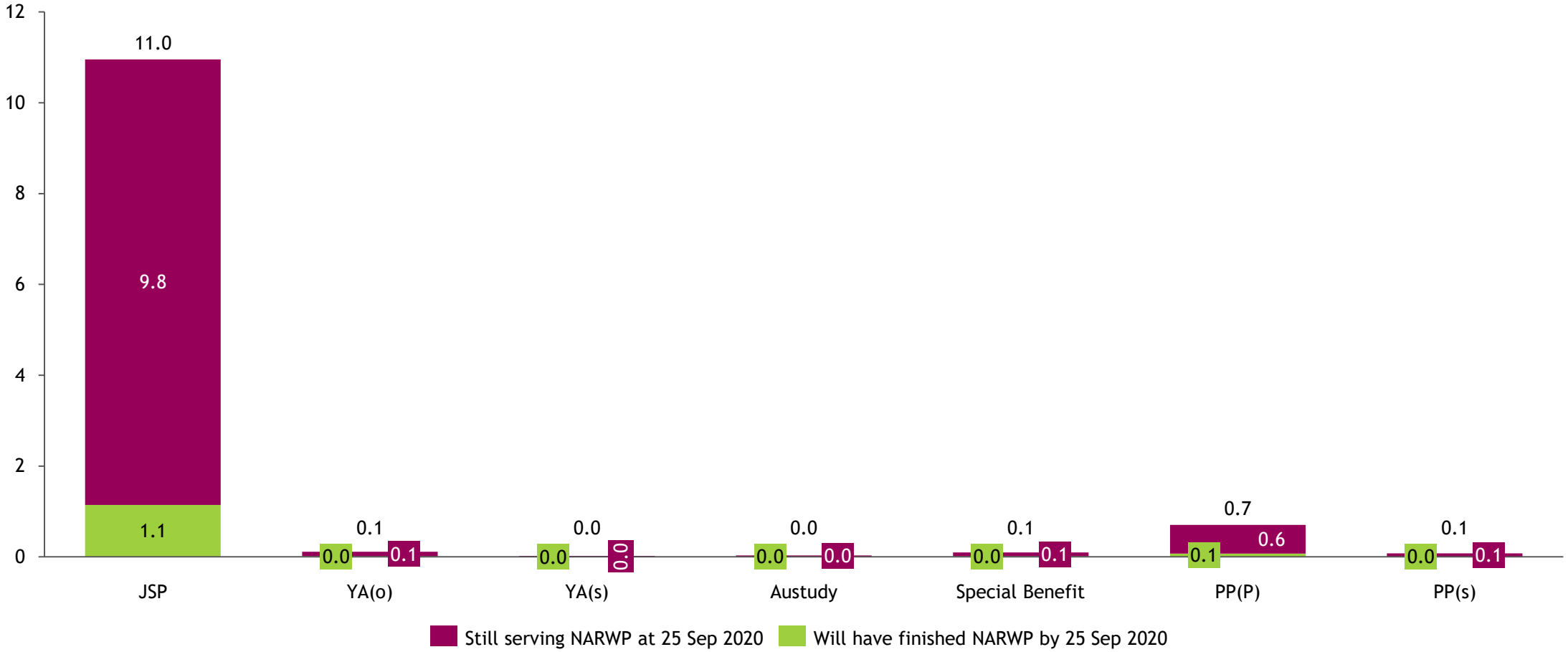
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Backup: ~11k recipients removed from payment – NARWP

As at 25 Sep

Recipients (k) currently receiving an ISP who would be serving a NARWP



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts
Source: DSS Data, Project analysis

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Backup: Key verifications to be applied to recipients

Principles

Claims and means testing will likely re-commence without retrospectively applying claim information requirements to COVID JobSeekers

However information relevant to ongoing eligibility would likely be sought

Where verification demand is not able to be met by Services Australia, effort priority would focus on high compliance risk items (income) over low risk items (rent)

1. Rental details

Description:

- Self-declaration of rental amount is currently used for COVID supplement period
- From 25 September, recipients will need to have provided verification of rent amounts (e.g. uploaded lease, tenancy agreement)

Estimated # recipients affected:

- All new claims and circumstance changes
- ~300-400k of current cohort anticipated to require update[2]

Suggested service delivery approach and timing:

- Continue full online rent verification and change of circumstance reporting, noting low manual effort priority to apply backlogs

Note:

- Rent declaration error fraud is not considered a compliance high risk[1]
- Precise rental amounts do not necessarily provide increased accuracy as 78% of rent assistance eligible households are eligible for the maximum rate

2. Assets verification

Description:

- Assets[3] test was waived during the period of the Coronavirus Supplement.

Estimated # recipients affected:

- All new claims will be required to report assets.
- All ~950,000 recipients who commenced on payment since 13 March 2020 will need to submit details on their net assets (assets information collected during the initial claim process likely cannot be fully relied upon)

Suggested service delivery approach and timing:

- Start full-scale data request and collection ~3 months prior to reinstatement of Assets Test
- Use outbound call program to notify recipients of the need to submit assets information, and to notify of ineligible after a decision is made

1. In a three month period assuming 197k JobKeeper claimants, proportionalised pre-covid claim churn and 75k change of rental address 2. Random Sample Survey 3. Liquid assets reported as part of the streamlined jobseeker claim.

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"Menu of options" and example two-stage approaches

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A menu of policy options has been developed

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test — $500-$650m pm	Extend C-19 'access to payments' measures: assets test, verifications, partner income test eligibility expanded — $50-$100m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, phone, APW, LLN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates
Source: DSS data, Project analysis

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

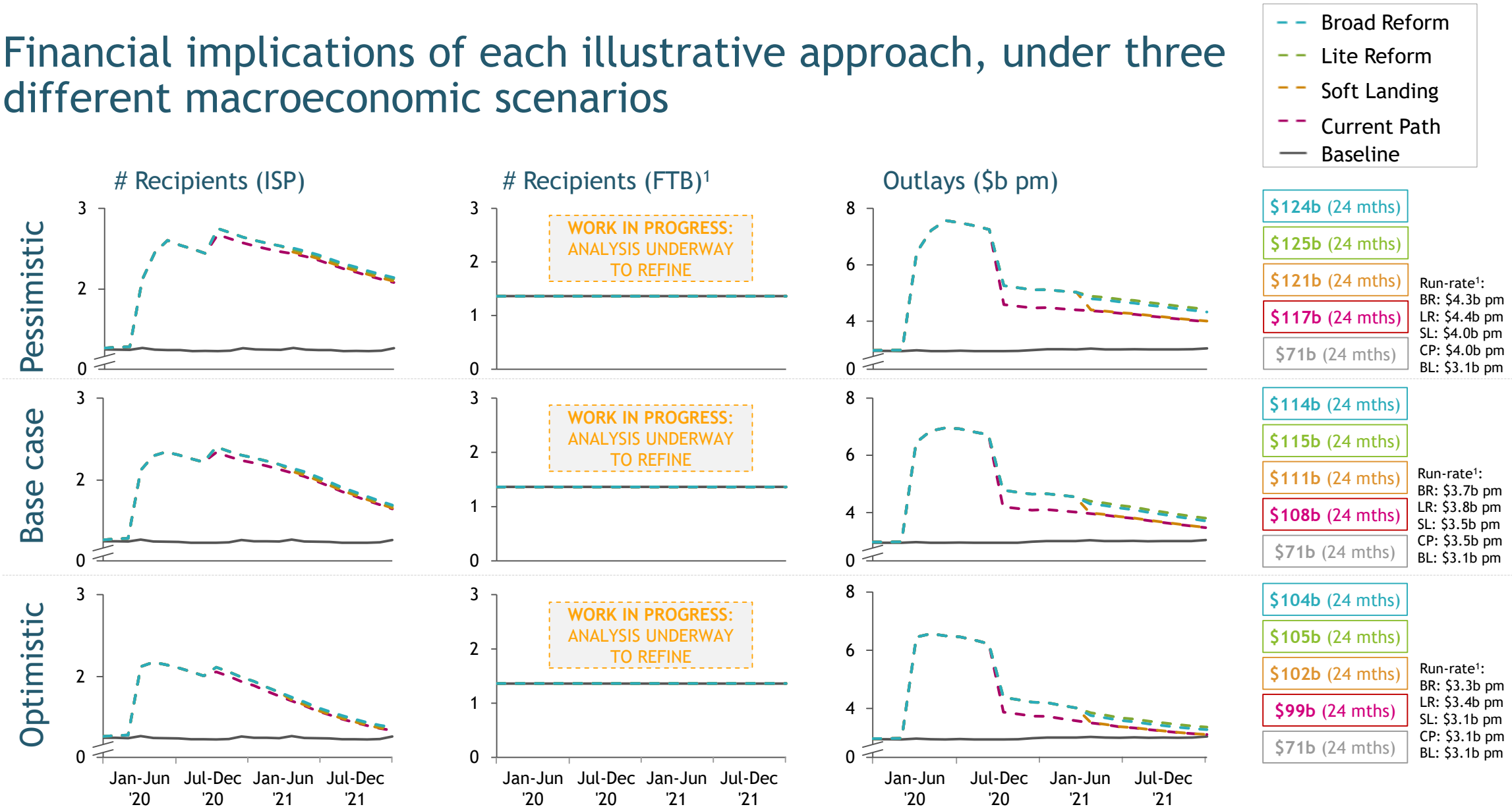
	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (e.g. ~4-6 months)	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP
Financial Impact[1]	In FY21: $55-66b (+$3b vs. Current Path) In FY22: $38-48b (+$0.1b vs. Current Path)	In FY21: $56-67b (+$5b vs. Current Path) In FY22: $41-53b (+$4b vs. Current Path)	In FY21: $55-67b (+$4b vs. Current Path) In FY22: $40-52b (+$3b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Working credit changes not yet incorporated in modelling .
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



1. Monthly outlays for Jan 2022. Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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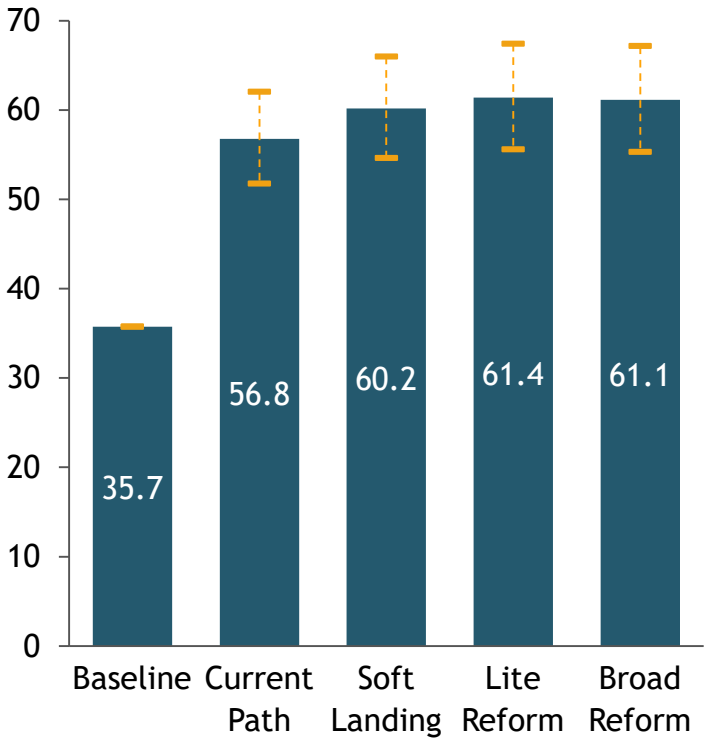
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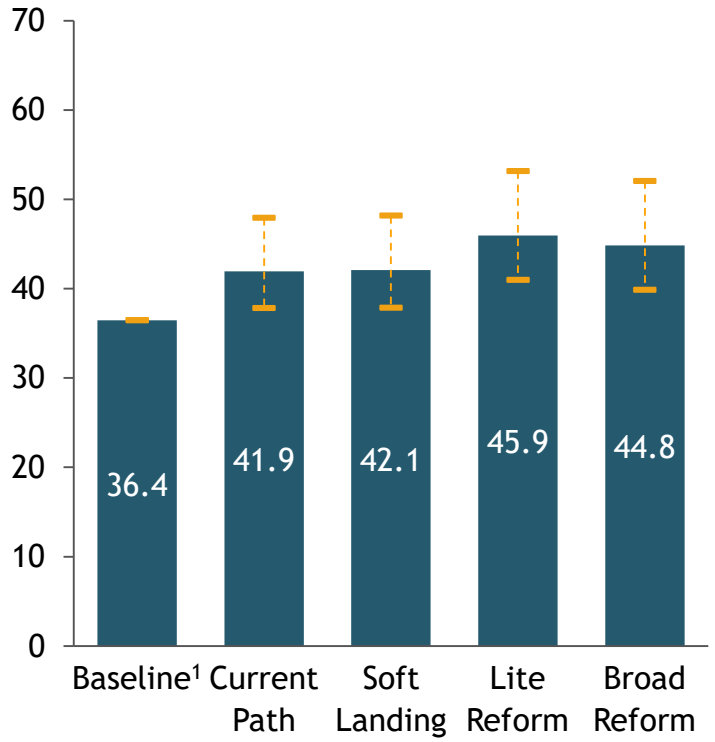
Financial implications: Comparing FY21 and FY22 outlays

Uncertainty range comes from pessimistic and optimistic job loss forecast

FY21 outlays ($b pa)



FY22 outlays ($b pa)



1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

1. **FY22 outlays are generally lower than FY21** – Job loss volumes are projected to improve in all scenarios

2. **Soft Landing FY22 outlays do not quite equal Current Path** - After Feb '21, Soft Landing still includes income test standardization (~$100-$200m pa)

3. **Soft Landing, Reform Lite and Broad have similar FY21 outlays** - Each of these options shares the share policy settings from July '20 to March '21, before diverging

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

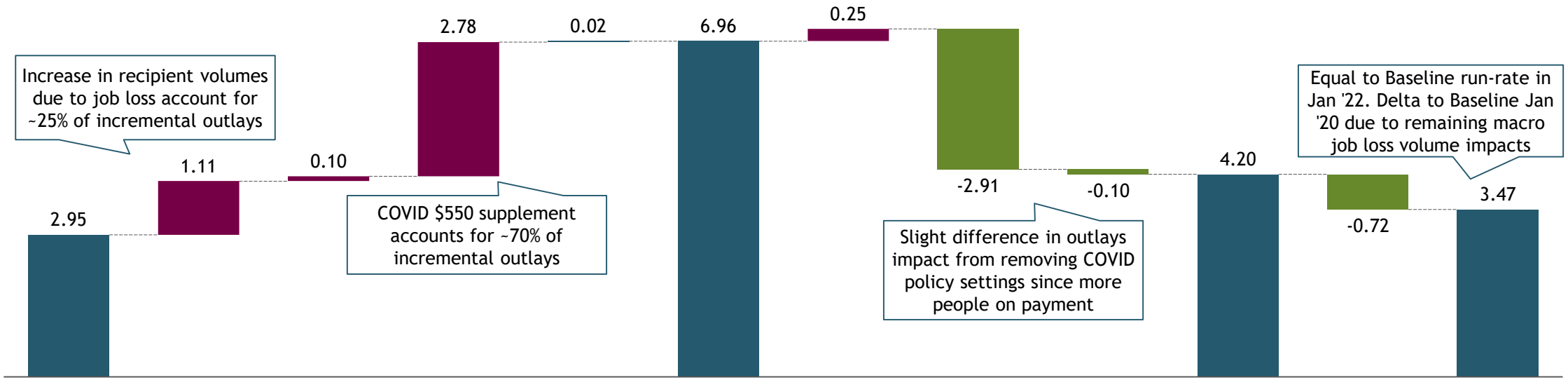
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Financial implications: "Current Path" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Baseline run-rate (Jan '20)	Macro job loss volume impact driven by COVID-19[1]	Relaxed JSP eligibility (mutual obs, asset test)	COVID $550 ISP supplement	Reduced JSP partner taper to 25c	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Remove $550 COVID supplement	Remove JSP eligibility & partner taper	Current Path run-rate (Oct '20)	Macro job growth volume impact[1]	Current Path run-rate (Jan '22)
No. ISP recipients[2]	1.3m	+1.0m	+80k		+15k	2.4m	+80k		-95k	2.3m	-0.7m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP				1.4m				1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

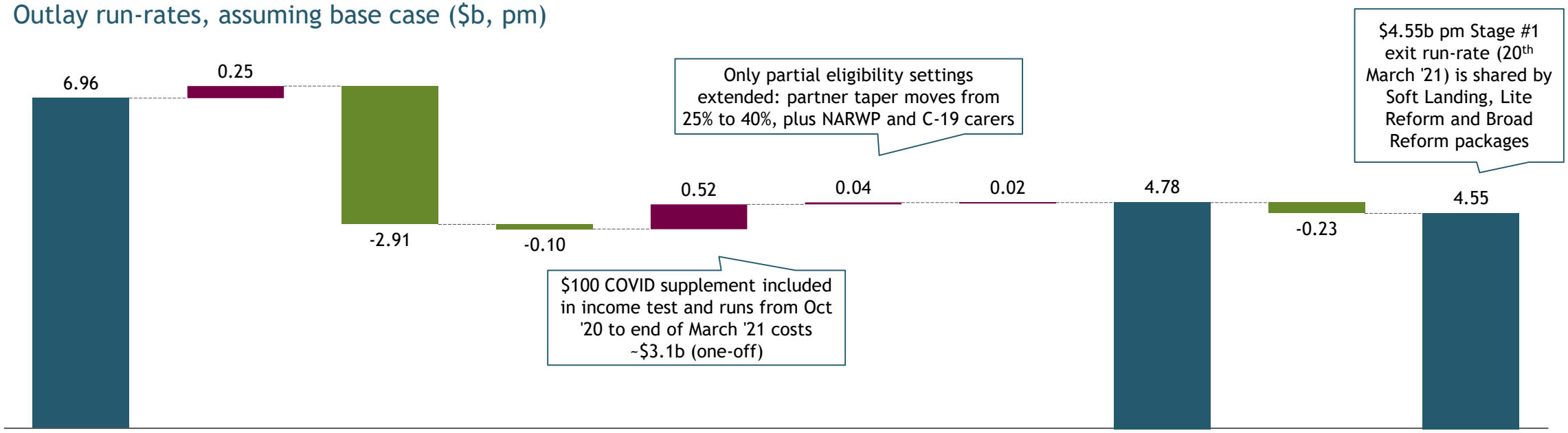
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Financial implications: "Soft Landing: Stage One only" run-rate build-up (Mar '21)

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Remove $550 COVID supplement	Remove JSP eligibility & partner taper	Add back $100 COVID supplement	Add back partial JSP eligibility & partner taper @40%	Standardise ISP income tests (excl. JSP partner)	Stage #1 run-rate (Oct '20)	Macro job growth volume impact[1]	Stage #1 run-rate (March '21)
No. ISP recipients[2]	2.4m	+80k		-95k	+30k	+25k	+10k	2.4m	-0.2m	2.2m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

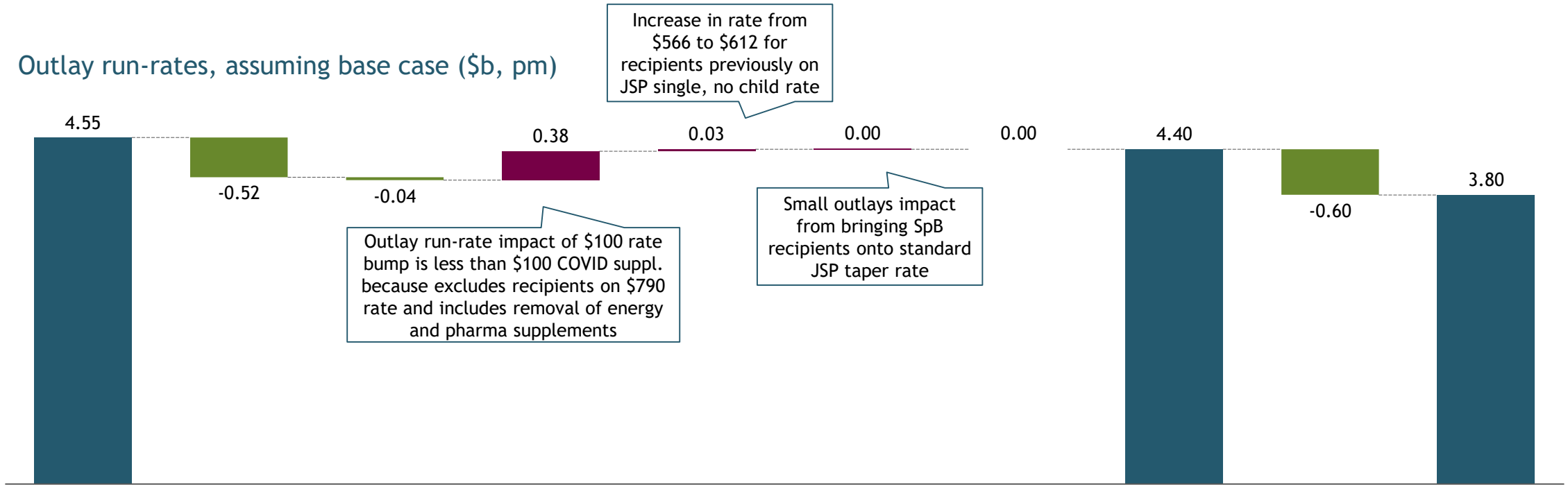
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Financial implications: "Stage Two – Lite Reform" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Stage #1 run-rate (March '21)	Remove $100 COVID supplement	Remove partial JSP eligibility & partner taper @40%	Add $100 ISP rate increase, remove energy & pharam suppl.[3]	Create new mature age PCW rate	Roll 65+ and TPV SpB cohorts into JSP, YA (O) and Austudy	Roll PP (Single & Partnered) into JSP	Stage #2 - Lite Reform run-rate (April '21)	Macro job growth volume impact[1]	Stage #2 - Lite Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	-30k	-25k	+20k	<5k			2.2m	-0.5m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. No increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

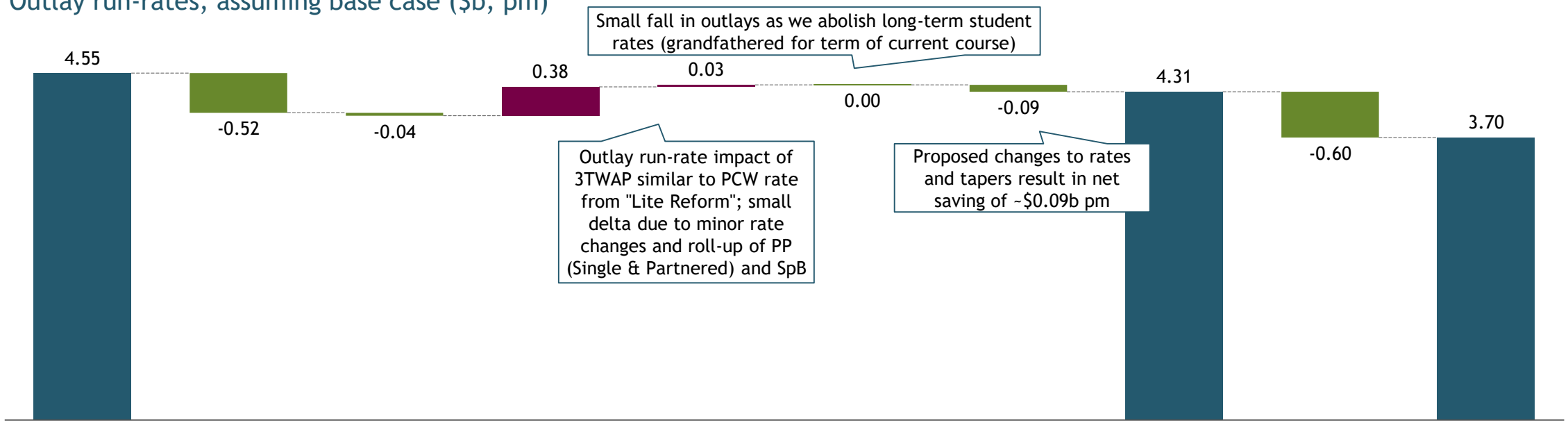
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Financial implications: "Stage Two – Broad Reform" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Stage #1 run-rate (March '21)	Remove $100 COVID supplement	Remove partial JSP eligibility & partner taper @40%	Add $100 ISP rate increase, remove energy & pharam suppl.	Create new 3-Tier Working Age payment (JSP, YA(O), PP, SpB)	Create new simplified Student payment (YA(S), Austudy)	Create new simplified FTB payment (FTB-A, FTB-B)	Stage #2 - Broad Reform run-rate (April '21)	Macro job growth volume impact[1]	Stage #2 - Broad Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	-30k	-25k	+20k	<5k		tbd	2.2m	-0.5m	1.6m
No. FTB recipients	1.4m	Note: FTB volumes are WIP						1.4m		1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Stage One: Implications for recipients at 25 Sep 2020

Note: Excludes impact of any changes to FTB

	Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
	Jobseekers JSP, YA(o)	**Students** YA(s), Austudy ABSTUDY	**Parents** PP(P), PP(S)	**Jobseekers** JSP, YA(o)	**Students** YA(s), Austudy ABSTUDY	**Parents** PP(P), PP(S)	**Jobseekers** New JSP	**Students** YA(s), Austudy ABSTUDY	**Parents** New JSP	**Jobseekers** New JSP	**Students** New Austudy ABSTUDY	**Parents** New JSP
Drop in average payment rate ($ pf)[1]:	~$550 (~50%)	-$550 (~60%)	~$550 (~45%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)	-$442 (~40%)	-$465 (~50%)	-$465 (~40%)
# Removed from payment[2]: PRELIMINARY ASSETS TEST, ELIGIBILITY, NARWP, PARTNER INCOME IMPACT SHOWN	~96k	~1k	~1k	~77k	~0.9k	~0.4k	~77k	~0.9k	~0.4k	~77k	~0.9k	~0.4k
# Required to update info[3]:	~900k	~25k	~40k	-900k	-25k	-40k	~900k	~25k	~40k	~900k	~25k	~40k
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max weighted average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 19 Mar '21 to forecasted 20 Mar '20 due to assets testing, eligibility, NARWP, and partner income. 3. Assumes an average of ~60-70k new total applications granted per month as part of BAU
Note: Assumes base case economic scenario
Source: Project analysis

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Cameos: Current Path as at 25 September 2020

24 September 2020

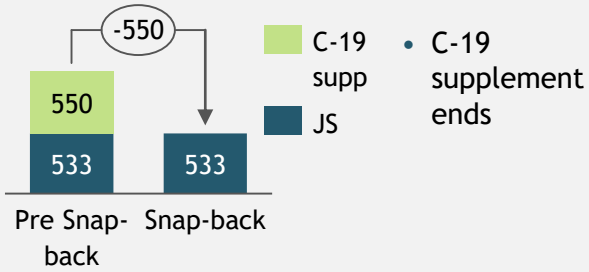
25 September 2020

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric now earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $533**



- C-19 supplement ends
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations

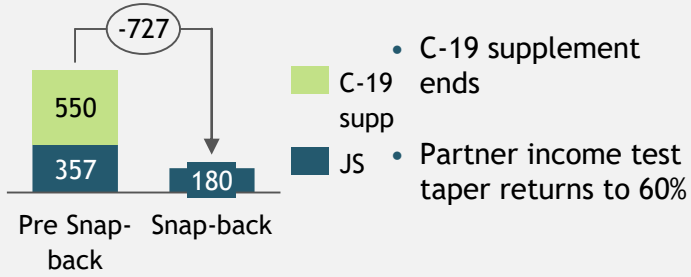
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
...ives FTB A & B payments

- Mary's **welfare payment ... to $180** (excl., FTB payments, which re... unchanged)



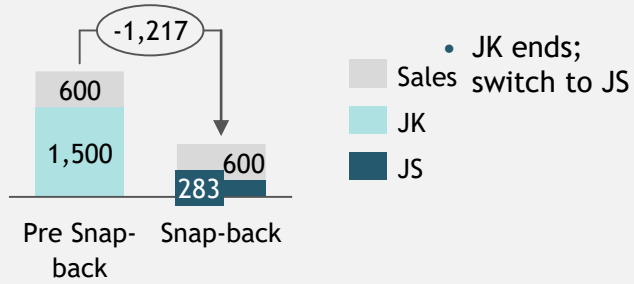
- C-19 supplement ends
- Partner income test taper returns to 60%
- Mary needs to submit asset information to continue receiving payments, and meet mutual obligations

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne now earns $600 pf in income

Leanne begins receiving JK payments

- ...travel blog business is not enough to ...ncially without JK
- ...for JS and is successful
- Leanne's **...e pf falls from $2,100 to $883**



- JK ends; switch to JS
- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

TO BE UPDATED IN SPRINT 5

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Soft Landing – Stage One as at 25 September 2020

TO BE UPDATED IN SPRINT 5

24 September 2020

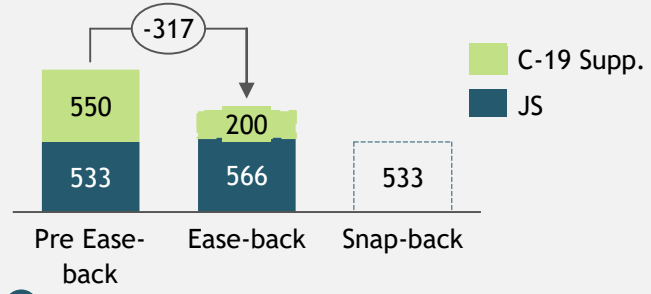
25 September 2020

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $766** for four months; **$566 thereafter**



- Eric receives the $200 C-19 supplement for four months
- Eric benefits from the increased IFA to $174

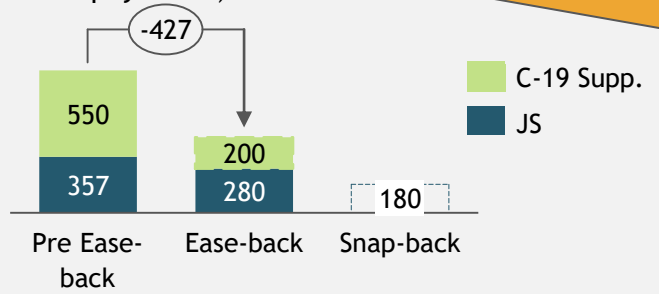
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
also receives FTB A & B payments

- **$480** for four
FTB payments)



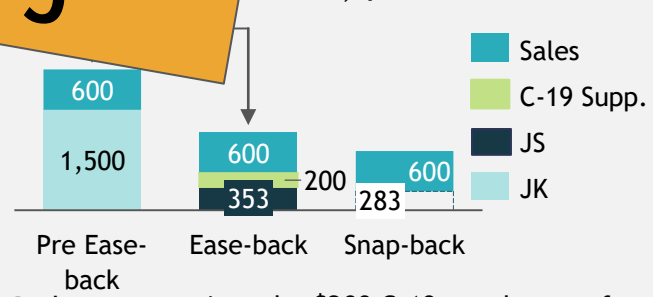
- Mary receives the $200 C-19 supplement for four months
- Mary benefits from a lower taper rate and higher IFA on the personal income test and on partner income test

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for JS and is successful
ne's **income pf falls from $2,100 to**
months; **$953** thereafter[1]



- Leanne receives the $200 C-19 supplement for four months
- Leanne benefits from the increased IFA and reduced taper rate
- Leanne benefits from MOs being suspended for four months; she focuses on getting her business back up to speed

1. Excludes $600 earned income pf
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Stage Two – Lite Reform as at 20 March 2021

TO BE UPDATED IN SPRINT 5

19 March 2021

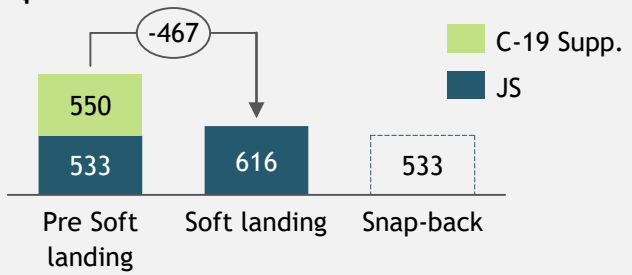
20 March 2021

1 Single JS recipient with no children

Eric was made redundant in Mar
Eric earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

- Eric's **welfare payment pf falls from $1083 to $616**



Eric benefits from the increased IFA to $174
Eric receives a $50 increase in his JS base rate

- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations

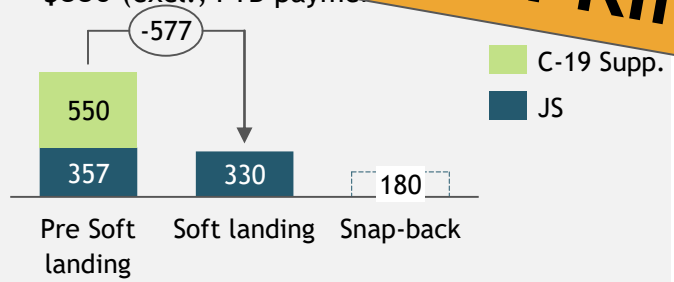
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
also receives FTB A & B payments

- Mary's
$330 (excl., FTB payme



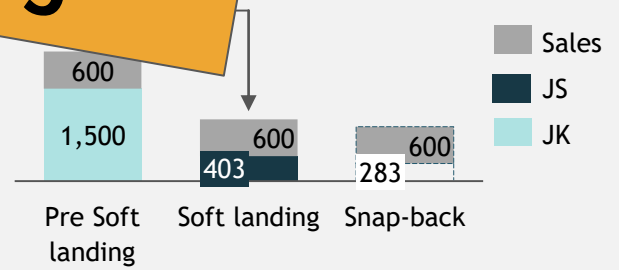
Mary receives a $50 increase in her JS base rate
Mary benefits from a lower taper rate and higher IFA on her personal income test
Mary benefits from a lower taper rate and higher IFA on the partner income test

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for JS and is successful
income pf falls from $2,100 to



Leanne benefits from the higher IFA and lower taper rate
Leanne receives a $50 increase in her base rate

- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

1. Payment excludes earned income ($600 pf)
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Stage Two – Broader Reform as at 20 March 2021

TO BE UPDATED IN SPRINT 5

1 Single JS recipient with no children

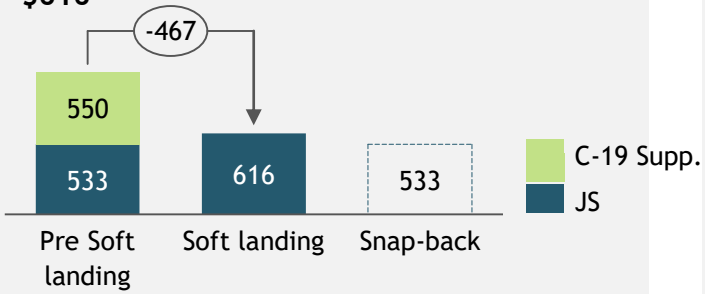
19 March 2021

Eric was made redundant in Mar
Eric earns $170 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

20 March 2021

- Eric's **welfare payment pf falls from $1083 to $616**



- Eric benefits from the increased IFA to $174
- Eric receives a $50 increase in his JS base rate
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations

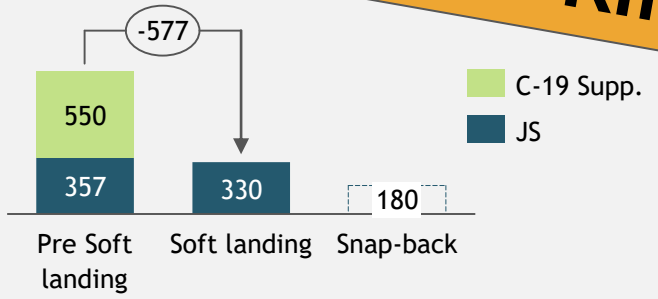
2 JS recipient with a partner and 13 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
[illegible] receives FTB A & B payments

- [illegible] **$330** (excl., FTB pa[illegible]



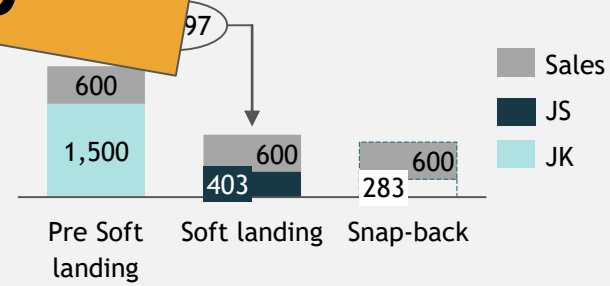
- Mary receives a $50 increase in her JS base rate
- Mary benefits from a lower taper rate and higher IFA on her personal income test
- Mary benefits from a lower taper rate and higher IFA on the partner income test

3 Self-employed, single, 30 y/o adult coming onto JS

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for JS and is successful
- Leanne's **income pf falls from $2,100 to**



- Leanne benefits from the higher IFA and lower taper rate
- Leanne receives a $50 increase in her base rate
- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

1. Payment excludes earned income ($600 pf)
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Expect that each Stage needs to progress separately: 2 Cab Subs and 2 Bills

Separation creates tight window for Stage-Two legislation to pass

Assumes Package 3 "Broader Reform" adopted

Temp relief
Payment types
Rates
Incentives
Service delivery

Stage 1: C-19 Response

- Extend Coronavirus supplement at $100 p/f
- Extend C-19 'access to payments' measures
- Expand unrealisable assets discretion
- Align IFAs with pensions, max 50% tapers
- Expand & simplify working credit[1]
- Shift MOCA effort toward compliance
- Double the nil rate period to 12 fortnights

June 2020	Mid-July	Mid-August	25 September 2020
Government approvals • MinSub • CabSub	Parliamentary approvals • Stand alone bill or part of omnibus bill?	System changes, prepare implementation, recipient comms	In operation[1]

Stage 2: Broader reform

- Merge into JSP: PP(P), PP(S), and YA(o)
- Merge into JobSeeker: SB >65yo cohort
- Merge into JobSeeker: SB TPV cohort
- Merge YA(s) and Austudy into new payment[2]
- New single FTB payment, tiered by child age[3]
- Lift rates by $100 p/f, absorb supplements
- Create new mature aged / PCW rate in JSP
- Streamline waiting periods

July 2020	6 October 2020	Mid-December	20 March 2020
Government approvals as part of Budget process • MinSub • CabSub	Parliamentary approvals • Likely incl. Senate inquiry	System changes, prepare implementation, recipient comms	In operation[2,3]
Budget handed down	2.5 months a tight window for this legislation – may require splitting bill and creating a 3rd stage	Most of stage 2 implementation aligned to 20 March (ISP indexation date), except YA(s) merger and FTB changes	

Note: In practice, system changes will need to commence prior to legislation passing
1. Working credit changes not expected to be implemented until 20 March 2020 2. Merger of YA(s) and Austudy would take place in January 2021 3. Moving to single FTB payment would most likely take place at end of financial year, so from 1 July 2021

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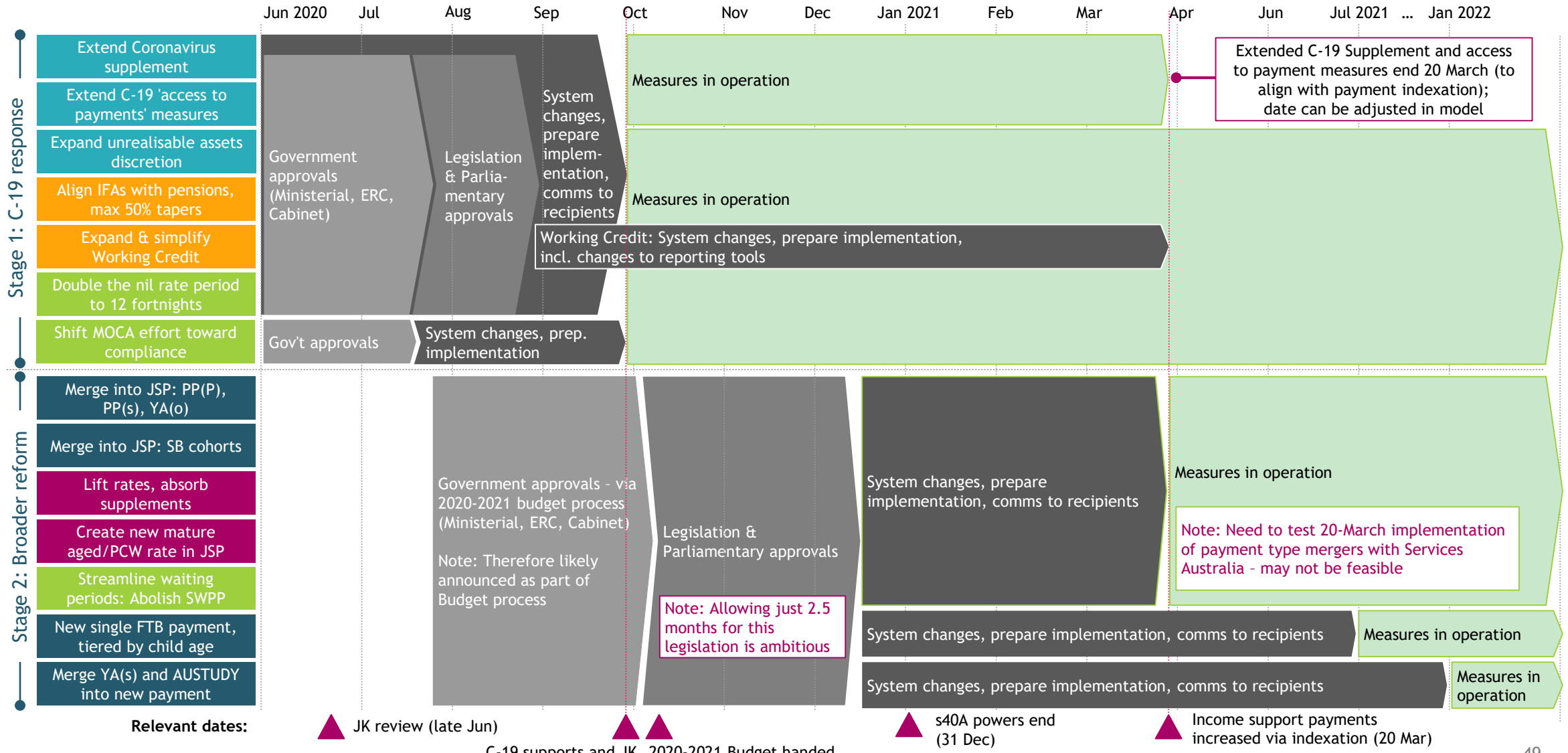
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Backup: More detailed timeline

These dates currently used in the modelling – able to be updated as required

Temp relief
Payment types
Rates
Incentives
Service delivery

Note: All timings need to be tested and refined with Services Australia



Source: Project analysis

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Modelling approach and interactive dashboard

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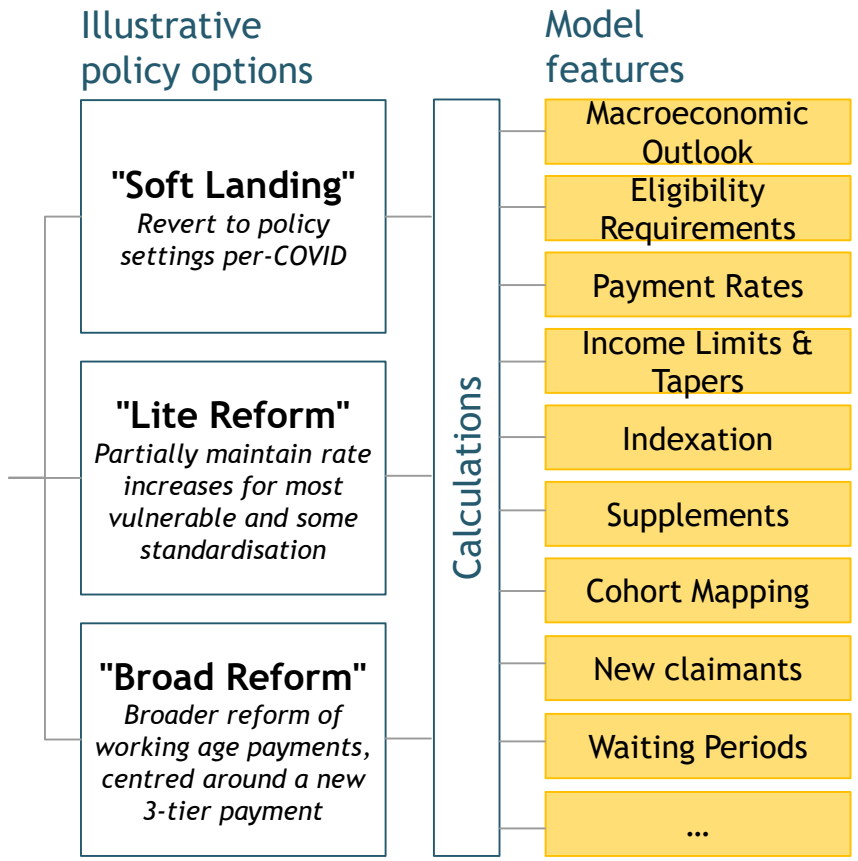
Modelling approach: Policy options were developed iteratively by progressing and testing one 'model feature' at a time

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- RBA job loss forecast
- Social Security Guide
- Social Security Guide
- Social Security Guide
- ABS / Social Security Guide
- Social Security Guide
- Project team analysis
- Dingo extracts
- tbd
- tbd

Next steps

Refer to detailed model backlog in next steps section below

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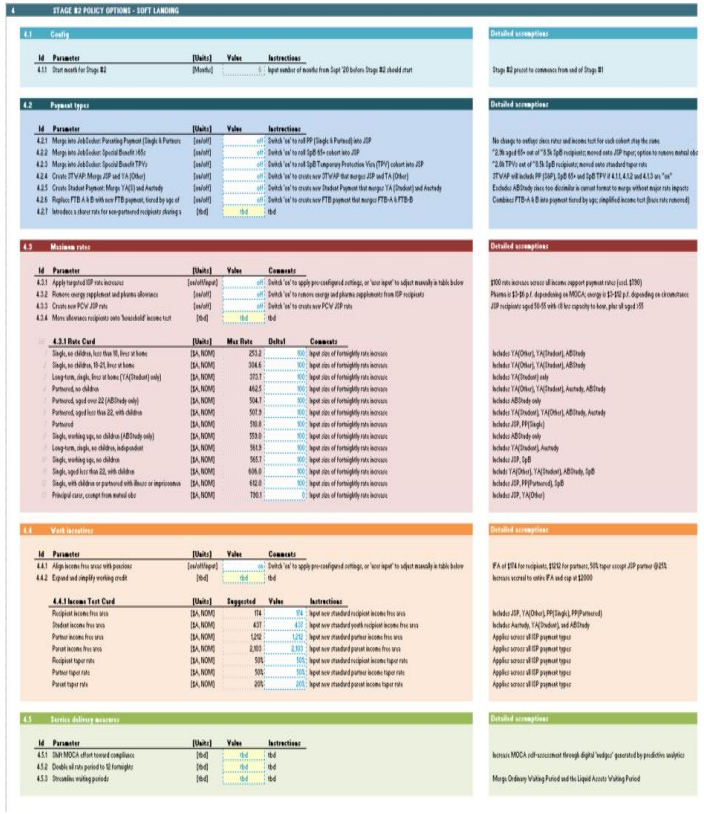
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Interactive dashboard: Structured around modular menu options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test for current recipients only — $500-$650m pm	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility — $50-$100m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Youth Allowance (o) — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift payment rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, WFD, LIN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Interactive dashboard: Additional configuration available for 4 menu options with largest impact on outlays

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table



Parameters available for each

Extend C-19 supplement
- Size of supplement
- Income test treatment

Extend C-19 eligibility supports
- Inclusion of asset test relaxation
- Inclusion of partner income taper @40%
- Inclusion of sole traders & self-employed
- Inclusion of carers for infected and isolated
- Inclusion of permanent employee stood down due to COVID

Lift ISP payment rates
- Size of rate increase for each level across ISP payment types

Align income test
- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

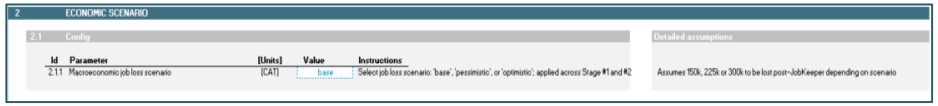
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Interactive dashboard: Step-by-step instructions for how to use

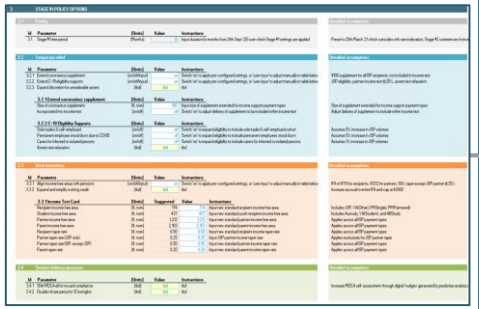
Step 1: Set macroeconomic scenario

- Choose from **'base', 'pessimistic', or 'optimistic'** macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



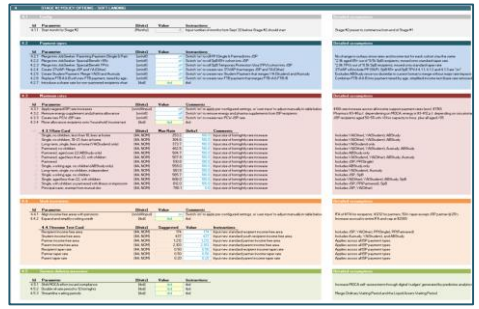
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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Detailed view of the policy options explored

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Introduction to this section

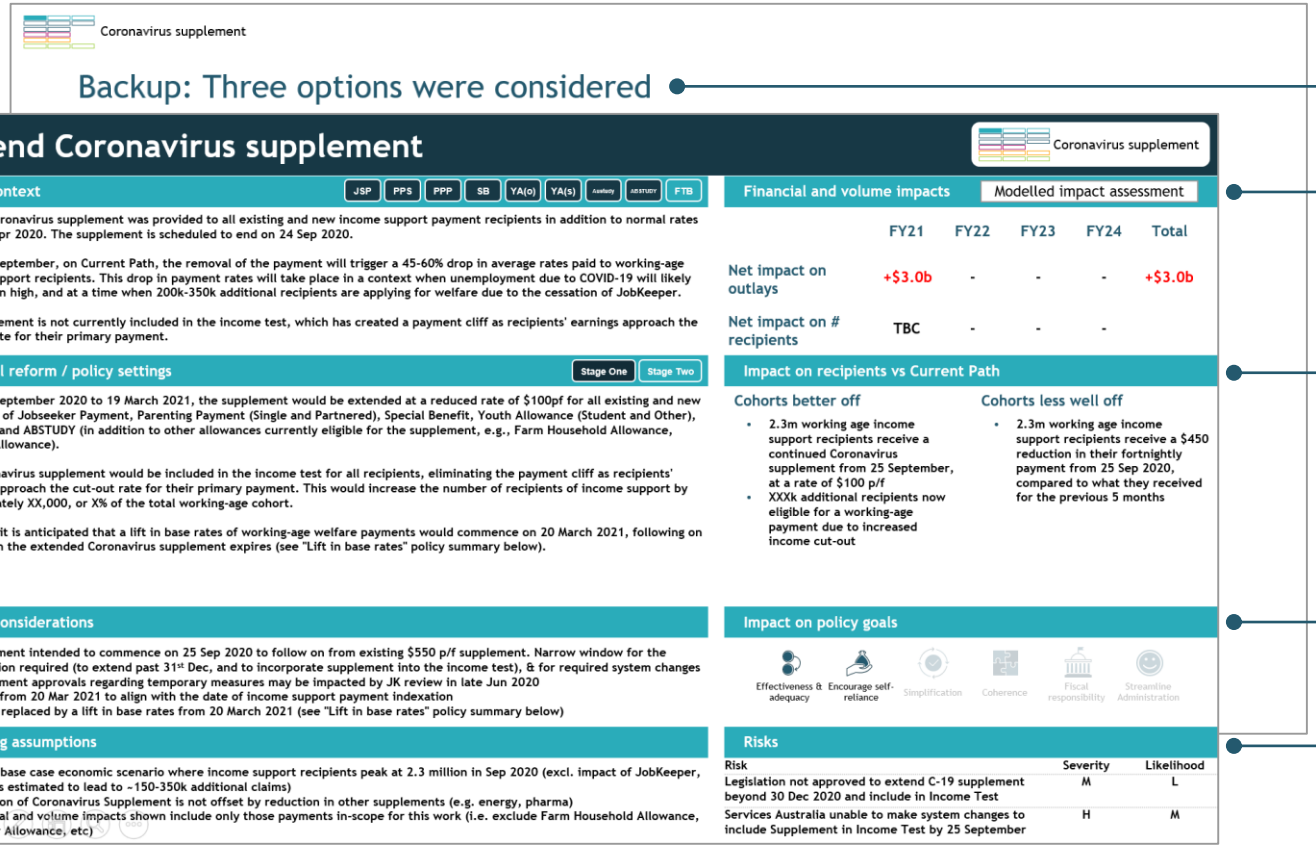
Policy Summaries used for each policy option explored

Context and key considerations for this policy topic

Key changes under this policy options

Issues to consider on implementation and timing

Assumptions underpinning the modelled impacts



Backup slides, laying out the options that were considered, and further analysis/detail

Impact of policy on Gov't outlays and recipient volumes

Impact of policy option on specific recipient sub-cohorts

High level assessment of which policy goals are supported by the option

Key risks to consider

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Recap: Menu of policy options

Note: Cost & saving estimates are indicative - actual costs of each option vary based on combination selected

Temporary relief	T1 Extend Coronavirus supplement at $100 p/f, & include it in Income Test — $500-$650m pm	T2 Extend C-19 'access to payments' measures: assets test, verifications, partner income test eligibility expanded — $100-$300m pm	T3 Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	P1 Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	P3 Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]	P5 Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	P2 Merge into JobSeeker: Youth Allowance (o) — No outlay impact	P4 Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	P6 Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	R1 Lift rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, phone, APW, LLN — $200-$400m pm	R2 Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	I1 Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	I2 Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	I3 Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	S1 Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	S2 Streamline waiting periods: Abolish SWPP — tbd	S3 Double the nil rate period to 12 fortnights — tbd

1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student) 2. Does not yet include second-order volume effects of lowering taper rates
Source: DSS data, Project analysis

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Extend Coronavirus supplement

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T1 Coronavirus supplement

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

$550pf Coronavirus supplement was provided to all existing and new income support payment recipients in addition to pre-existing rates from 27 Apr 2020. The supplement is scheduled to end on 24 Sep 2020.

From 25 September, on Current Path, the removal of the payment will trigger a 45-60% drop in average rates paid to working-age income support recipients. This drop in payment rates will take place in a context when unemployment due to COVID-19 will likely still remain high, and at a time when 150k-350k additional recipients are applying for welfare due to the cessation of JobKeeper.

The supplement is not currently included in the income test, which has created a payment cliff as recipients' earnings approach the cut-out rate for their primary payment.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020 to 19 March 2021, the supplement would be extended at a reduced rate of $100pf for all existing and new recipients of Jobseeker Payment, Parenting Payment (Single and Partnered), Special Benefit, Youth Allowance (Student and Other), AUSTUDY and ABSTUDY (in addition to other allowances currently eligible for the supplement, e.g., Farm Household Allowance, Sickness Allowance).

The Coronavirus supplement would be included in the income test for all recipients, eliminating the payment cliff as recipients' earnings approach the cut-out rate for their primary payment. This would increase the number of recipients of income support by approximately 14k, noting that these additional recipients would typically be receiving a low rate of payment.

Note that it is anticipated that a lift in base rates of working-age welfare payments would commence on 20 March 2021, following on from when the extended Coronavirus supplement expires (see "Lift in base rates" policy summary below).

Timing considerations

- Supplement intended to commence on 25 Sep 2020 to follow on from existing $550 p/f supplement. Narrow window for the legislation required (to extend past 31st Dec, and to incorporate supplement into the income test), & for required system changes
- Government approvals regarding temporary measures may be impacted by JK review in late Jun 2020
- Ceases from 20 Mar 2021 to align with the date of income support payment indexation
- May be replaced by a lift in base rates from 20 March 2021 (see "Lift in base rates" policy summary below)

Modelling assumptions

- Adopts base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)
- Extension of Coronavirus Supplement is not offset by reduction in other supplements (e.g. energy, pharma)
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc)

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$3.0b	-	-	-	+$3.0b
Net impact on # recipients	+14k	-	-	-	+14k

Impact on recipients vs Current Path

Cohorts better off

- 2.3m working age income support recipients receive a continued Coronavirus supplement from 25 September, at a rate of $100 p/f
- ~14k additional recipients now eligible for a working-age payment due to increased income cut-out

Cohorts less well off

- 2.3m working age income support recipients receive a $450 reduction in their fortnightly payment from 25 Sep 2020, compared to what they received for the previous 5 months

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make system changes to include Supplement in Income Test by 25 September	H	M

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Extend C-19 supplement or lift basic rates: Three options to consider

Description

1: Extend supplement to 19 March 2021, then end

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	-
Students	$100 C-19 suppl.	-
PPS	$100 C-19 suppl.	-
PPP	$100 C-19 suppl.	-
SB	$100 C-19 suppl.	-
Energy, Pharma, Phone, APW/LLN	No change	No change

2: Replace supplement with lift in base rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 base rate lift	
Students	$100 base rate lift	
PPS	$25 base rate lift	
PPP	$100 base rate lift	
SB	$100 base rate lift	
Energy, Pharma, Phone, APW/LLN	Abolished for above recipients	

Hypothesis

3: Extend supplement to 19 March, then replace with lift in basic rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	$100 base rate lift
Students	$100 C-19 suppl.	$100 base rate lift
PPS	$100 C-19 suppl.	$25 base rate lift
PPP	$100 C-19 suppl.	$100 base rate lift
SB	$100 C-19 suppl.	$100 base rate lift
Energy, Pharma, Phone, APW/LLN	No change	Abolished for above recipients

Implications

1: Extend supplement to 19 March 2021, then end

- Provides extra support through the worst of crisis
- No expansion of long-run costs

2: Replace supplement with lift in base rates

- Provides extra support for the long-term
- Achieves simplification quickly by eliminating supplements
- Only one point of change required
- Short timeline for implementation – may be challenging in terms of system changes

3: Extend supplement to 19 March, then replace with lift in basic rates

- Provides extra support for the long-term
- Achieves simplification by eliminating supplements
- Two points of change, Sep '20 and Mar '21, where recipient payments reduce, requires very clear communications at each stage
- Easier timeline for Services Australia

Cost

If Supplement/rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$1.7b	+$2.5b	+$3.3b
FY22[1]	No change	No change	No change

If Supplement / rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$2.2b	+$3.3b	+$4.3b
FY22[1]	+$2.0b	+$3.0b	+$4.0b

If Supplement/ rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$2.3b	+$3.4b	+$4.5b
FY22[1]	+$2.0b	+$3.0b	+$4.0b

Work in progress

1. Delta against $59.4b for FY21 and $42.1b in FY22, assumes no COVID supplement, but extended C-19 supports and income test alignment included.
Source: DSS data, Project analysis

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Backup: Example lift in long-term rates (Option 3 end-state from prev. slide)

Assumes eligibility for energy, pharma, telephone, and APW/LLN supplements wherever possible

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612	790.1	612	510.8	510.8
	Energy supplement	8.8	9.5	12	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.65	4.65	4.65	4.65	4.65	4.65
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Rent assistance cap[1]	139.6	164.08	164.08	139.6	131.6	164.08
	FTB A[2]	-	186.2	186.2	-	-	186.2
	FTB B[3]	-	110.6	110.6	-	-	110.6
	Total	**739.55**	**1114.03**	**1294.63**	**792.75**	**675.75**	**1005.03**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.08	164.08	139.6	131.6	164.08
	FTB A (unchanged)		186.2	186.2			186.2
	FTB B (unchanged)		110.6	110.6			110.6
	Total	**805.3**	**1172.88**	**1275.98**	**851.6**	**742.4**	**1071.68**
	Increase vs current	**65.75**	**58.85**	**-18.65**	**58.85**	**66.65**	**66.65**
Reference	UNSW Budget Standard[4]	867.36	1350.36	1350.36	867.36	N/A	N/A

1. Assumes not sharing a dwelling, and max family size of two children 2. Assuming 1 child only, aged <12yo
3. Assumes a child 5-15 yo 4. Standard assumes 1 child only in a family
Source: Services Australia Guide to welfare payments; Project analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort). May need to compensate these recipients with a lump sum as they are not fully compensated by the $25 lift

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Backup: Inclusion of supplement in the Income Test brings only a minor increase in outlays

	Included in income test	Excluded from income test
$200 p/f for 6 months	A Additional cost: ~$3-5b Additional recipients: TBC Implications: • **Highest cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $400 p/f (50c taper)	B Additional cost: ~$3-5b (~$30m less than with income test) Additional recipients: N/A Implications: • **Higher cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 6 months	C Additional cost: ~$1-3b Additional recipients: TBC Implications: • **Lower cost**; sharp reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $200 p/f (50c taper)	D Additional cost: ~$1-3b (~$10m less than with income test) Additional recipients: N/A Implications: • **Lowest cost**, sharp reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Source: Project analysis, DSS data

Hypothesis on preferred option

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Extend C-19 'access to payment' measures

T2 'Access to payment' measures

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Several initiatives were undertaken to streamline access to welfare payments in response to the employment impact of C-19 social distancing rules. These included expanded eligibility; temporary suspension of assets testing, certain waiting periods, and some verification requirements; and a more generous partner income test.

Pre-Coronavirus policy settings are scheduled to be re-instated from 25 September 2020, which will would see over 95k current recipients become instantly ineligible for welfare, require over 900k to engage with Services Australia in coming months to provide various verification information, and remove the streamlined access to payments at the same time an estimated 150k-350k new claims are expected to be received as JobKeeper ends in late September 2020. This would place significant stress on existing and new recipients, and service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020 to 19 March 2021, a "stepped down" set of access to payment measures would be provided:

- The **Assets Test** is reinstated for all current and future working-age welfare recipients - resulting in 28k+ recipients remaining eligible
- The **Partner Income Test** moves from a 60% to 40% taper rate for 6 months, instead of moving to 25% taper rate; income free area remains at $994 p/f. This would see ~10k recipients become ineligible, and ~55k recipients see a reduction in their payment rate
- Four **waiting periods** would continue to be waived: Ordinary Waiting Period, Liquid Assets Waiting Period, Seasonal Workers Preclusion Period, and the Newly Arrived Residents Waiting Period
- The extension of Jobseeker **Payment eligibility** to stood down workers and sole traders would come to an end - these recipients would now be expected to undertake job search and take a new job when one is available
- The requirement for provision of **verification/proof** on rental arrangements, employment separation certificates, and assets returns, however to streamline service delivery, risk-based compliance would be adopted for a period, rather than universal manual reviews

These settings provide ongoing streamlining for the anticipated high volume of new applicants to the working-age welfare system when JobKeeper comes to an end in September 2020. They also provide stability for potentially more vulnerable cohorts in the system, e.g. newly arrived residents who would otherwise be serving the NARWP.

Timing considerations

- **Changes to the nature of these access to payment measures (such as the partner income taper moving to 40%) may require legislation (although many of these changes will be able to be completed by instrument)**
- **Given the required implementation date of 25 Sep 2020, only a narrow window of time exists for the required legislation to pass Parliament**
- **Government approvals for temporary measures may be impacted by JK review in late Jun 2020 and 23 July F&E statement**

Modelling assumptions

- **Adopts base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc)**
- **Assumes that requirements to verify rental arrangements, and employment leads to no significant changes to recipient volumes**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **28k+ ISP recipients above assets limit remain on payment**
- **~11k recipients remain on payment who would be serving the NARWP**
- **9k recipients remain eligible for welfare under the 40% partner income taper**
- **150k-350k new claimants receive a streamlined access to welfare post-JobKeeper**

Cohorts less well off

- **~10k recipients who were on welfare due to the 25% partner income test taper rate become ineligible from 25 September**
- **~55k recipients receive a lower rate from 25 September because of the shift from 25% to 40% partner income taper rate**
- **40k JSP recipients who were sole traders now expected to meet mutual obligations**
- **>900k recipients are now expected to provide new information to Services Australia on their rental arrangements and asset levels**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make required system changes by 25 September	H	M

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C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	28k+	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper	~63k[2]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
NARWP	~11k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	Unknown	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[1]	~550-650k new claims[3]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification

Implications

- ~99k recipients removed from payment from 25 September[4]
- Regular claim process for anticipated wave of claimants when JobKeeper ends
- Reduced cost for the welfare system in terms of outlays (not administration)

- ~78k recipients removed from payment 25 September
- Some streamlining for anticipated wave of claimants when JobKeeper ends
- Reduced cost for welfare system vs current C-19 measures

- No recipients lose eligibility
- Continue current levels of support for new claimants as JobKeeper ends
- Cost to welfare system from these measures continues at current levels

Cost vs. Current Path

- No change from Current Path

Work in progress

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, Project analysis

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Backup: Further detail on the options

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020		2: Stepped down measures until 20 Mar 2021		3: Extend measures in full until 20 March 2021	
Assets Test	28k+	Reinstated	Asset testing resumes including reporting and compliance	Reinstated	Asset testing resumes including reporting and compliance	Waived	Asset test continues to not be applied
Partner Income Taper	~63k	60%	Partner cut-out is $1858.5 pf	40%	Partner cut-out is $2290.75	25%	Partner cut-out is $3068.8
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	New claims incl JobKeeper have waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods
NARWP	~11k	Reinstated	Recipients serving NARWP are off payment	Waived	All recipients serving NARWP and on payment continue	Waived	All recipients serving NARWP and on payment continue
Eligibility: Sole traders	~40k	Closed	Sole-traders have mutual obligations or leave payment	Closed	Sole-traders have mutual obligations or leave payment	Open	Sole-traders serve mutual obs through continuing business
Eligibility: Stood down	Unknown	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Open	Individuals retained but not receiving income eligible
Eligibility: C-19 carers	~0	Closed	Individuals caring for C-19 patients not eligible	Open	C-19 carers remain eligible	Open	C-19 carers remain eligible
Verifications[1]	~550-650k new claims[3]	Reinstated	Full verification reinstated, necessitates contact and processing	Reinstate w/risk based compliance	Full verification reinstated but risk based assessment and compliance	Self-verification	Retain self-assessment and no verification of rent, member of a couple etc.

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, Project analysis

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Expand discretion exercised around unrealisable assets

T3 Unrealisable assets

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

JSP recipients commencing on payment since March 2020 include some who own significant assets. Approximately ~28k recipients are anticipated to own financial assets beyond their relevant assets limit by 24 September 2020, and this number rises to between 34k and 44k when non-financial assets are included. The reinstatement of the Assets Test (whenever it occurs) risks creating instances of financial hardship where a recipient owns significant assets but is unable to realise (sell) those assets for a reasonable value, for instance due to the market impact of COVID-19, or the inability to travel as a result of COVID-19 restrictions.

Currently "unrealisable assets" are defined as assets that cannot be sold or realised, or cannot be used as a security for borrowing. Policy today allows for exclusion of certain assets from a recipient's asset test when the officer is satisfied that the asset is "unrealisable" and the recipient would suffer severe financial hardship without income support. Flexibility is required to prevent an increase in the instance of financial hardship among impacted recipients.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020, the definition of "unrealisable asset" would be expanded to include assets which are unable to sold or realised for a fair value due to Coronavirus impacts on the relevant market, or due to Coronavirus-related travel restrictions required for the proper management of the sale.

Expanding the definition of unrealisable assets in this way would contribute to preventing a number of hardship cases once the assets test is reinstated.

This expanded definition would cease from a specified future date, for example 1 July 2021.

Timing considerations

- Expanded definition would need to be in place from the date when the Assets Test is reinstated
- Sufficient lead-time would need to be provided to update the relevant manuals and operational blueprint

Modelling assumptions

- Impact of expanded discretion around unrealisable assets yet to be incorporated into the model
- Impact will be modest due to the small number of recipients that will be impacted

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	*TBD - yet to be modelled, but impact will be modest*				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- Recipients and claimants who have a high level of unrealisable assets otherwise ineligible under the assets test

Cohorts less well off

N/A

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Expanding the definition leads to new litigation / AAT appeals of Services Australia Decisions	L	M

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 28,000 individuals currently in receipt of JobSeeker have assets above the threshold - the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September – to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily increasing the flexibility of the unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Merge PPS and PPP into JSP

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P1 Merge PP into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Having distinct Parenting Payments alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- The requirement for PP recipients to transition to JSP once children turn 6 (if partnered), or 8 (if single), requiring additional administrative handling
- The lack of clarity about the policy intent behind PP – when instead all working age payments should be orienting recipients toward suitable work for their circumstances

Merging Parenting Payment into Jobseeker will simplify the welfare system, reduce administrative overhead, and better orient parents of young children toward seeking work and taking up employment opportunities

Potential reform / policy settings

Stage One | Stage Two

From 20 Mar 2021, roll over PPS and PPP recipients onto JSP; retain existing rates and expand eligibility of JSP to include parents regardless of age, who are main carers of children aged 6 (if partnered), or 8 (if single). Retain mutual obligation exemptions for principal carers.

PPS recipients could retain their preferential Income Free Areas and Taper Rates, in the absence of the dedicated policy measure to align Allowance IFAs and taper rates to those used for pensions.

Provides an opportunity to also consider phasing in mutual obligations earlier for parents of young children; e.g., provide exemptions for very young children, followed by Parents Next, then part-time mutual obligations once children reach primary school age.

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system, e.g. 20 March (indexation date), 1 July, 1 January. Have identified 20 March 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	-	-	-	-
Net impact on # recipients	-	-	-	-	-

Impact on recipients vs Current Path

Cohorts better off

- **PPS and PPP recipients no longer required to transition to JSP once children turn 6/8 years old - reduced administrative burden**

Cohorts less well off

- **~7k PPS recipients face lower IFA and higher taper rate (if no grandfathering, or other policy changes made)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	H

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Merge YA(o) into JSP

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Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, the distinction between JSP and YA(o) rests largely on age: JSP being for jobseekers >21 years old, and YA(o) being for jobseekers <22 years old. This distinction creates a number of friction points in the system, including:

- The requirement for YA(o) recipients to transition to JSP at the age of 22, requiring additional administrative handling
- The complexity for staff and recipients to understand, with different income tests, payment rates, exemptions and obligations
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Jobseeker Payment

Merging YA(o) into JSP would simplify the welfare system, increase the emphasis on job search for <22 year olds on welfare, and decrease administrative overhead

Potential reform / policy settings

Stage One | Stage Two

From 20 Mar 2021, abolish lower age limit for JSP, and roll YA(o) recipients onto JSP at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into JSP	Old rate	Recommended rate	Notes
Single, at home, <18	$253.20	No change	
Single, at home, <22	$304.60	No change	
Single, away from home, <22	$462.50	No change	
Partnered, <22	$462.50	No change	
Partnered w child, <22	$507.90	$510.80	Aligns with >22 rate
Single w child 8+ years, <22	$606.00	$612.00	Aligns with >22 rate
Mutual obs exempt/single parent with child <8 years	$790.10	No change	

Note: Without other changes to income tests being made, YA(o) recipients would be shifted to a lower IFA from $143pf to $104pf

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system, e.g. 20 March (indexation date), 1 July, 1 January. Have identified 20 March 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper)**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **~500 YA(o) recipients partnered with children receive higher rates**
- **YA(o) recipients single with children above 8 years old receive higher rates**

Cohorts less well off

- **~20k YA(o) recipients receive lower rates due to lower IFA**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Merge YA(s) into Austudy

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P3 Merge YA(s) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | **YA(s)** | **Austudy** | ABSTUDY | FTB

There is an opportunity to consolidate YA(s) and Austudy into a single student payment to simplify and improve student payment policy. ABSTUDY is not included as it offers highly targeted support, with complex and bespoke rules in place.

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would simplify the welfare system, reduce administrative overhead, and more clearly align payment types with policy intent

Potential reform / policy settings

Stage One | **Stage Two**

From 20 Mar 2021, abolish lower age limit for Austudy, and roll YA(s) recipients onto Austudy at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into Austudy	Old rate	Recommended rate
Single, under 18, at home	$253.20	No change
Single, over 18, at home	$304.60	No change
Single, away from home	$462.50	No change
Single, with children	$606.00	$612.00
Partnered	$462.50	No change
Partnered w child	$507.90	$510.80
Principal carer, Mutual obs exempt	$790.10	No change

Notes: Higher rates for long-term income support recipients would also be removed, with those current recipients paid out a lump sum commensurate with the value of the higher rate over their current course of study (<3,000 recipients as at XXX). Non-age requirements between YA(s) and AUSTUDY would also be aligned, incl. "full-time study" requirement, allowable time requirements, and temporary incapacity exemptions. Existing recipients will be grandfathered for the duration of their current course.

Timing considerations

- **Changes to student payments typically best take place on 1 January. Therefore next opportunity to implement this change would be 1 January 2022**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Changes in income distributions as a result of C-19 remain until XXX 2020/21**
- **Grandfathered long-term income support recipients not included in modelling**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **~11k Students aged 25+ receiving YA(s)**
- **~580 YA(s) recipients partnered with children receive higher rates**
- **YA(s) recipients single with children above 8 years old receive higher rates**
- **Austudy students have access to temporary incapacity exemptions on Austudy, rather than needing to transition to and from JSP**

Cohorts less well off

- **~3.2k long-term income support recipients (if not grandfathered or compensated)**
- **Austudy students will no longer receive payments when allowable time limits are exceeded (several will be removed from payment if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Payment simplification: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate **$462.50** f/n plus supplements, with mutual obs
- **$143 IFA, 50-60%** income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to $565.70 f/n plus supplements, mutual obs continue
- $104 IFA, 50-60% income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) till child turns 8
- Payment rate increases to $790.10 f/n plus some additional supplements, no mutual obs
- $188.60 IFA 40% income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to $612.00 f/n plus some additional supplements, part time mutual obs
- $143 IFA, 40% income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate **$304.60** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to **$462.50** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit

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Rolling PP (P&S) into Jobseeker

	From Jobseeker	From Parenting Payment	To Jobseeker
Eligibility	Unemployed Aged 22 to Age Pension age	Principal carer of qualifying child <6 if partnered or <8 if single	Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]
Mutual obligations	Enter into job plan and participate in job search/ activities, unless exempt Mutual obs dependent on age and capacity	May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan	Enter into job plan and participate in job search/activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]
Rates	Single $565.70 Single w/children/ mature aged rate $612.00 Single, PCP, mutual obs exempt $790.10 Partnered $510.80	Single $790.10 Partnered $510.80	Single $565.70 Single w child >8/mature aged rate $612.00 Mutual obs exempt/single parent w. qualifying child[1] $790.10 Partnered $510.80
Supplements	Individual circumstances	As per JSP + Pension Supplement and Pensioner Education Supplement	Individual circumstances
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP	As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single	Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

Rationale for change

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Eliminate requirement to transfer from PP to JSP when children reach 6 or 8 years old
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying additional obligations to parents

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rolling YA(o) into Jobseeker

	From Youth Allowance (Other)		To Jobseeker, Youth Rates	
Eligibility	Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study		Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study	
Mutual obligations	Participate in job search or other approved activities Participate in part-time study or training, in combination with other approved activities		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single, under 18 years, at home	$253.20	Youth Single, under 18, at home	$253.20
	Single, 18-21 years, at home	$304.60	Youth Single, 18-21, at home	$304.60
	Single, 18-21 years, away from home	$462.50	Youth Single, 18-21, away from home	$462.50
	Single, with dependent child	$606.00	All ages, single, with dependent child	$612.00
	Single, principal carer with exemption	$790.10	All ages, single, principal carer	$790.10
	Partnered, no child	$462.50	Youth Partnered, no child	$462.50
	Partnered, with dependent child	$507.90	Youth Partnered, with dependent child	$510.80
Supplements	Energy Supplement (various rates from $3.90 to $12.00), Youth Disability Supplement (if eligible), Pharmaceutical Allowance (if eligible)		Simplified Energy Supplement, other supplements remain the same	
Tapers & IFA	Parental Income test of 20c per $1 over $54,677 50% above $143 60% above $250		Same as today	

Rationale for change

Youth Allowance (other) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Fewer overall payment types
- ✓ Eliminate requirement to transfer from YA(o) to JSP at the age of 22
- ✓ Greater alignment of payment type with focus on finding work ("Jobseeker" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(O) but not YA(S) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Jobseeker Payment
- x Lower Income Free Area for current Youth Allowance (other) recipients

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rolling YA(s) into Austudy

	From		To
	Youth Allowance (S)	**Austudy**	**Austudy**
Eligibility	Full-time students and Australian Apprentices aged 16 – 24 Secondary students under 18 living away from home	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 25 years or over	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 16 years or over
Mutual obligations	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship
Rates	Single, under 18 years, at home $253.20 Single, over 18 years, at home $304.60 Single, away from home $462.50 Single, with child $606.00 Single, principal carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $507.90 **Three more special rates for long term income support*	Single, no dependent children $462.50 Single, with dependent children $606.00 Member of a couple, no dependent children $462.50 Member of a couple, with dependent children $507.90 **Two more special rates for long term income support recipients*	Single, under 18, at home $253.20 Single, 18-24, at home $304.60 Single, away from home or >24 $462.50 Single, with dependent child $612.00 Single, Principal Carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $510.80 **No special rates for long term income support recipients, with grandfathering of current cohort*
Supplements	Energy Supplement (from $3.90 to $12.00)	Energy Supplement (from $7.00 to $14.10) and Pharmaceutical Allowance if aged over 60 and on payment for 9 months	Individual circumstances
Tapers & IFA	50% above $437 60% above $524	50% above $437 60% above $524	50% above $437 60% above $524

Rationale for change

Youth Allowance (Student) could be combined with Austudy to simplify the different categories of student payments. This would create a consistent set of adult and youth rates in both unemployment and student payments.

Pros:

- ✓ Fewer overall payment types
- ✓ Greater alignment of payment type with policy intent ("Austudy" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(S) but not YA(O) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Austudy

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

New JobSeeker Rate Mapping – Tiers One and Two

From			To	
JobSeeker Single principal carer with exemption (4,000 recipients)	$790.10			
Parenting Payment Single (234,000 recipients)	$790.10	→	**Tier One rate** Single	$790.10
Youth Allowance (Other) Single principal carer with exemption (4 recipients)	$790.10			
JobSeeker Single, with dependent child (134,000 recipients)	$612.00			
JobSeeker Single, aged 60 or over, after 9 months (66,000 recipients)	$612.00	→	**Tier Two rate** Single	$612.00
Youth Allowance (Other) Single with child (500 recipients)	$606.00			

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

New JobSeeker Rate Mapping – Tier Three

From		To	
JobSeeker Single, no children (714,000 recipients)	$565.70	**Basic Rate, Single**	$565.70
JobSeeker Partnered (300,000 recipients)	$510.80	**Basic Rate, Partnered**	$510.80
Parenting Payment **Parenting Payment Partnered** (71,000 recipients)	$510.80		
Youth Allowance (Other) Partnered, with child (1,000 recipients)	$507.90		
Youth Allowance (Other) Single, under 18 years, at home (5,000 recipients)	$253.20	**Basic Rate, Youth Single, under 18 years, at home**	$253.20
Youth Allowance (Other) Single, over 18 years, at home (65,000 recipients)	$304.60	**Basic Rate, Youth Single, 18-21 years, at home**	$304.60
Youth Allowance (Other) Single, over 18 years, away from home (4,000 recipients)	$462.50	**Basic Rate, Youth Single, away from home**	$462.50
Youth Allowance (Other) Single, over 18 years, away from home (42,000 recipients)	$462.50		
Youth Allowance (Other) Partnered, no children (4,000 recipients)	$462.50	**Basic Rate, Youth Partnered**	$462.50

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

New Austudy Rate Mapping

From		To	
Youth Allowance (Student) Principal carer of a dependent child (0 recipients)	$790.10	**Higher Rate, Single**	$790.10
Youth Allowance (Student) Single, with children (200 recipients) **Austudy** Single, with children (3,000 recipients)	$606.00 $606.00	**Higher Rate, Single**	$612.00
Youth Allowance (Student) Single, under 18 years, at home (3,000 recipients)	$253.20	**Basic Rate, Single, under 18, at home**	$253.20
Youth Allowance (Student) Single, over 18 years, at home (99,000 recipients)	$304.60	**Basic Rate, Single, 18-24, at home**	$304.60
Youth Allowance (Student) Single, under 18 years, away from home (4,000 recipients) **Youth Allowance (Student)** Single, over 18 years, away from home (71,000 recipients) **Austudy** Single, no child (20,000 recipients)	$462.50 $462.50 $462.50	**Basic Rate, Single, away from home**	$462.50
Youth Allowance (Student) Partnered, no child (4,000 recipients) **Austudy** Partnered, no child (2,000 recipients)	$462.50 $462.50	**Basic Rate, Partnered**	$462.50
Youth Allowance (Student) Partnered, with children (2,000 recipients) **Austudy** Partnered, with children	$507.90 $507.90	**Basic Rate, Partnered with children**	$510.80

Grandfathered Rates

Youth Allowance and Austudy currently have five rates for long-term income support recipients.

These rates are for recipients who either commence full-time study of an apprenticeship, having been in receipt of an income support payment for at least 6 out of the last 9 months since turning 22.

It is proposed that these rates be grandfathered for those eligible for this payment (less than 3,000 recipients). Once these recipients finish their current course of study they will move to a standard rate.

Current rates (Youth Allowance):

Single, living at home - $373.70

Single, living away from home - $561.90

Member of a couple, no dependent children - $507.90

Austudy

Single, no dependent children - $561.90

Member of a couple, no dependent children - $507.90

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Backup: Key policy objectives for youth payments to consider when designing three-tier working age payment

Policy objectives for youth and student payments to uphold

Designed to provide means-tested income support for youths and students based on parental and personal income

- Aligns with societal expectation for parents to provide support for young adults where they have the means to do so

Incentivise work for adults aged 22+ by keeping student payment rates below unemployment rates

- Same level of support for work and study is provided for adults aged 18-21 (with preference towards study)

Implied expectation through policy settings that students will supplement their own income through work when possible

- Youth disability supplement intended to support those with PCW

Targeted support provided to Aboriginal and Torres Strait Islanders students through ABSTUDY, recognising unique circumstances, e.g., targeted support provided to teenagers, Masters and Doctorate students

Key issues to address if new three-tier working age payment is created

Payment rates for recipients of different ages in different circumstance (dependent, away from home etc)

Ongoing inconsistencies between YA(o) and YA(s), e.g., age eligibilities, availability of long-term income support rates

Two separate student payments, YA(s) and AUSTUDY, adds complexity in systems build and customer/staff understanding

- Inconsistent payment rates for 25+ aged students
- AUSTUDY satisfactory progress requirements allows allowable time to be exceeded before payment will cease; YA payments will cease once allowable time is exceeded

- "Full-time study" requirement for YA(s) vs. "qualifying study" for AUSTUDY despite full-time study load requirement in practice

Ongoing transitions from YA to JS produces additional admin costs and workload

Large scale loss of part-time/casual work; reducing youths' ability to self-support

- 75% YA(s) received no earnings in Apr 2020 – an increase of 15 ppts from 60% in Sep 2020

1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019), Department of Jobs and Small Business Australian Jobs Report (2019)

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Merge Special Benefit (>65s) into JSP

P4 Merge SpB(>65) into JSP

Policy context

JSP | PPS | PPP | **SB** | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are over the Age Pension age and are not qualified for the age pension due to residential requirements. These recipients are subject to quarterly activity reviews, despite a low likelihood that employment circumstances will change, which generates costly administrative outlays.

To simplify payments and retain Special Benefit as the 'payment of last resort', JSP may be a more relevant payment for recipients over the Age Pension age.

Potential reform / policy settings

Stage One | Stage Two

From 20 Mar 2021, the upper age limit on JSP would be removed, with exemptions from mutual obligations provided to recipients aged over Age Pension age. Special Benefit recipients over the Age Pension age would then be rolled over onto JSP (~2,700 current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB mature aged recipients	Old rate	New rate	Notes
Single, no children, 22 or older	$565.70	No change	
Single, aged 60 or older, on payment for at least 9 months	$612.00	No change	
Member of a couple, aged 60 or older	$612.00	$510.80	Existing recipients on this rate would be grandfathered

Recipients aged above 65 who are partnered would be grandfathered on their current rate ($612 pf, vs the $510.80 pf they would receive under normal circumstances on JSP).

Special Benefit recipients who are above the age pension age will be subject to the same JSP IFA and income tapers.

Timing considerations

- **Merging Special Benefit (>65s) into JSP ideally finalised when payment rates are scheduled to be indexed - 20 Mar 2020**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Grandfathering of partnered recipients aged 65+ modelled; recipients continue to receive $510.80 pf**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$0.6m	+$2.3m	+$2.1m	+2.1m	-$7.1m
Net impact on # recipients	+<0.1k	+<0.1k	+<0.1k	+<0.1k	+<0.1k

Impact on recipients vs Current Path

Cohorts better off

- **~3k Special Benefit recipients aged 65+ shift onto JSP and receive a standard income test, IFA and taper rather than the 100% taper rate on SB**

Cohorts less well off

- **~2k Special Benefit partnered recipients aged 65+ receive lower rate (if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes to legislation and systems; implementation by Mar 2021 may not be possible	M	M

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Merge Special Benefit (TPVs) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are of working age and deemed appropriate for JobSearch but do not residentially qualify for JobSeeker Payment; the majority of this cohort are Temporary Protection Visa holders. Recipients do not have access to an income free area and a 100% taper rate applies, disincentivising the uptake of work. Only ~1% of Special Benefit recipients report income each fortnight.

To incentivise employment and simplify payments, JSP may be a more relevant payment for recipients holding TPVs.

Potential reform / policy settings

Stage One | Stage Two

From 20 Mar 2021, extend eligible visas for JobSeeker Payment to include Temporary Protection Visas, and rollover existing Special Benefit recipients who are deemed appropriate for JobSearch but do not residentially qualify to JSP (~2,400 current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB TPV recipients	Old rate	New rate
Single, no children, 22 or older	$565.70	No change
Single, w children	$606.00	No change
Member of a couple, no children	$462.50	$510.80

Recipients will be subject to the JSP income free area (from $0 to $104pf) and income tapers (from 100% to 50-60% depending on income).

Given likely sensitivity of providing JSP access to TPVs, an alternative is to amend the Special Benefit income free area and taper to incentive employment.

Timing considerations

- **Merging Special Benefit (TPVs) into JSP ideally finalised when payment rates are scheduled to be indexed - 20 Mar 2020**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **~2.4k recipients holding TPVs moved onto JSP IFA and lower taper**
- **~2k partnered recipients with no children holding TPVs receive higher payment rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding merging of cohort may extend timelines to implement changes to legislation; implementation by 20 Mar 2021 may not be possible	M	M

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Key decision: Rolling Special Benefit into Jobseeker

From: 3 key cohorts on Special Benefit

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,380 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,621 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker/new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;

2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

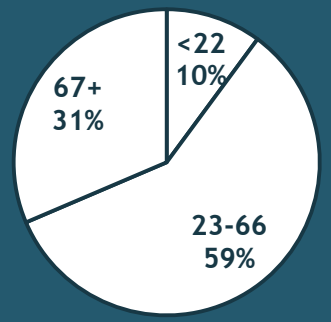
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Appendix – Cohort analysis of working age Special Benefit recipients

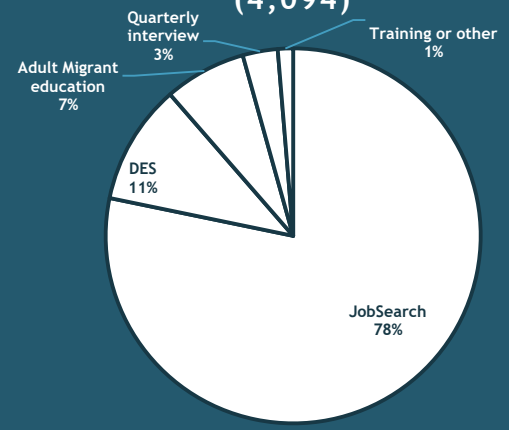
AGE



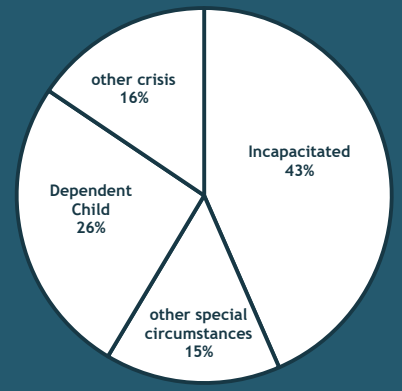
Working Age Recipients

Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)

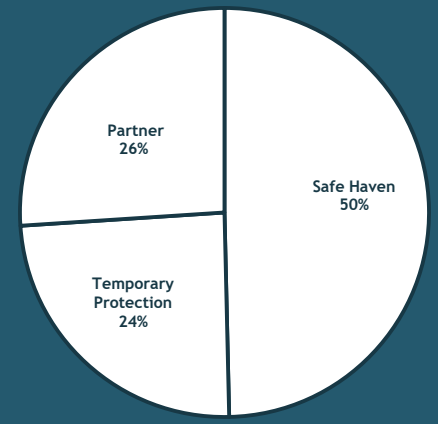
MUTUAL OBLIGATIONS - WAP (4,094)



MUTUAL OBLIGATION EXEMPTIONS - WAP (853)



VISA TYPES - WAP (4,947)



Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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Streamlining FTB

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P6 FTB

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | **FTB**

Family Tax Benefit is designed to support low and low-middle income families with a contribution towards the cost of raising children. Current policy settings have given rise to several challenges:

1. Current settings provide incentives/support for single-earner households relative to dual-earner households – whereas post-COVID, good policy suggests encouraging all working-age adults to engage in the labour force and take a job where one is available
2. FTB payment rates do not reflect the increasing costs of raising children as children grow older
3. FTB payment rates do not reflect economies of scale in family budgets as family sizes grow
4. Separation of Part A and Part B, and the relevant supplements, drives complexity unnecessarily – especially given vast majority of FTB cohort receive both FTB-A and FTB-B concurrently
5. FTB policy settings currently results in several payment cliffs for recipients receiving both payments (at FTB-B cut-out ($100,000 for primary income earner), and at cut-out of FTB-A Supplement ($80,000))

Potential reform / policy settings

Stage One | **Stage Two**

From Jan 2022, merge FTB-A and FTB-B to form a single FTB payment tiered by age of child and the number of children:

- First child receives rate equivalent to FTB-A and FTB-B incl. supplements
- 2nd and 3rd child receives rate equivalent to FTB-A without $766.50 supplement
- Subsequent children receive half of 2nd and 3rd child rates

Update taper rates to cut-in at $38,520, tapering at 20% for income up to $90,000 (or 15% for single parents), then at 30% for income over $90,000

Retain FTB base rates for those who fail the Maintenance Action test only

Age	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate – 2nd and 3rd child	$4,855	$5,858	$6,315
Rate – Subsequent children	$2427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 – cut in	$90,000	Taper rate	30%

Timing considerations

- **Measure should be implemented on 1 July 2021, to align with the start of a new financial year**

Modelling assumptions

- **Assumes FTB population is stable throughout COVID-19 period (this should be refined/updated in future iterations of the model)**
- **Does not include impact on tax revenues via the ATO**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Dual-earner households, except 1-child households earnings $86k-$106k**
- **Single-earner households with 2+ children earning >100k**
- **Single parents with 2+ children earning >$100k**

Cohorts less well off

- **Single-earner families with 1 child, earning >$38.5k**
- **Single-earner families with 2+ children earning <$100k**
- **Dual-earner families with 1 child earning $86k-$106k**
- **Single parents with 1 child earning >$38.5k**
- **Single parents with 2+ children earning <$80k**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding cohorts less well-off may lead to extended timeframes to implement changes to legislation	M	M

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FTB A & B: Policy goals and key issues to address

Policy goal of FTB

Support low and low-middle income families with a contribution toward the cost of raising children

Note: FTB has historically had the effect of reducing overall income inequality in Australia – however this effect has been declining for over a decade

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- FTB-A only steps up once at 13yo, and FTB-B steps down at 5yo

Separate A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- FTB-A provides a consistent amount per child, rather than decreasing as the family grows

Delivery via Services Australia brings >750,000 additional people into the welfare system – with ~57% of FTB recipients not on an income support payment

Several payment cliffs:

- At $80,000 income due to FTB-A supplement cut-out
- At $100k for the primary income earner for FTB-B
- At the base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Figures exclude FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB: Example reform options

Update: Now includes a lower taper rate for single parent households

Hypothesis

	1: Single FTB payment, with decreasing rates per child as family grows	2: As per Example 1, but with earlier taper cut-in, and lower taper rate	3: As per Example 2, but with lower rate for 0-4s, and expanded Newborn Supplement
Description	First Child: Equivalent to FTB A & B incl. supplements rolled together, except 5-12 children take average of 0-4 and 13-18 rates 2nd & 3rd children: Equiv. to FTB A, but without the $766.50 supplement 4th & subsequent: Half of 2nd/3rd rate Tapers: Cut-in as per FTB A, at 30%, or 25% for single parents Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 1 2nd & 3rd children: As per Example 1 4th & subsequent: As per Example 1 Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1	First Child: As per Example 2, but 0-4 rate 30% reduced, and 5-12 rate 15% reduced 2nd & 3rd children: Same % reductions as for 1st 4th & subsequent: Half of 2nd/3rd rate For newborns: Expand Newborn Supplement to $3,696. Would remove multiple birth allowance Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1
Winners	✓ Almost all dual-earner households ✓ Families with 6-12 aged children ✓ Single-earner households with 2+ children and >$100k income	✓ Dual-earner households, except 1-child households earning $86k-$106k ✓ Single-earner households with 2+ children earning >$100k	✓ Families with newborns (0-1 yo) ✓ Dual-earner households, except those with children aged 1-4 ✓ Single-earner households with 2+ older children, earning >$100k
Losers	x Single-earner families with 1 child, and income >$56k x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement)	x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement) x Dual-earner families with 1 child earning $86k-$106k	x Almost all families with 1-4 year olds x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction x Dual-earner families with 1 child earning $86k-$106k

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients) Source: DSS data as at 27 December 2019, McClure Review

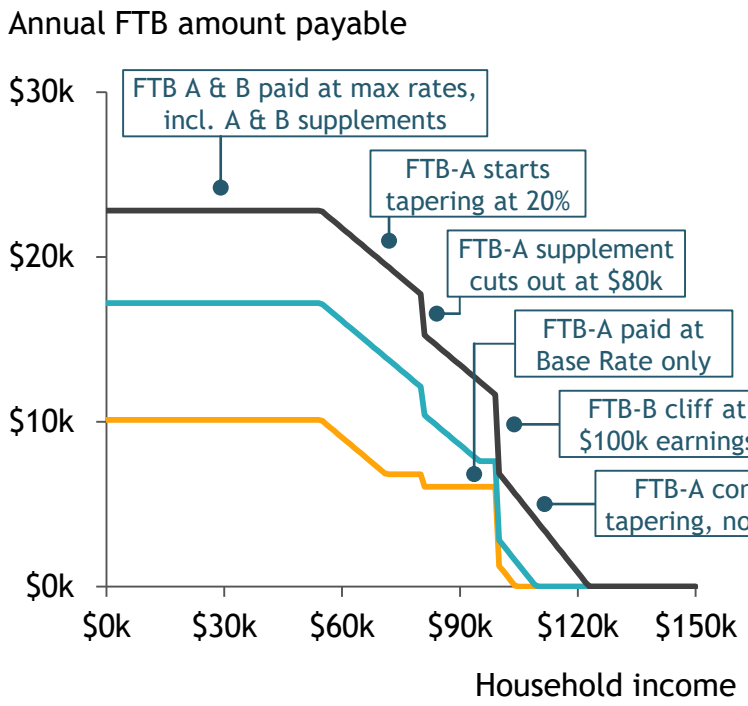
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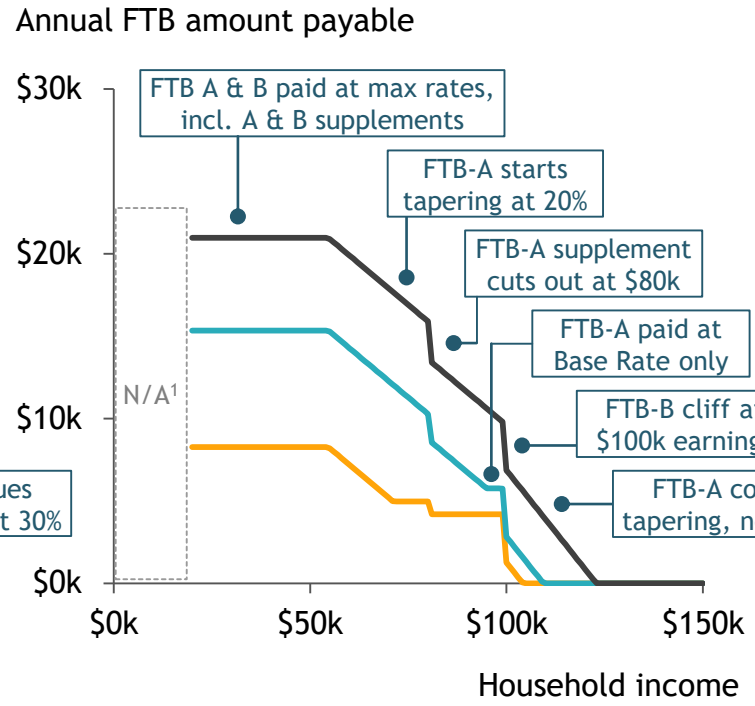
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FTB: Current income tests for varying family circumstances

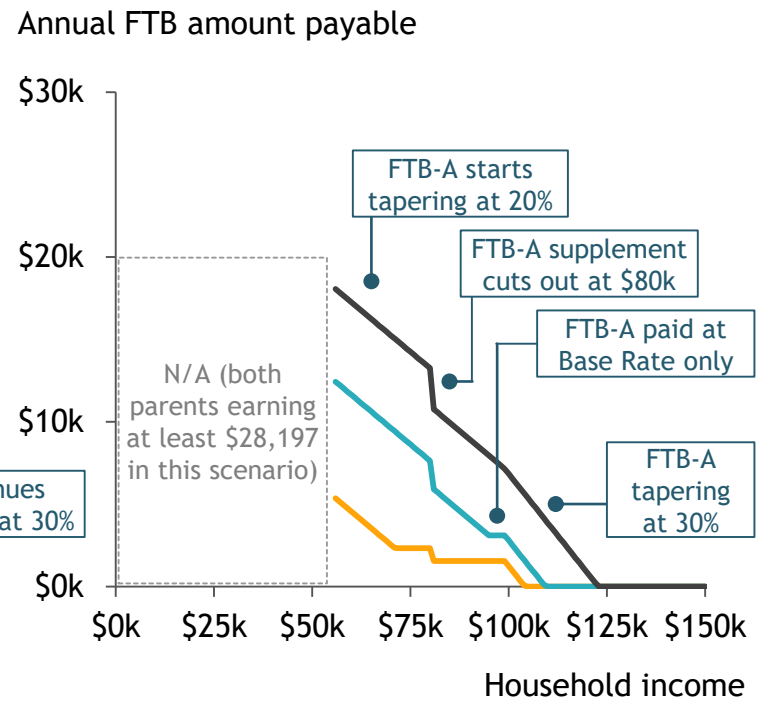
Current: One earning parent



Current: Two earning parents, with $15k income for secondary earner



Current: Two earning parents, with >$28,197 income for secondary earner



Family with 1 child <5, — Family with 2 children, 1x<5, 1x16 — Family with 3 children, 1x<5, 1x10,1x16

1. Both parents earning at least $10,000 in this scenario

Source: Project analysis; Services Australia Guide to welfare payments

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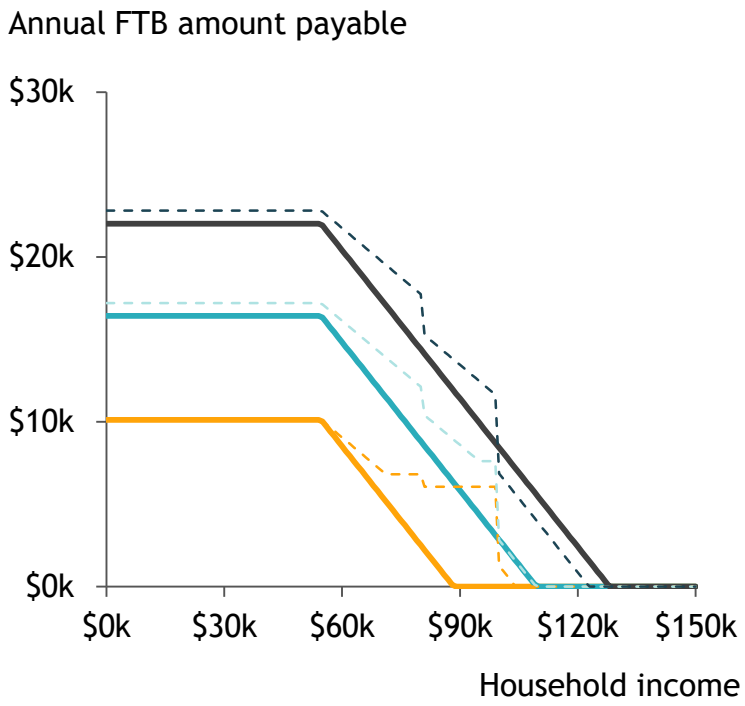
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FTB: Example income tests for the three reform options

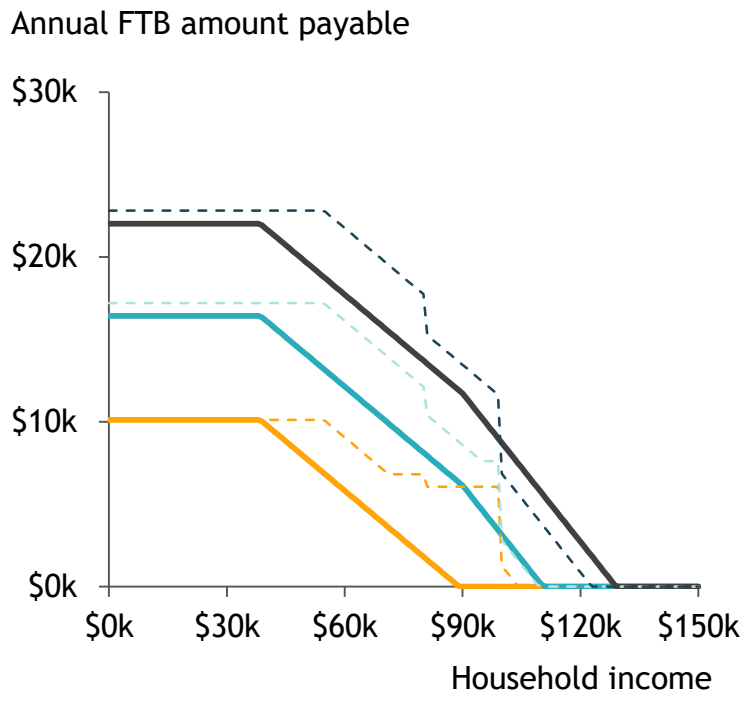
Comparison vs Two-parent single-earner households

Hypothesis

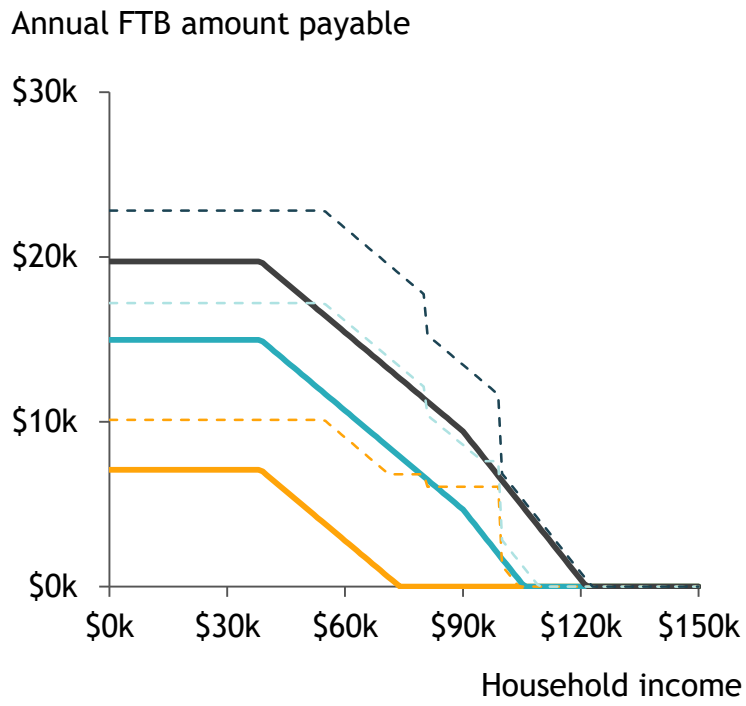
Example 1:
Single FTB payment, with decreasing rates per child as family grows



Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Example: Family with 1 child <5,
Example: Family with 2 children, 1x<5, 1x16
Example: Family with 3 children, 1x<5, 1x10,1x16
Current: Family with 1 child <5 (single income)
Current: Family with 2 children, 1x<5, 1x16 (single income)
Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: Project analysis

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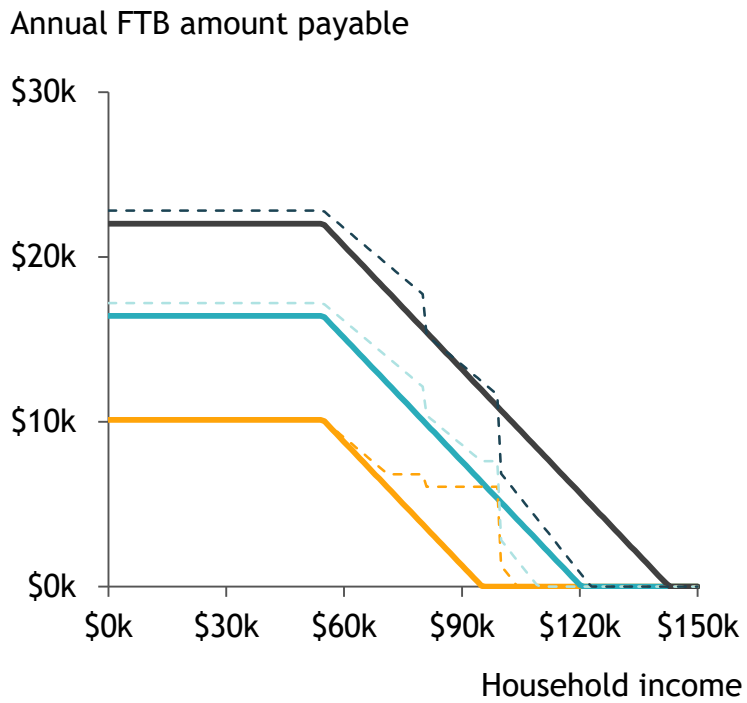
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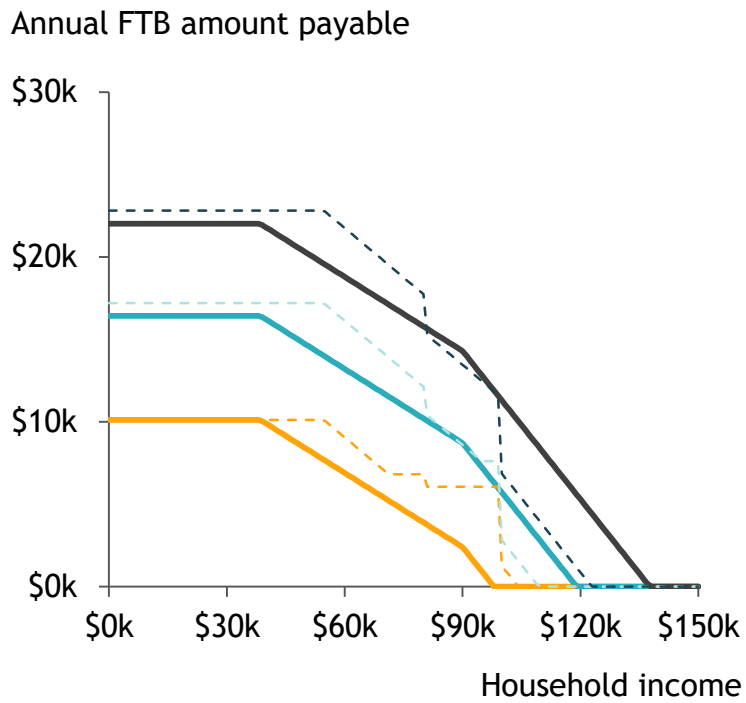
Comparison vs Single parent households

Hypothesis

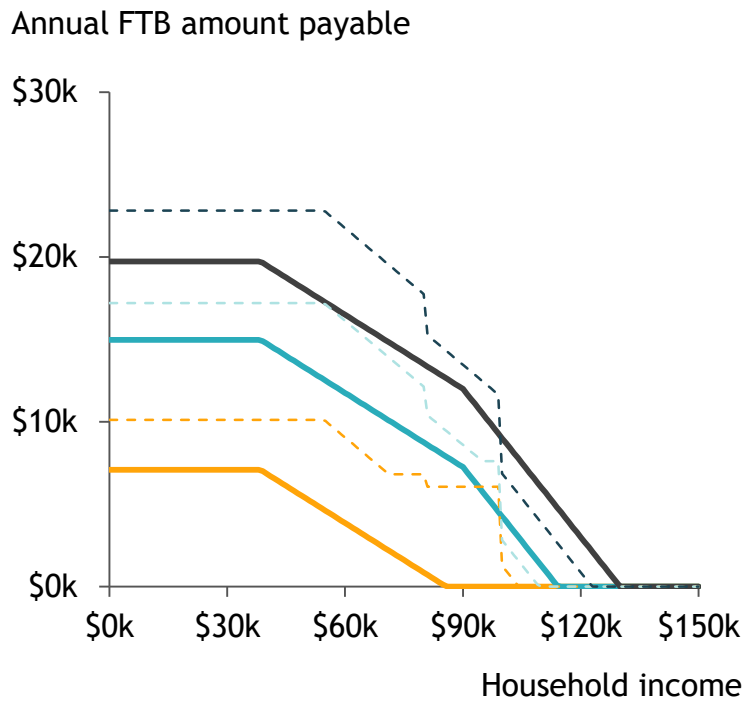
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Source: Project analysis

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FTB: Example income tests for the three reform options

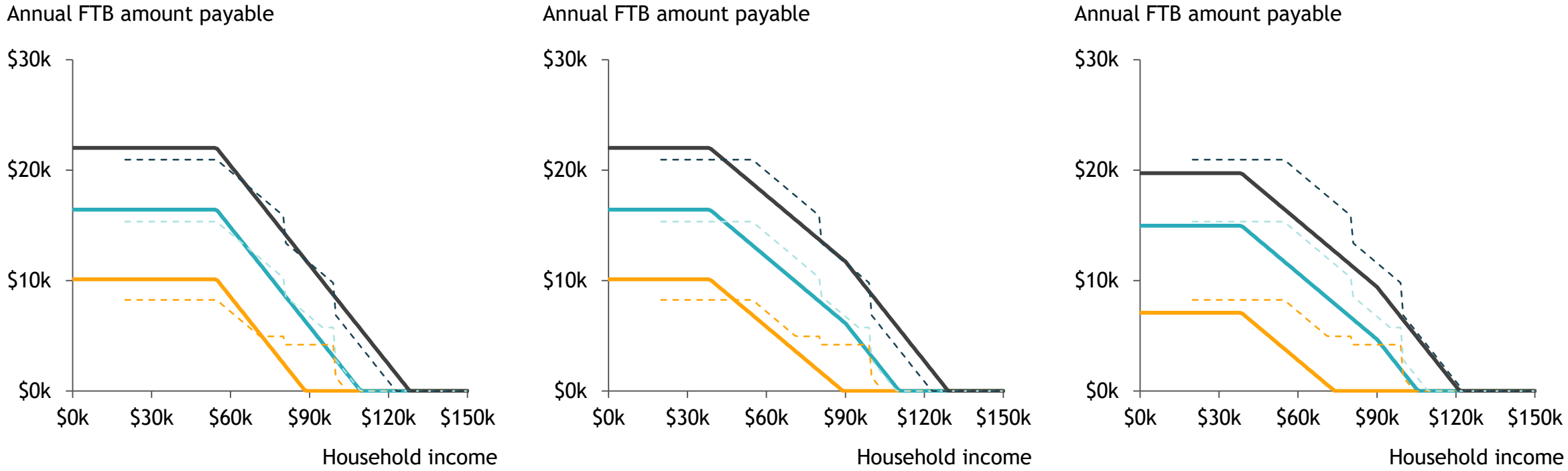
Comparison vs Two earning parents, with $15k income for secondary earner

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



Source: Project analysis

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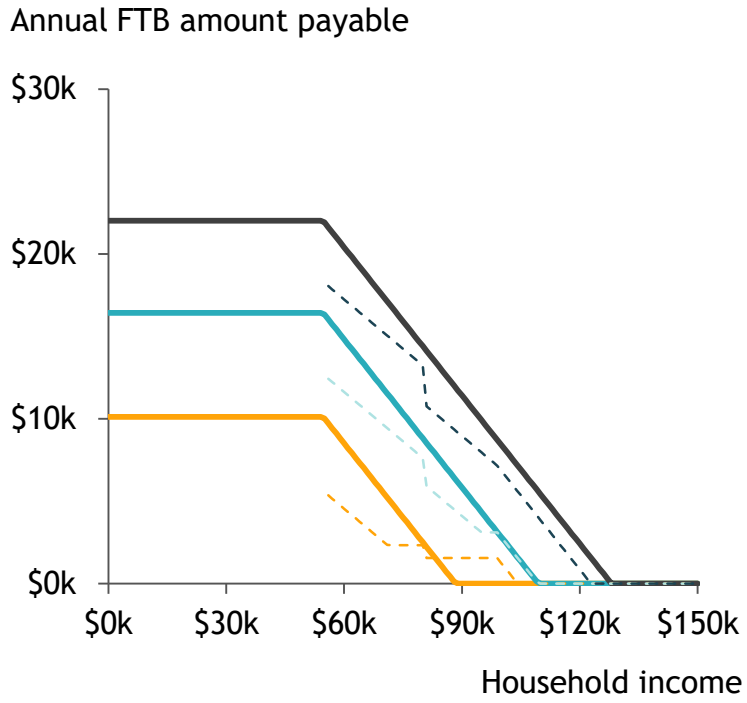
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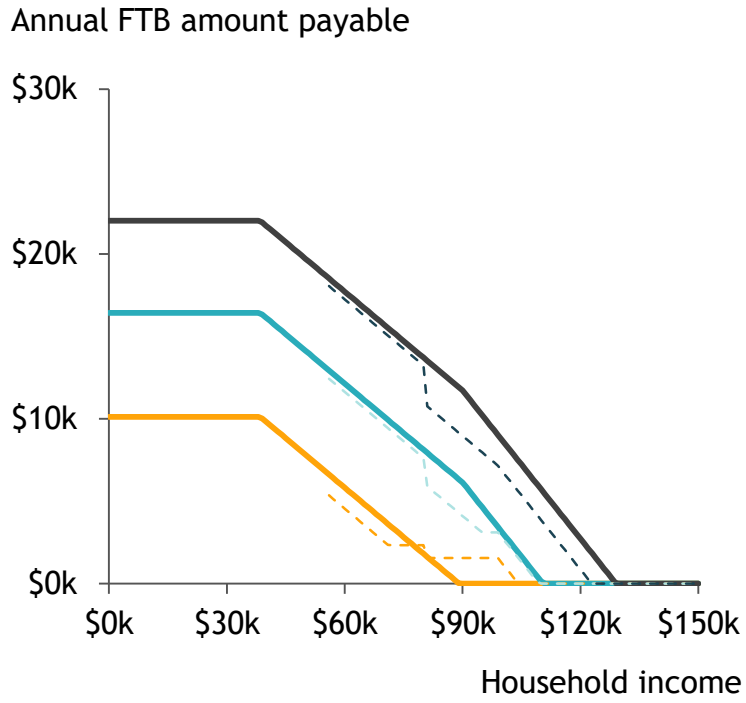
Comparison vs Two earning parents, with >$28,197k income for secondary earner

Hypothesis

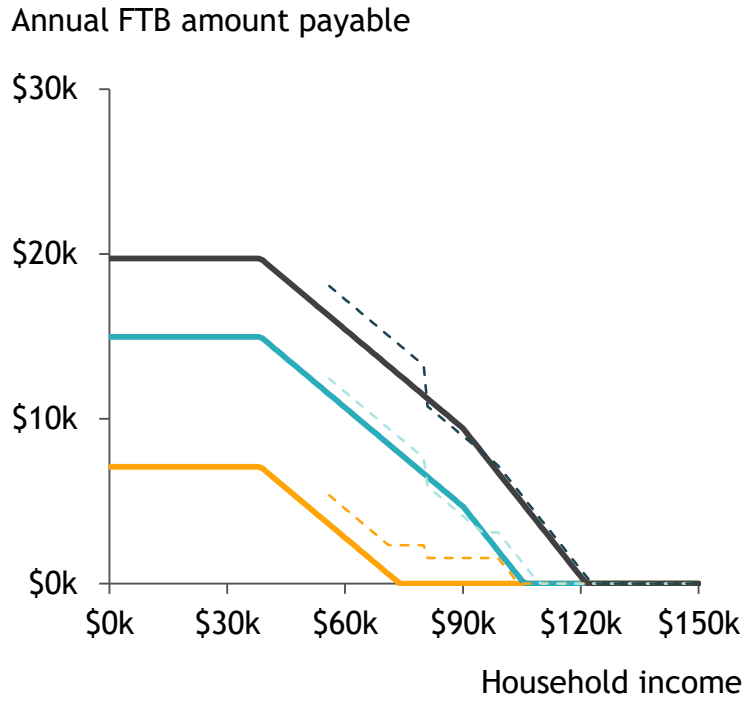
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Current: Family with 1 child <5 (single income)
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Source: Project analysis

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Backup: FTB example rate tables

Current rates

FTB-A

	0-12	13-19	
Standard rate	$4,855	$6,315	
Taper 1 - cut in	$54,677	Taper rate	20%
Taper 2 - cut in	$98,988	Taper rate	30%
Base rate	$1,559		
Base rate taper – cut in	$98,988	Taper rate	30%
Supplement	$766.50	Cut-out	$80,000

FTB-B

	0-4	5-18	
Standard rate incl. supplement	$4,500	$3,256	
Secondary earner taper – cut in	$5,694	Taper rate	20%
Primary income earner cut-out	$100,000		

Example options for rates

1

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate – Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$54,677	Taper rate	30% (25% for single parents)
Taper 2 - cut in	N/A	Taper rate	N/A

2

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate - Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

3

	0-4	5-12	13-18
Rate – First child	$7,085	$9,224	$11,581
Rate - 2nd & 3rd child	$3,398	$4,747	$6,315
Rate - Subsequent children	$1,699	$2,373	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement

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Lift in base rates

DSS - FOI LEX 46667 - MR22/00379 - Document 25a

R2 Mature age / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

As a result of the C-19 supplement and temporary measures, recipients received a $550+ lift in payments from 27 April to 24 September 2020. This supplement may be extended in some form through to March 2021, likely at a lower rate.

At the cessation of the C-19 supplement, a decision to raise base rates for lower and mid-tier welfare payments would reduce the "shock" of the C-19 supplement cessation, help address adequacy concerns about the lower-tier payment rates, and also creates an opportunity to consolidate or abolish several small supplements currently paid to working-age recipients, including Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, and Telephone Allowance. This would result in a substantial simplification of the working age welfare system.

Potential reform / policy settings

Stage One | Stage Two

When the C-19 supplement ceases (likely 20 March 2021), lift the payment rates for working age & student payments:

- For recipients currently receiving the $790.10 basic rate (i.e. PPS and JSP Principal Carers), by $25 pf
- For all other allowance recipients, by $100 pf

In parallel, abolish for JSP, PPS, PPP, SB, YA(o), YA(s), Austudy, and ABSTUDY recipients: Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, and Telephone Allowance.

Note that approximately 1% of PPS recipients receive the APW or LLN supplements, and that the $25 pf increase would be insufficient to fully compensate them for the loss of the energy, pharma, telephone, and APW/LLN supplements. To avoid them being worse off by ~$19 pf, these 2,640 people could receive a lump sum payment equivalent to the value of the APW/LLN supplement for their remaining APW or LLN program duration (six months or less)

Timing considerations

- Recognising tight timeframes to implement changes to legislation and systems by 25 September 2020, changes can be made when income support payments are indexed on 20 March 2021 to minimise the number of rate changes in FY20/21

Modelling assumptions

- Volume impact of increase in base rates (will be modest, <1% increase in recipient numbers, <0.3% impact on outlays)
- Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)
- Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- Allowance recipients on lower and mid-tier rates typically $60-$90 better off per fortnight
- Allowance recipients on the higher tier ($790.10) rate, typically $1-$5 better off

Cohorts less well off

- Small cohort of ~2,700 PPS recipients who receive APW/LLN supplement may be worse off as their payment rise of $25 p/f is insufficient to compensate for loss of all the relevant supplements. May require a lump sum payment to compensate

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Abolition of supplements may be controversial as it reduces targeting of welfare, may lead to leg. delays	M	L
The quantum of rate increase may be controversial with some seeing it as insufficient, leading to leg. delays	M	H

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New Mature Aged / PCW rate

DSS - FOI LEX 46667 - MR22/00379 - Document 25a

R2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial capacity to work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income support payment rate: $612 pf
- Roll over existing 60+ long-term income support recipients to new payment category

Update mutual obligations requirements to allow jobseekers aged 50+ (previously 55+) to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study. Retain mutual obligation requirements for jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 20 March 2021 when income support payment rates are indexed**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 – may lead to delays	L	M

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Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	**JSP 60+ on payment for 9 months**	**JobSeeker Payment Higher Rate**
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 55+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $104 60% above $254

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

Hypothesis

1 All >50s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 215,000 recipients would receive a higher rate

Additional outlays: ~$260m p.a.

2 All >55s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 137,000 recipients would receive a higher rate

Additional outlays: ~$170m p.a.

3 All >60s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 59,000 recipients would receive a higher rate

Additional outlays: ~$70m p.a.

Included in new rate

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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Backup: Age / PCW recipient number breakdown

Age	<7 hours	8 to 14 hours	15 to 22 hours	23 to 29 hours	>30 hours (No PCW)
<50	1,037	2,809	100,604	52,856	290,282
50 – 54	281	888	30,184	10,181	36,929
55 – 59	280	1,023	36,232	8,881	32,914
60+	398	1,915	54,114	8,115	54,705
Total	**1,996**	**6,635**	**221,134**	**80,033**	**414,830**

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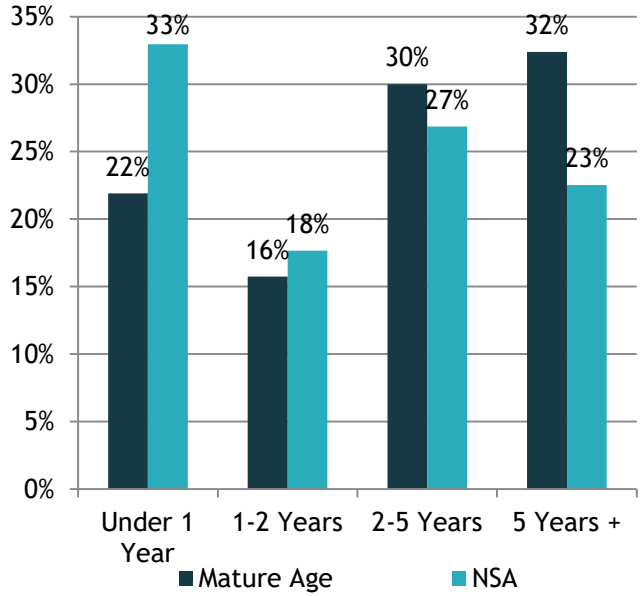
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

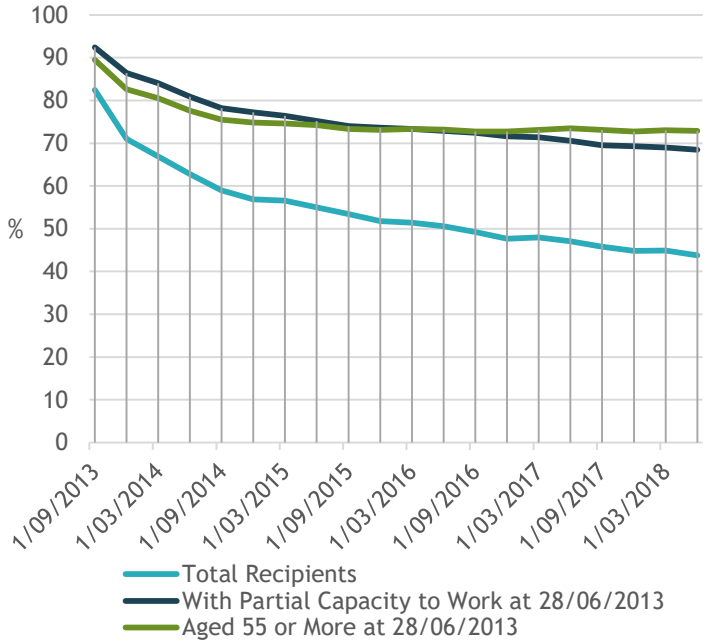
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



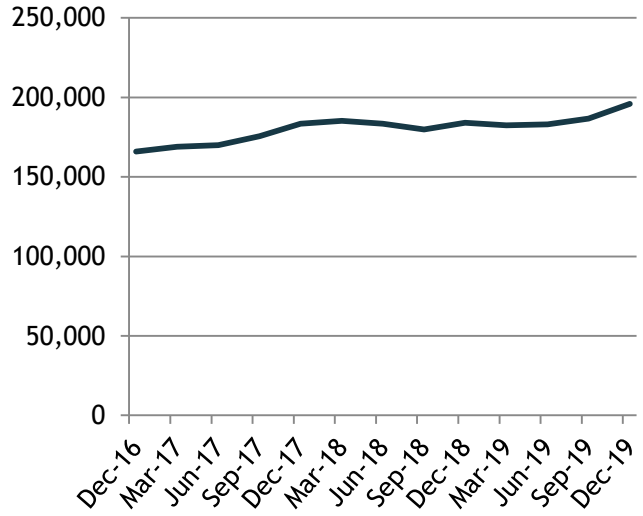
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Align Income Free Areas with pensions, max 50% taper rates

I1 IFAs and taper rates

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Income free areas and low taper rates are currently used to incentivise the uptake of employment, with higher income free areas for student payments recognising higher levels of seasonal, and part-time/casual work amongst students.

There are three key issues with the current working-age payment income tests:

1. Income tests are complex and varied; each typically apply two different taper rates at different income levels. This can make it challenging for recipients to have confidence they will always be better off for every dollar earned
2. High taper rates of 60% are common, which may reduce the incentive to work at these income levels
3. High taper rate of 60% for partners stacks with tax rates, producing high EMTRs at the household level for low-middle income families

Streamlining IFAs and taper rates can simplify the welfare system, improve incentives for work and engagement in the labour force.

Potential reform / policy settings

Stage One | Stage Two

Recipients of JSP, PP(s), PP(p), YA(o), and Special Benefit would all move to a consistent individual income test and partner income test, aligned to Pension income tests:

- Individual income test: Income Free Area of $174pf, a single taper rate of 50% (vs $104 and 50-60% for most recipients today)
- Partner income test: Income Free Area of $1212pf, a single taper rate of 50% (vs $994 and 60% for most recipients today)

Recipients of YA(s), Austudy, and ABSTUDY would all move to a consistent income test and a higher partner income test:

- Individual income test: Income Free Area of $437pf, a single taper rate of 50% (vs $437 and 50-60% for most recipients today)
- Partner income test: $1,188pf for partnered recipients; a single taper rate of 50% (vs $944 or $994 and 50-60% for most recips today)

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than what they had previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Changes would be implemented alongside Stage One temporary measures from 25 September 2020, to increase the reward for work during the COVID-19 recovery period**
- **As a result, tight timeframes are imposed to pass legislation and implement the required system changes**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)**
- **Apr/May 2020 income and partner income distributions used to model impact during COVID period (Apr-Sep 2020)**
- **Feb/Mar 2020 income and partner income distributions used to model impact from Oct 2020 onwards in Current Glide Path**
- **Grandfathering of PP(s) recipients not modelled**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **180k+ ISP recipients with individual earnings benefit from more generous individual income test**
- **~6k ISP recipients with partners who benefit from more generous Partner Income Test**
- **~7k ISP recipients become eligible for welfare who were previously ineligible as a result of changes to individual and partner income tests**

Cohorts less well off

- **243k PP(s) recipients face reduced IFA and higher taper rate - suggest compensating via a lump sum**
- **~89k JS (Prin. Carer) face higher taper rate (from 40% to 50%) - suggest compensating via a lump sum**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding tighter income test for PP(p) and JS (Prin. Carer) recips may affect legislative timeframe	L	L
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	TBC	TBC	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

Source: Project analysis, DSS data, Services Australia guide to welfare payments

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices**: $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

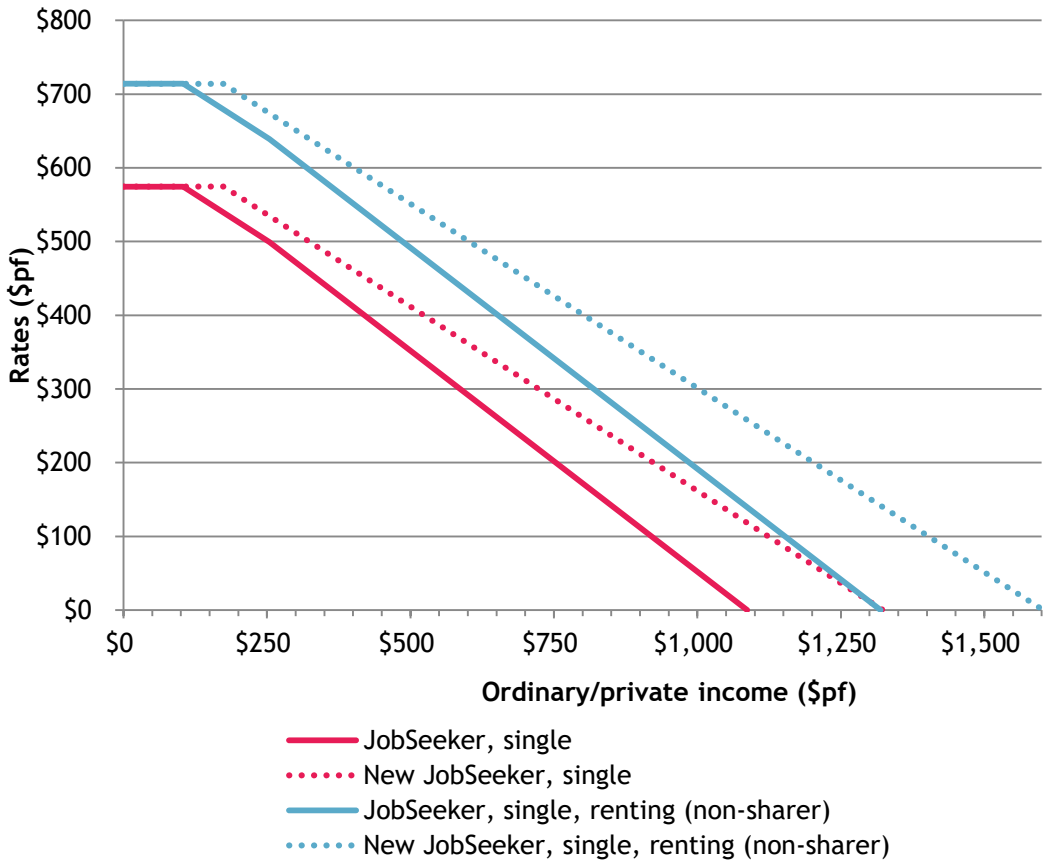
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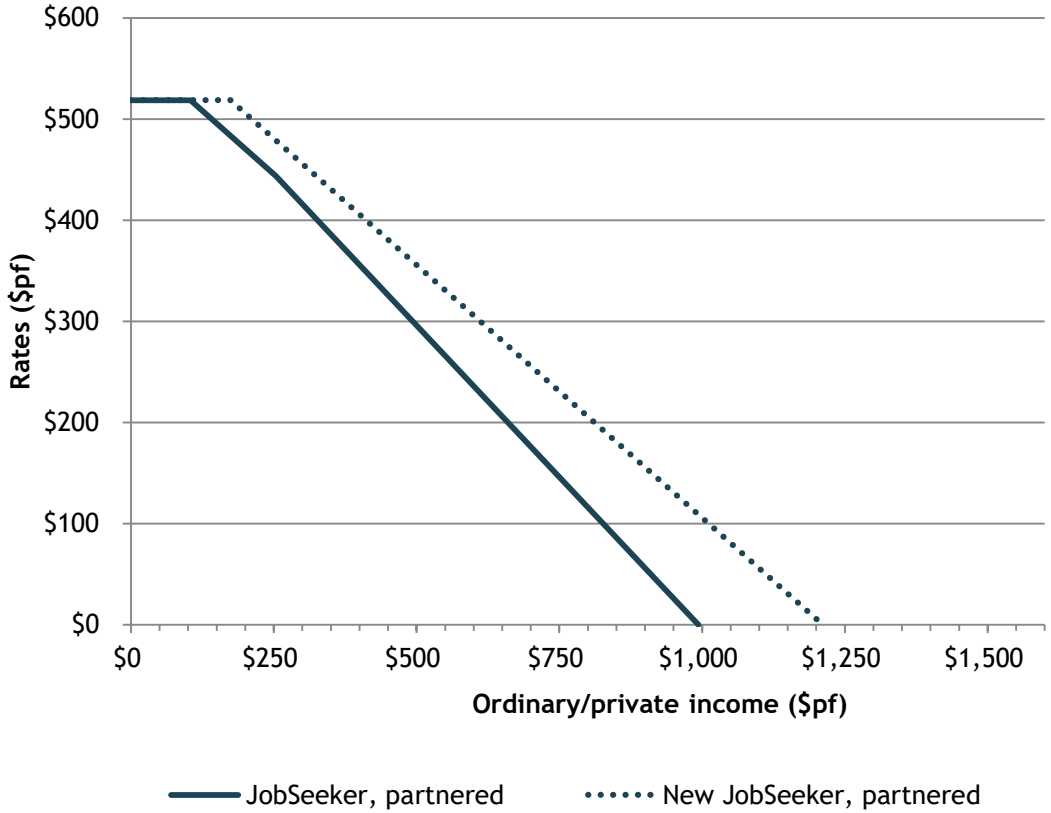
Backup: Income test charts (Jobseeker)

Increasing the free area to $174 and reducing the taper to a single taper rate of 50c for every $1 of private income earnt would extend the income test cut-out by more than $200 for both single and partnered recipients and would bring the withdrawal of income support for recipients who are renting closer to the minimum wage. Single recipients who are renting would be able to earn an extra $280 before their income is reduced to zero.

JobSeeker Payment Single - with and without Rent Assistance



JobSeeker Payment Partnered

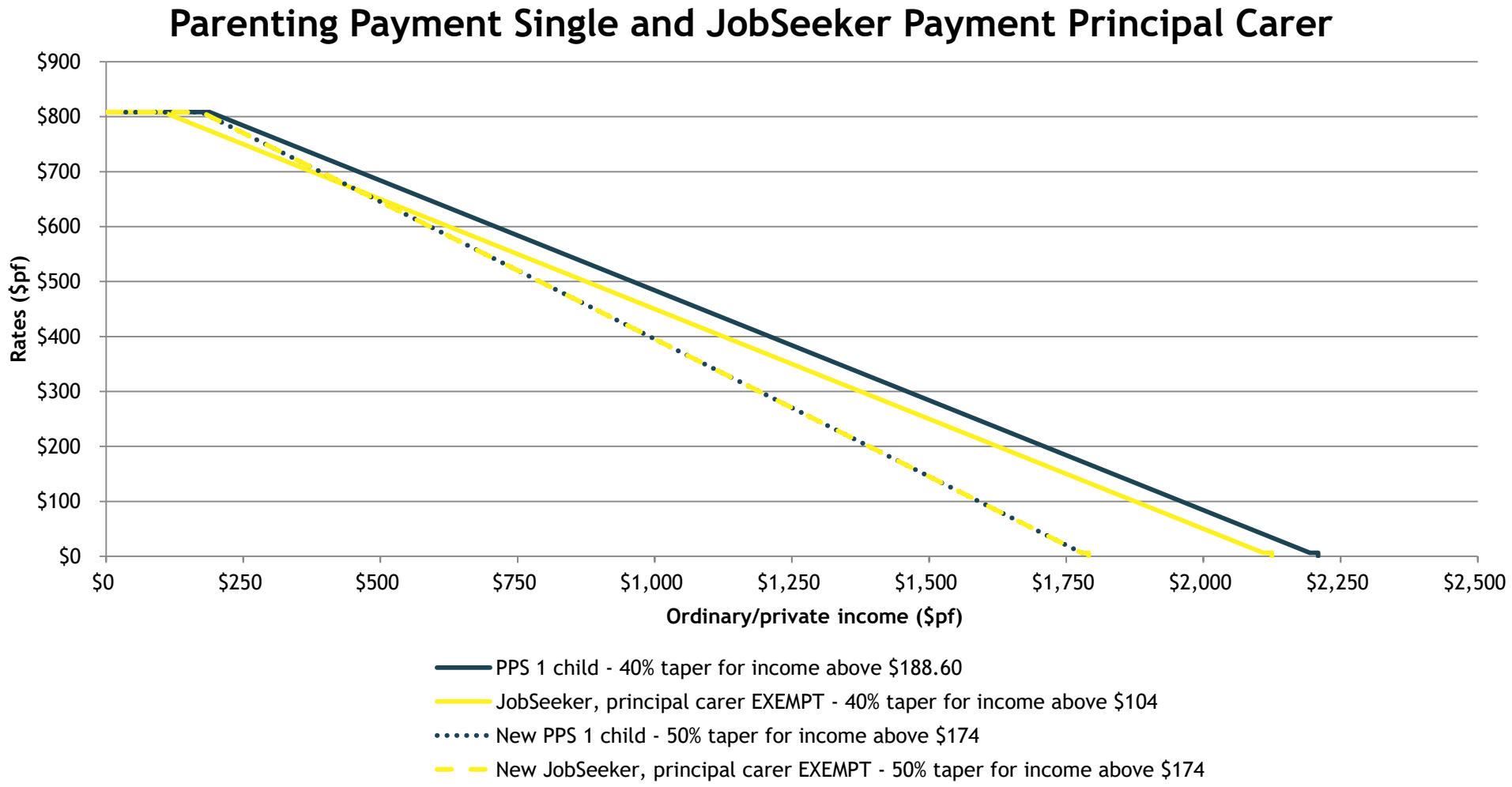


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Backup: Income test charts (Parenting Payment & Principal Carer)

Aligning the free area to $174 for both PPS and Principal Carer and reducing the taper rate from 40c to 50c would result in an earlier income cut out for both payments. The Principal Carer cohort would have a more generous income free area but due to the harsher taper rate the point at which income support payments are withdrawn would be reduced by approximately $330. The Parenting Payment Single cohort would receive a reduction in both the income free area and a harsher taper rate resulting in the income cut out point reducing by just under $420.

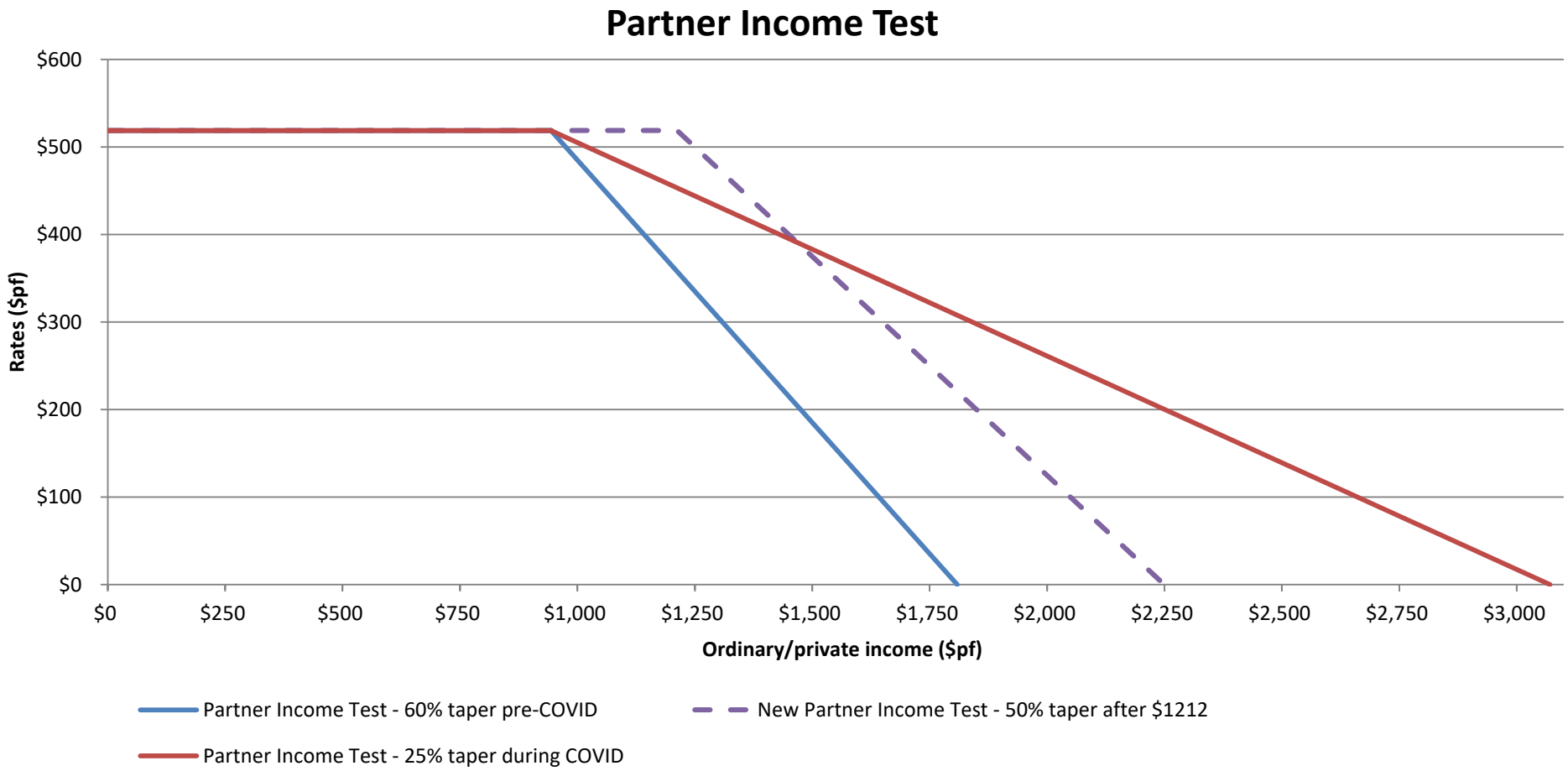


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Backup: Income test charts (Partner Income Test)

Increasing the free area to the new partner income cut out of $1,212 per fortnight would keep the rationale of the free area consistent with previous settings. This in combination of reducing the taper from 60c to 50c for every $1 of private income earnt by the partner would extend the income limit from $1,858.50 to $2,249.40.



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Expand and simplify working credit

I2 Working credit

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

While job losses during COVID-19 have been well publicised, underemployment has also risen; the ABS reported a rise in underemployment from 8.8% in mid-March 2020 to 13.7% in mid Apr 2020.

The Working Credits scheme rewards recipients for testing themselves in the labour market by helping recipients keep more of their initial payments in a new job. This is important to encourage self-reliance, particularly during a period where employment levels are lower than normal. However today the working credit scheme is not seen as particularly effective:

- Credits accrue slowly (just 48 per fortnight for JobSeeker recipients), and have a low cap of $1,000 for most recipients
- The scheme is complex and therefore poorly understood, which directly limits its effectiveness
- Working Credit differs to Income Banks for students on an ISP, and Work Bonus available to pensioners – creating complexity

Potential reform / policy settings

Stage One | Stage Two

From 20 March 2020, Working Credit would be expanded, and more closely aligned to the student payment Income Bank to better incentivise employment and assist in broader economic recovery:

- Rate of accrual would increase from $48 p/f to be the entire Income Free Area each fortnight
- The cap on the maximum number of accrued Working Credits would be expanded to $2,000
- Working Credits would continue to apply only to employment income (as opposed to unearned income)
- For Apprentices on YA(S), their Income Bank arrangements would remain the same, but with an increase in the accrual cap to $2,000
- Students Income Bank policy settings would remain unchanged (accrue all of $437 IFA, max credit balance of 10,900)

Note that YA(o) recipients today have a Working Credit cap of $3,500. These recipients would also have a cap of $2,000 credits moving forward, but with a much faster rate of accrual (maximum credit limit reached after 12 fortnights instead of 21).

To improve recipients' understanding of Working Credits, front-end system changes are recommended to allow recipients to see in their reporting tools how Working Credits will improve their total earnings + income support payment.

Timing considerations

- **While this measure would be progressed as part of Stage One, a longer implementation timeframe appears warranted due to the complexity of the system and operational changes required. This is particularly so for the front-end system changes to provide new digital tools for recipients to see how Working Credit could impact their payments**

Modelling assumptions

- **Internal DSS costing of this measure**

Financial and volume impacts

Preliminary impact assessment

FY21-24

Net impact on outlays	Approx. +$384m
Net impact on # recipients	TBD

Impact on recipients vs Current Path

Cohorts better off

- **JSP, PP(p), PP(s) recipients experiencing intermittent employment, due to faster accrual and higher maximum cap**
- **Some YA(o) recipients, due to faster accrual of working credits**
- **YA(s) Apprentices, due to higher Income Bank cap**

Cohorts less well off

- **Some YA(o) recipients who would have accrued working credits up to their previously higher 3,500 cap (but they do receive a faster accrual instead)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk that the additional outlays have minimal impact on recipient behaviours in seeking employment	L	L
Risk that new digital tools for recipients to assess impact on their payments are not well used	L	M

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Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the ‘passport to work’ recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Household (couple) income test

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, there are currently different income testing arrangements for Pension recipients and Allowance recipients. Pension recipients have a income test at the "couple" level, while allowance recipients have a sequential individual income test and partner income test. Arguably the use of a couple income test for pensions aligns with their greater reliance on asset-generated income as opposed to employment income. However the use of a different, sequential income test for allowance recipients bring several challenges:

- The sequential individual + partner income test is inherently more complex to understand and administer than the couple income test;
- The sequential individual + partnered income tests means that households with the same overall income can be treated very differently depending on the distribution of that income between partners
- The sequential individual + partnered income test is less effective at targeting welfare support to the lowest income households, who are at the greatest risk during the COVID-19 period

Potential reform / policy settings

Stage One | Stage Two

[Very preliminary view, for discussion only - requires further work]

From [20 March 2021], allowance recipients would be transitioned to a "couple" or "household" income test, with the following policy settings:

- For singles: An income free area of $174 per fortnight, and a taper rate of 50%
- For couples: An income free area of $308 per fortnight and a taper rate of 25%

Timing considerations

- **Household income test ideally in place when payment rates are scheduled to be indexed - 20 Mar 2020**

Modelling assumptions

- [Further work required]

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	TBD - yet to be modelled				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- [Further work required]

Cohorts less well off

- [Further work required]

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding implications around household income testing may extend implementation timeframes to pass legislation	M	H

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Household (Couple) Income Test: Context

Next step: Define 2-3 archetypal households and 2-3 policy options, map archetypes to those policy options, assess pros/cons

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance.

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases.

There are currently different income testing arrangements between Pension and Allowance recipients.

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source.

Sequential Income Testing (currently used for Allowances)

1. Apply the personal income test to the earned income of the recipient.
2. Apply the partner income test to the residual entitlement once the personal income test has been applied.
3. The remaining entitlement from both tests is the recipient's entitlement.

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA and lower taper
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests

Combined Income Testing (currently used for Pensions)

1. Combine the income of the couple and then halve.
2. Assess the recipient's entitlement based on their half of the income.

Pros:

- ✓ Simpler: One income test
- ✓ Achieves same welfare entitlement regardless of income distribution within the household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Creates greater financial dependence for the lower income earner, assumes financial resources shared equally

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Cameo – Couple with one recipient

Current Income Testing Parameters	
JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold 1:	$104.00
JobSeeker Threshold 2:	$254.00
JobSeeker Taper Rate 1:	$0.50
JobSeeker Taper Rate 2:	$0.60
Partner Threshold:	$994.00
Partner Taper Rate:	$0.60

New Income Testing Parameters	
JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold (Single):	$174.00
JobSeeker Threshold (Couple combined):	$308.00
JobSeeker Taper Rate (Single):	$0.50
JobSeeker Taper Rate (Each member of a couple):	$0.25

Sequential Income Testing	
Jenny's Income	$1481.60
Adam's Income	$200.00
First, apply the personal income test to Adam's income	
Income after personal income test	$471.00
Next, apply the partner income test, taking into account Jenny's income based on the result from the personal income test	
Income after personal income test	$178.44
Adam's total entitlement	**$178.44**

Combined Income Testing	
Jenny's Income	$1481.60
Adam's Income	$200.00
First, combine income of the couple and then halve	
Adam's income for the purpose of the income test	$840.80
Next, apply the personal income test	
Income after personal income test	$175.30
Adam's total entitlement	**$175.30**

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Cameo – Couple where both are recipients

Current Income Testing Parameters	
JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold 1:	$104.00
JobSeeker Threshold 2:	$254.00
JobSeeker Taper Rate 1:	$0.50
JobSeeker Taper Rate 2:	$0.60
Partner Threshold:	$994.00
Partner Taper Rate:	$0.60

New Income Testing Parameters	
JobSeeker Partnered Rate:	$518.70
JobSeeker Threshold (Single):	$174.00
JobSeeker Threshold (Couple combined):	$308.00
JobSeeker Taper Rate (Single):	$0.50
JobSeeker Taper Rate (Each member of a couple):	$0.25

Sequential Income Testing	
Mark's Income	$300.00
Lisa's Income	$200.00
First, apply the personal income test to Mark's income and to Lisa's income	
Lisa's income after personal income test	$470.70
Mark's income after personal income test	$416.10
Neither are subject to the partner income test as their incomes don't exceed $944.00	
Combined total income	**$886.80**

Combined Income Testing	
Mark's Income	$300.00
Lisa's Income	$200.00
First, combine income of the couple and then halve for each recipient	
Adam's income for the purpose of the income test	$250.00
Lisa's income for the purpose of the income test	$250.00
Next, apply the personal income test	
Each person's income after personal income test	$470.70
Adam's total entitlement	**$941.40**

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Cameo – Different distributions of household income

Sequential Income Testing - One earning $40k	
Shirley's Income	$1538.00
Ian's Income	$0.00
First, apply the personal income test to Adam's income	
Income after personal income test	$518.70
Next, apply the partner income test, taking into account Shirley's income based on the result from the personal income test	
Income after personal income test	$192.30
Ian's total entitlement	**$192.30**

Sequential Income Testing - Both earning $20k	
Shirley's Income	$769.00
Ian's Income	$769.00
First, apply the personal income test to Mark's income and to Lisa's income	
Lisa's income after personal income test	$134.70
Mark's income after personal income test	$134.70
Neither are subject to the partner income test as their fortnightly incomes don't exceed $944.00	
Total entitlement (each)	**$134.70**

Under the combined income model, both scenarios would result in an entitlement of $134.70.

- Combined income testing achieves greater consistency across households with same income levels, regardless of distribution.
- There is a greater expectation for costs to be shared from the primary income earner to the second income earner than the current sequential income testing arrangement.

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Shift MOCA effort towards compliance

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S1 MOCA

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

To remove back-end compliance in anticipation of higher claim volumes during C-19, MOCA assessments were self-determined by recipients. The definition of MOCA was also simplified to align de-facto relationships to physical locations ("living together on a genuine domestic basis").

Under the current pathway, MOCA assessments will return in full, under the historical definition, from 25 September 2020 - while recipient volumes are still high, and 150k-350k new claims are anticipated to be received through October/November.

While the definition of MOCA should return to previous, more nuanced settings in order to maintain the integrity of welfare payments, a streamlined approach to assessing and monitoring relationship status offers the opportunity to reduce administrative overhead, improve the citizen experience at the point of claim, and reduce outlays

Potential reform / policy settings

Stage One | Stage Two

Introduce Accuracy Prompts requesting single recipients to update details at point of claim and other touch points with Services Australia. To alleviate strain after 24 September 2020, accuracy prompts can be applied to C-19 recipients and new claims before integrating into business as usual business processes.

Redirect resources allocated to upfront complex MOCA and SUOR assessments to targeted compliance reviews, enabled by predictive analytics. Move towards observable compliance measurements, assed through a predictive analytics model, including markers of financial independence and compliance risk, e.g., tenancy applications, joint ownership of major assets and liabilities. Cross-reference with other datasets where possible, e.g., the ATO and other government payments.

Introduce broad-based periodic self-assessments for all singles on student and working-age payments to allow people to volunteer for their relationship to be reviewed. This will help to decrease strain on MOCA compliance efforts by commencing reviews only in very high-risk and fraudulent scenarios.

Revert to pre-COVID MOCA definition. Retaining simplified definition would have outlay implications, amongst other complications.

Timing considerations

- **Changes to MOCA ideally in place by 25 Sep 2020 to prevent increase in outlays**

Modelling assumptions

- **No changes to partner income distributions and partnered recipient volumes**

Financial and volume impacts

Preliminary impact assessment

Estimated net savings **~100m**

Impact on recipients vs Current Path

Cohorts better off

- **Streamlined experience for new and existing recipients**

Cohorts less well off

- **Some recipients will continue to be required to respond to targeted compliance interventions**

Impact on policy goals



Risks

Risk	Severity	Likelihood
Tight timeframe to deliver accuracy prompts; timeframe may be extended	L	L

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Member of a Couple – Three potential changes from today

Next step: Dig deeper into data on compliance action outcomes on MOCA, cost the potential operational change outlined here

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:
Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:
Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:
Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose not to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Streamline waiting periods: Abolish SWPP

S2 SWPP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support.

Key areas of friction associated with the SWPP today include:

1. The SWPP may act as a disincentive for income support recipients and lower income earners to take up periodic/seasonal work, in high-priority industries such as agriculture, fishing, and construction
2. The SWPP is rarely applied in practice; in FY2018/19, a total of 521 SWPPs were applied. Removing the waiting period would contribute to simplifying the welfare system and save administrative effort during the claims process

Potential reform / policy settings

Stage One | **Stage Two**

From 20 March 2021, the SWPP would be abolished for all income support recipients and future claimants. The Liquid Assets Waiting Period would remain in place to provide a waiting period for recipients that have significant liquid assets from recent seasonal work.

This would remove the disincentive for ISP recipients and lower income earners to take up periodic/seasonal work. This would be a modest assistance for the industries which rely on a seasonal workforce: agriculture, fishing, arts, entertainment, and construction.

Note that today a small number of the applied SWPPs are long in duration - e.g. some instances of SWPPs of 2 years for claimants of Carer Payment.

Timing considerations

- **Preferred path would be to abolish the SWPP at the cessation of the extended Coronavirus temporary measures - e.g. 20 March 2021**

Modelling assumptions

- **Internal DSS costing of this measure using administrative data for 2018/19**

Financial and volume impacts

Preliminary impact assessment

FY21-24

Net impact on outlays	Approx. +$17m
Net impact on # recipients	N/A

Impact on recipients vs Current Path

Cohorts better off

- ~500 recipients per year that currently have the SWPP applied when they apply for an income support payment

Cohorts less well off

- None

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 - may lead to delays	L	M

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Double the nil rate period to 12 fortnights

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The nil rate period incentivises the uptake of work, particularly part-time and irregular casual work, and reduces administrative effort in ceasing and reinstating recipients on welfare as their income fluctuates. The nil rate period acknowledges that recipient incomes may increase and decrease over different fortnights for example through casual or shift work, and enables recipients come back onto payment easily after a period of higher earnings.

The increase in part-time/casual employment, and threat of job insecurity, is increasingly relevant given the current C-19 environment as restrictions ease. An increase in the number of recipients flowing to and from payment within a 6+ fortnightly period is likely, which brings added stress on service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 Sep 2020, the nil rate period would be doubled to 12 fortnights (from 6 fortnights) for all existing and new recipients. Existing conditions applied to the nil rate period remain.

The nil rate period would also be extended to Special Benefit recipients, who currently are not eligible for a nil rate period.

This will provide existing recipients with the assurance that they can easily get back onto payment if their income falls, and provides greater continuity of access to health care and concession cards - further encouraging recipients to accept work when it is available

Timing considerations

- Extended nil rate period to be in place from 25 Sep 2020 onwards to incentivise uptake of paid employment when temporary measures are scheduled to end

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 ((excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims)
- Changes to nil rate periods will not incentivise greater uptake of paid temporary work; currently observed income distributions apply

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	TBD - yet to be modelled				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- All recipients

Cohorts less well off

- None

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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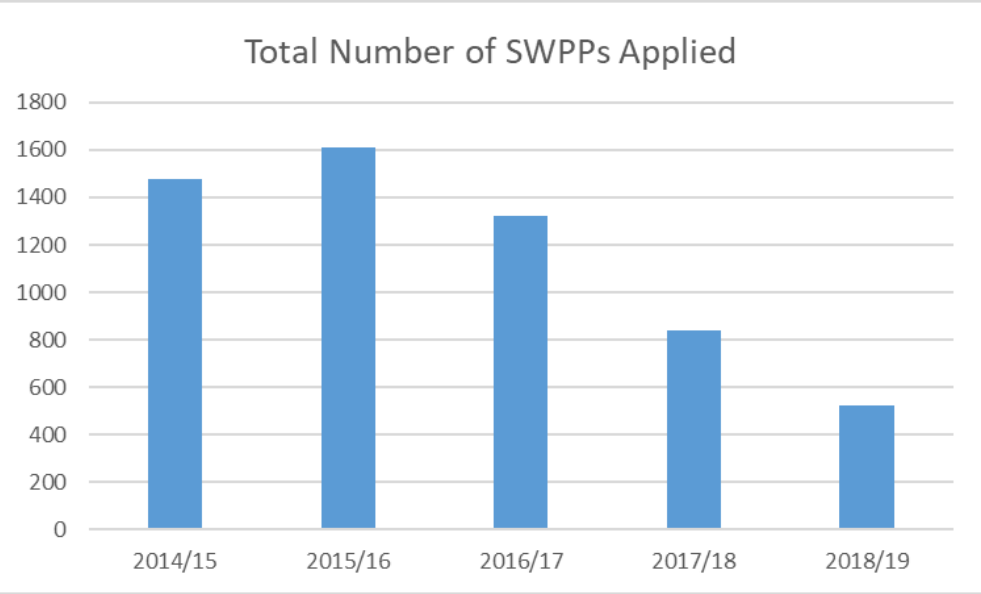
Streamline waiting periods: Abolishing the SWPP

Description:

- The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual & the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in 2018/19 a total of 521 SWPPs were applied



Potential changes

Proposal:

- Abolish the SWPP and instead rely on the LAWP to target support

Rationale for proposal:

- Abolishing the SWPP would remove a disincentive for individuals to take up contract work, and work in the arts and agricultural sector
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work
- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs and Outcomes

- Approximately $17 million over four years based on administrative data for 2018/19
- The removal of the SWPP would simplify administration and significantly benefit a small cohort of individuals

Additional Considerations

- Although rarely applied, SWPPs are often applied for long periods. For example, in 2018/19 the ten SWPPs applied to Carer Payment recipients had an average duration of 581 days (i.e. over $32,000 in income support)
- Consideration could be given to including a seasonal work component in the Income Maintenance Period calculation, however this would risk shifting, rather than reducing, complexity

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Suggested next steps

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Suggested next steps

Prioritised backlog for next steps on the model set out in following slides

Sprint 5

Rapidly iterate Stage One costings and policy detail based on feedback from Secretary/Minister
- Add new features to model as new policy design ideas are requested

Round out Stage Two policy design, coming to a view on FTB, mature-aged rate, MOCA, payment type consolidation, indexation, a household income test, sharer rate, & streamlining waiting periods
- Add new features required to model to reflect new/different policy approaches from those already incorporated

More detailed consideration of legislative requirements and implementation timeframes, incl. engaging with Services Australia

Prepare Min Briefing and/or first daft of Cabinet Submission for Stage 1 package

Integration of unit level analyses into the model - to improve model accuracy, and enable detailed cohort-level impact analysis of current glide-path and Stage One/Two policy choices
- Leverage unit-level data to consider risk-based approach to assets and rental verification, rather than triggering ~950k info requests

Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality

Progress model QA and handover to DSS modelling team, including 2-3 days of in-person handover in Canberra

Sprint 6

Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister
- Add new features to model if new policy design ideas requested
- Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
- Engage Services Australia on possible implementation timing & constraints

Iterate and finalise Cabinet Submission for Stage One package

Prepare Ministerial Briefing and/or Cabinet Submission for Stage Two package

Complete integration of unit level analyses into the model, and provide detailed cohort impact analysis of current glide-path and Stage One/Two policy choices based on unit-level data

Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality

If required, continue/finalise model QA and handover to DSS modelling team, including 2-3 days of in-person handover in Canberra

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Modelling backlog – new features and unit level data (I/III)

No.	Category	Task	Blockers	Effort	Status	Priority
1	Data processing	Refresh cohort level analysis • Assets split by payment type, financial vs non fin, homeowner vs non homeowner (Feb, May) • Cohort % splits for each payment type (Feb, May) • Partner income distribution for JSP (Feb, May) • No. recipients by age, by payment (Feb, May)		1-2 days	Work in progress (Anita & Julian)	Sprint #5
2	Data processing	Refresh income and cohort volume distributions in the financial model		1-2 days	Not started	Sprint #5
3	New feature	Stage #1 start date – ability to shift start date of Stage #1 to match any updated Government announcements		0.5-1 days	Not started	Sprint #5
4	New feature	Household income test – ability to switch on new type of income test that treats household as single unit	• Changes and policy options to be defined	0.5-1 days	Not started	Sprint #5
5	New feature	Waiting period feature – create feature that can combine OWP and LAWP, tweaking duration, etc.		0.5-1 days	Not started	Future sprint
6	New feature	MOCA feature – enable [xx]% shift of single claimants to couple rates from Oct '20	• Changes and policy options to be defined	0.5-1 days	Not started	Future sprint
7	…	…	• …	…	…	…
8	…	…	• …	…	…	…

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Modelling backlog – updates to data and logic (II/III)

No.	Category	Task	Blockers	Effort	Status	Priority
1	Update	Data: update income distribution used for Stage #1 to be same as (or similar to) COVID (not PRE-COVID)	• Unit level data required if we cannot re-use existing COVID distribution	<2 hours	Not started	Sprint #5
2	Update	Data: add “Program of Work”, "Telephone Allowance", etc. supplements to supplement consolidation feature	• Changes and policy options to be defined	<0.5 days	Not started	Sprint #5
3	Update	Logic: update FTB payment logic to (a) treat single parent families differently, (b) split out children <6 years old from 0-12 age range	• Changes to be defined and tested with DepSec	1-2 days	Not started	Sprint #5
4	Update	Data: update distributions used to infer new claimant volumes from cut-off shifts caused by rate or income test settings changes	• Changes and policy options to be defined	<0.5 days	Not started	Future sprint
5	Update	Logic: updates to indexation feature to line up with Treasury estimates and expose options to user	• Changes and policy options to be defined	0.5-1 days	Not started	Future sprint
6	Update	Logic: add dependence vs independence test for youth allowance payments (live away from home, partnered currently proxy for independence)	• Data on split by youth allowance cohort	0.5-1 days	Not started	Future sprint
8	Update	Logic: link partial capacity to pharma allowance calculation (Feature 7)		0.5-1 days	Not started	Future sprint
9	…	…	• …	…	…	…
10	…	…	• …	…	…	…

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Modelling backlog – ad hoc analysis, handover and outputs (III/III)

No.	Category	Task	Blockers	Effort	Status	Priority
1	Ad hoc analysis	Respond to briefing requests – use model to estimate costings of policy options being considered		Unknown	Not started	Sprint #5
2	Handover	Demonstrate how to use interactive dashboard to DepSec and Secretary	• Schedule meeting with DecSec and Secretary	<2 hours	Not started	Sprint #5
3	Handover	3-4 hour walk through of excel file with data scientist assigned as model owner	• Need to identify who model owner will be	<0.5 days	Not started	Sprint #5
4	Handover	Word document with data sources and assumptions made for each element of the model		<0.5 days	Not started	Sprint #5
5	Output	Update financial implications top-level slide to reflect any model changes through week		<2 hours	Not started	Sprint #5
6	Output	Update waterfall chart slide to reflect any model changes through week		<2 hours	Not started	Sprint #5
7	…	…	• …	…	…	…
8	…	…	• …	…	…	…

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Friday, 19 June 2020 7:35 AM
To: WILLIAMSON, Nathan; BENNETT, Shane
Cc: MCLARTY, Mary; PATON, Kath; Clancy, Trish; Carrasco, Miguel; s 22
s 22
Subject: Canoe: Materials for 10am discussion
Attachments: Sprint 5 - Mid-Sprint Read Out vF.pdf

Hi Nathan, Shane

Looking forward to our discussion at 10am today. I have attached some materials to support the conversation.

Our intent is to give you a brief live demonstration of the interactive dashboard on the model we have developed, and then take you through our updated cohort-level analysis of the "Current Path" and "Stage One Only – Soft Landing" policy options.

If time permits we also have some initial materials on the potential impact of moving to a combined household income test for couples on allowances, rather the sequential individual + partnered income test used today.

Very happy to adjust the agenda if there are other topics that are front of mind today.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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The Boston Consulting Group Pty. Ltd.

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Thank you.

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Project Canoe

Sprint 5 – Mid-sprint read out

19 JUNE 2020

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Agenda

Interactive Dashboard	15 mins
Current Path: Updated view of volumes and cohort analysis	20 mins
Stage One: Deep dive on C-19 supplement extension, lift to base rates, consolidation of supplements, access to payment measures, and approach to asset verification	15 mins
Initial view of Couple Combined Income Test (time permitting)	5 mins
Plan for next week	5 mins

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Interactive Dashboard

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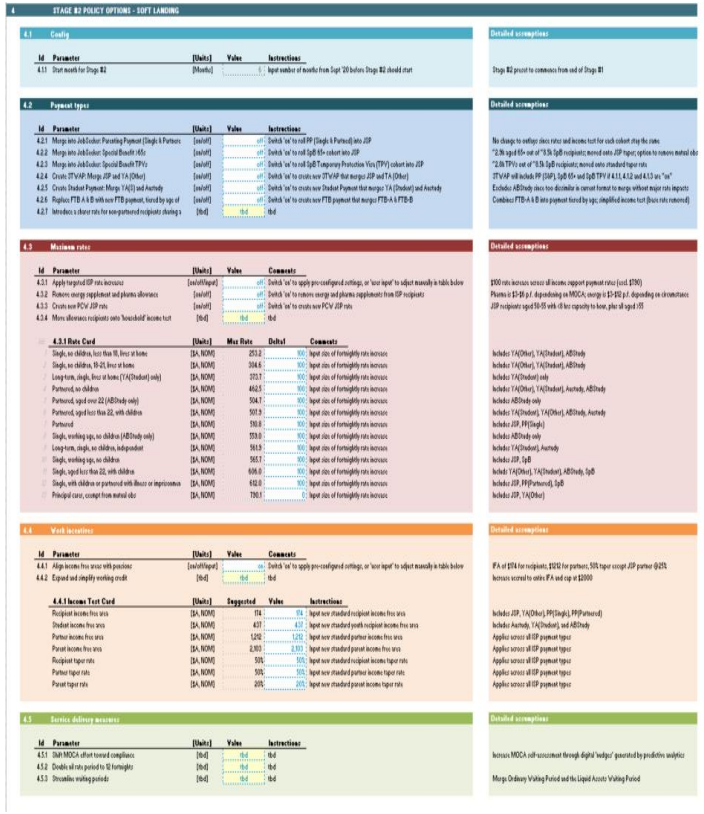
Interactive dashboard: Structured around modular menu options

Need to urgently identify who will take stewardship of model & dashboard going forward

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend Coronavirus supplement at $100 p/f, & include it in Income Test for current recipients only — $500-$650m pm	Extend C-19 supports: Suspension of assets test, verifications, partner income test @ 25%, JSP eligibility — $50-$100m pm	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[1]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Youth Allowance (o) — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift payment rates for working age & student payments by $100 p/f, cease supplements: energy, pharma, WFD, LLN — $200-$400m pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — tbd	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Merge OWP & LAWP, abolish SWPP — tbd	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Interactive dashboard: Additional configuration available for 4 menu options with largest impact on outlays

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table



Parameters available for each

Extend C-19 supplement
- Size of supplement
- Income test treatment
- Time period supplement is applied

Extend C-19 eligibility supports
- Include asset test relaxation
- Include partner income taper @40%
- Include sole traders & self-employed
- Include carers for infected and isolated
- Include permanent employee stood down

Lift ISP payment rates
- Size of rate increase for each level across ISP payment types

Align income test
- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

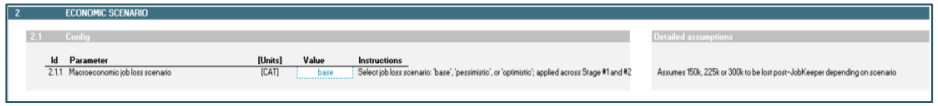
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Interactive dashboard: Step-by-step instructions for how to use

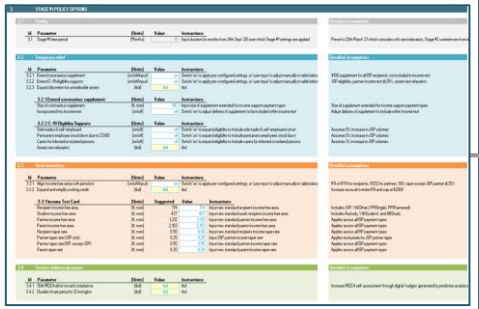
Step 1: Set macroeconomic scenario

- Choose from **'base', 'pessimistic', or 'optimistic'** macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



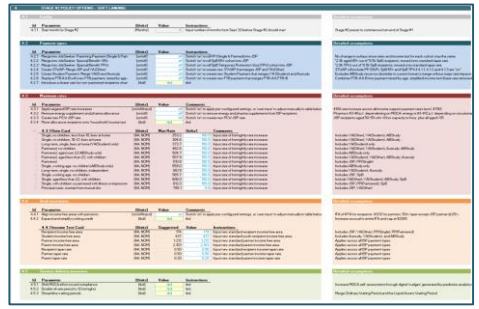
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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Current Path: Updated view of volumes and cohort analysis

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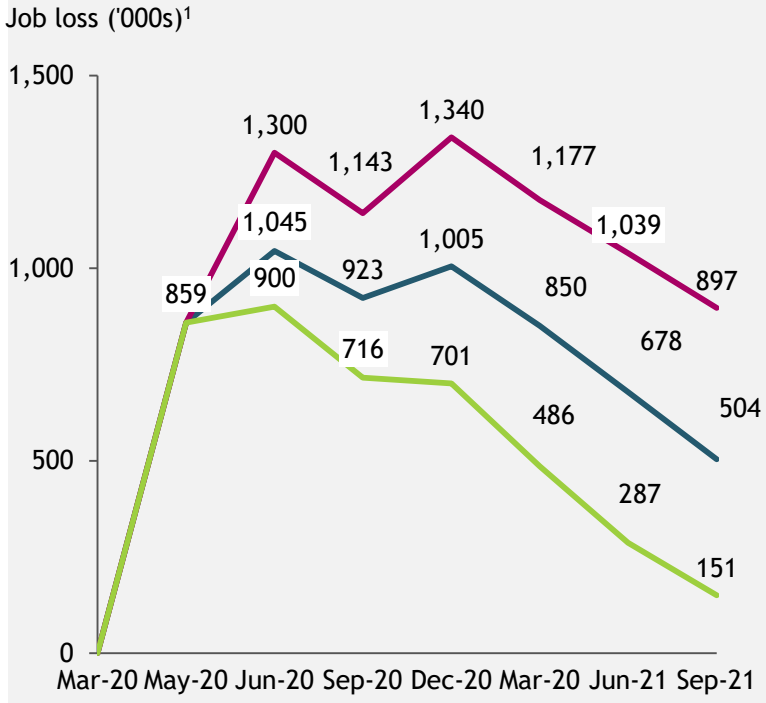
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Key changes: Volumes revised higher given recent May volumes, and to include suspended recipients

To come: Pending claims to be included in volumes; to align JK impact with Treasury forecasts

Updated: We have considered three macroeconomic scenarios

Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k jobs to be lost post-JK
- Base case: ~225k jobs to be lost post-JK
- Optimistic case[4]: ~150k jobs to be lost post-JK

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 900k job loss in Jun 2020 aligns with Citibank forecasts (856k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include suspended recipients due to MO exemption, exclude nil rates
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

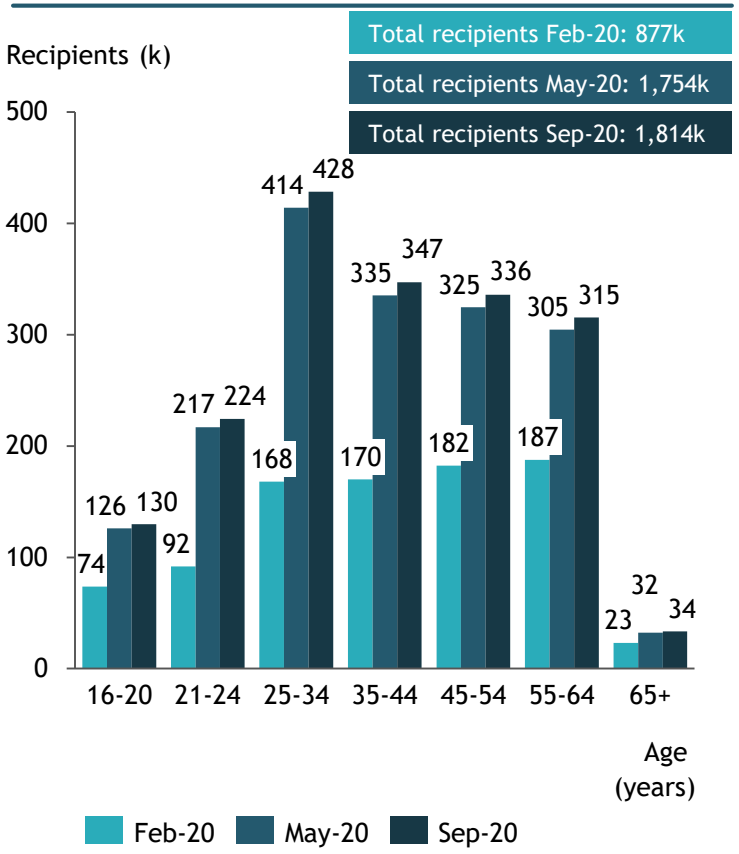
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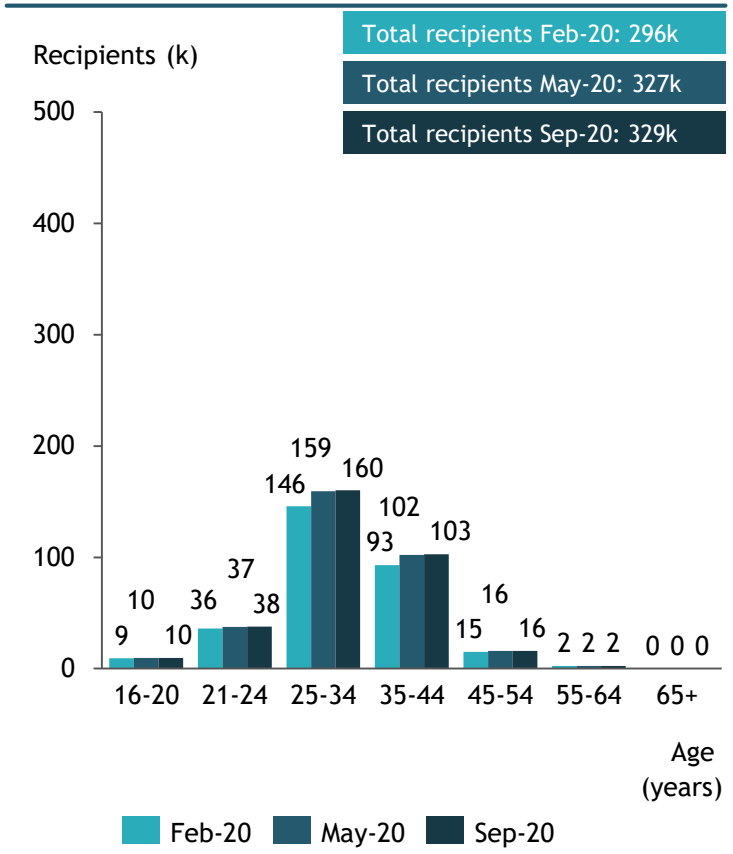
These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

To come: Pending claims to be included in volumes

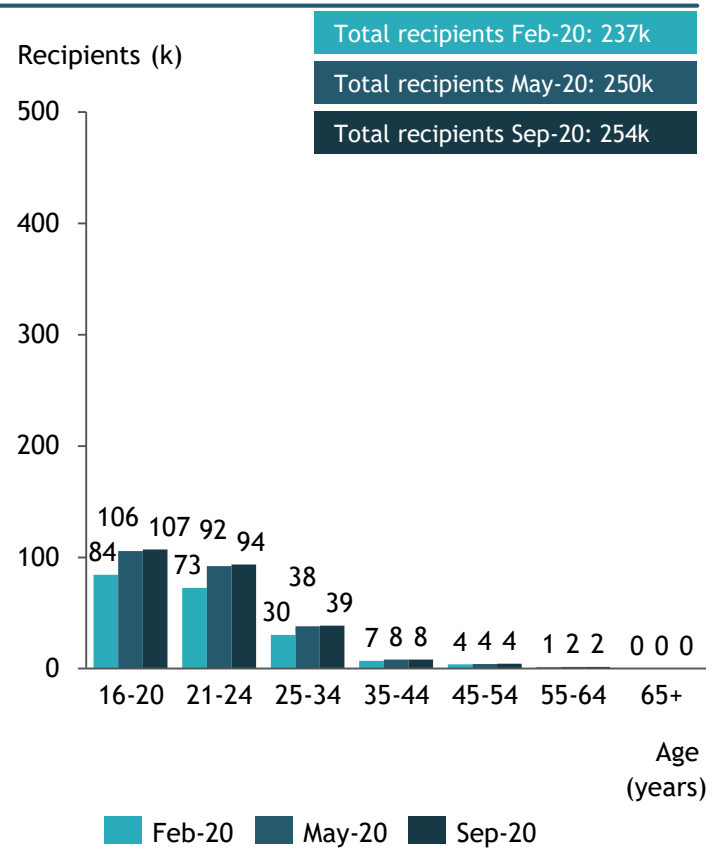
Jobseekers[1]



Parents of young children[2]



Students[3]



1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Excludes nil rate earning recipients
Source: DSS Data (Bluebook), Project analysis

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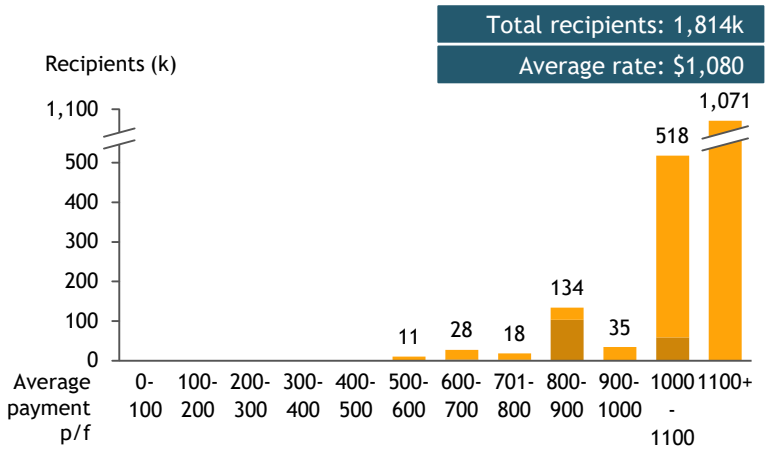
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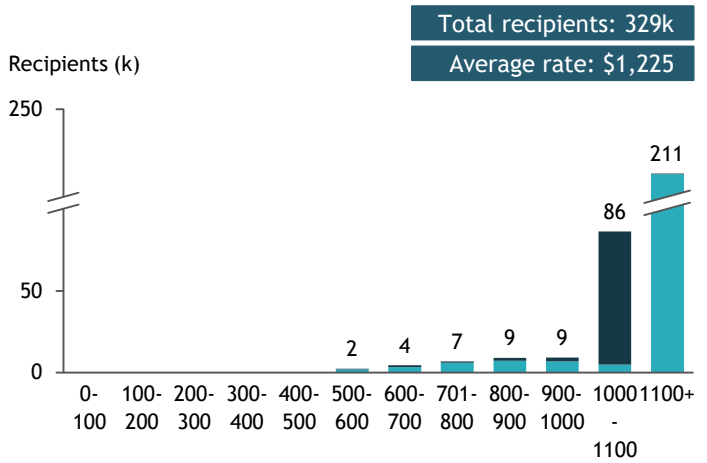
Current path: Average payments will drop by ~45-60% in September 2020

Note: Excludes FTB, excludes supplements other than C-19, energy, and pharma

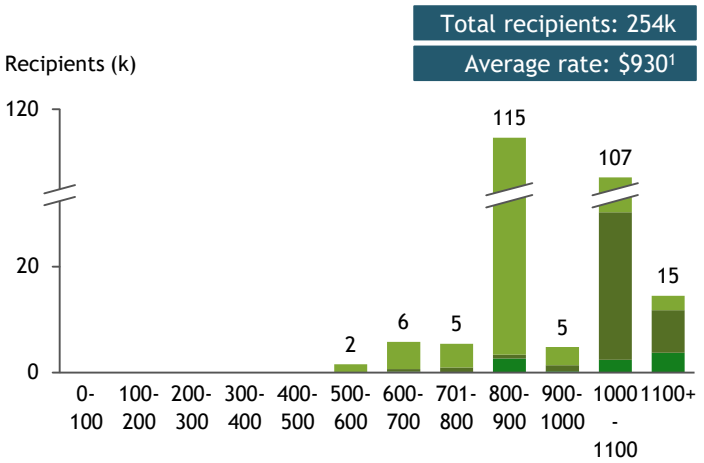
Jobseekers

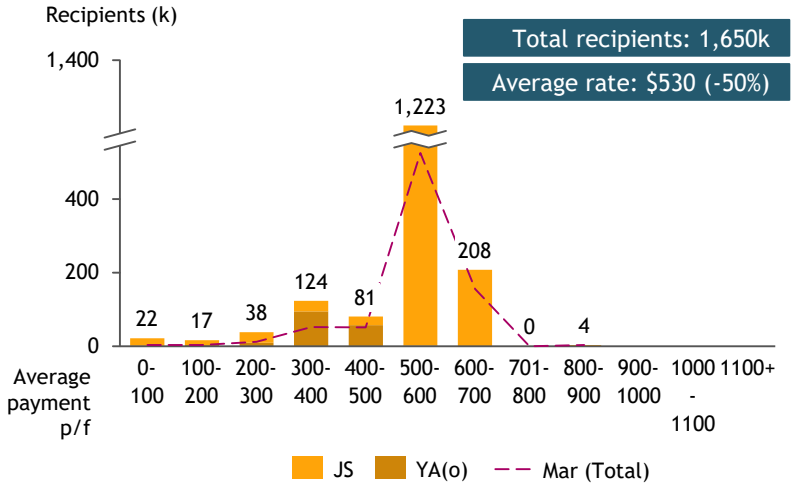


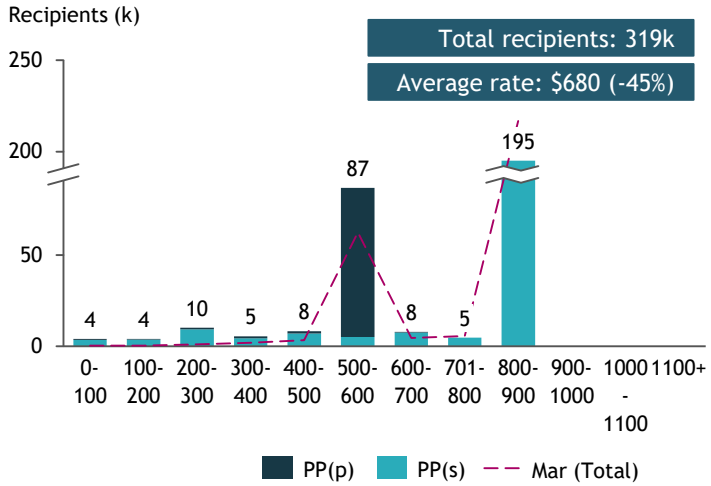
Parents of young children

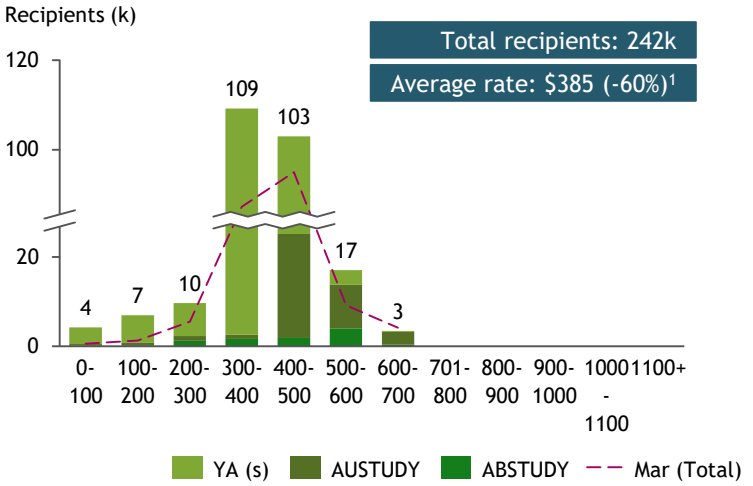


Students









1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Weighted averages used; Total PP recipient numbers on 25 Sep do not take into account NARWP reinstatement; Pharmaceutical and Energy Supplements factored into average payments; includes nil rates
Source: DSS Data, Project analysis

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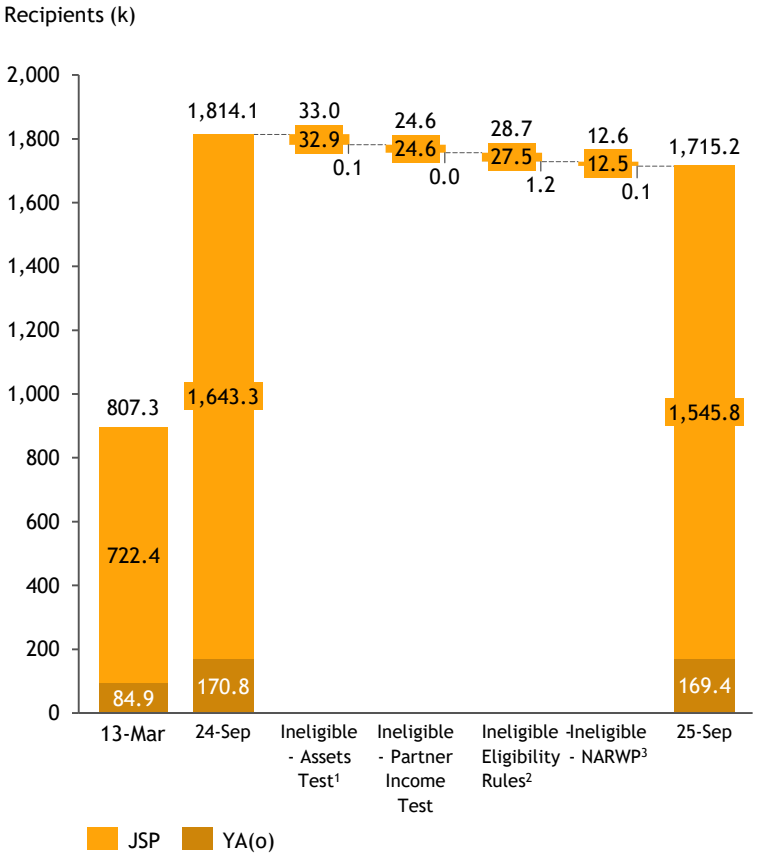
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Current path: 100k+ recipients likely to be removed from payment in Sep 2020

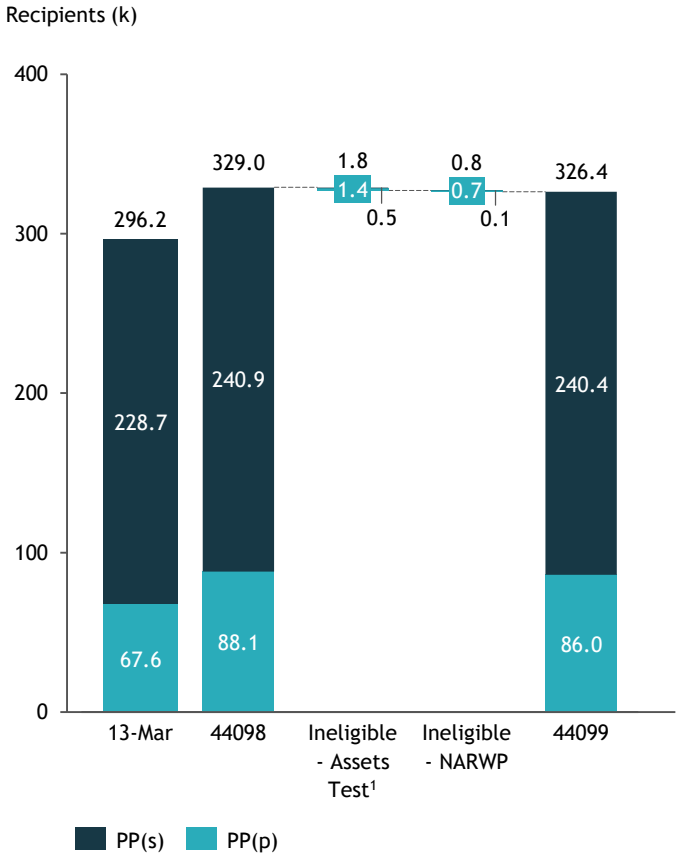
Key changes: # ineligible due to assets data now based on bluebook analysis of total assets, not just financial assets; 75% of sole-traders and stood down employees assumed to stay on payment when their special eligibility ends (by becoming unemployed and undertaking mutual obs)

To come: Pending claims to be included in volumes; partner income distribution to be updated using unit-level data

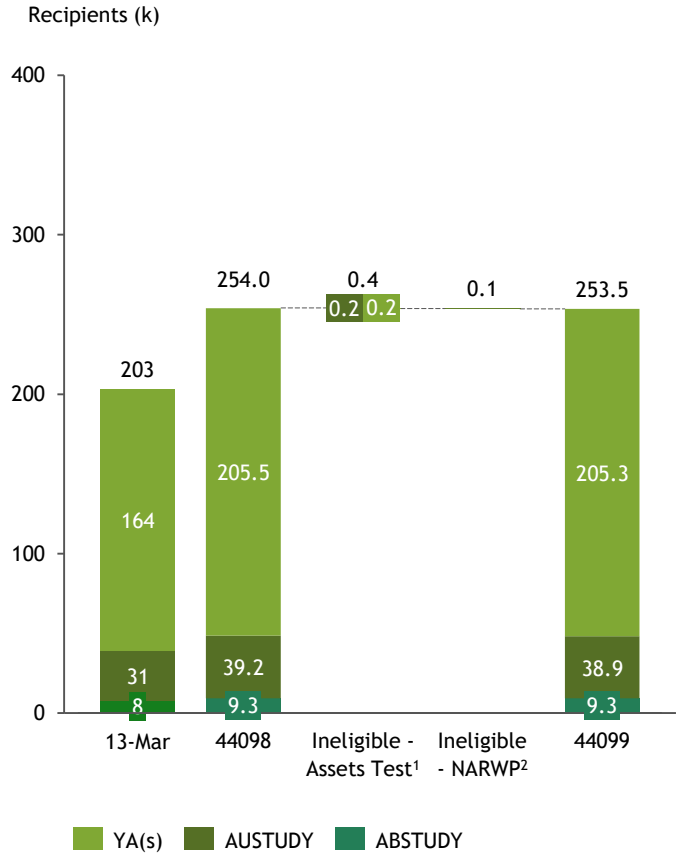
Jobseekers (98k+)



Parents of young children (2.5k+)



Students (0.5k+)



1. Distribution of total net assets (net financial and non-financial assets) observed in 29 May 2020 assumed to apply in Sep 2020 2. 25% of ~75k stood-down permanent employees and 40k sole traders assumed to opt of payment due to MO requirements 3. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Includes nil rates
Source: DSS Data, Project Analysis

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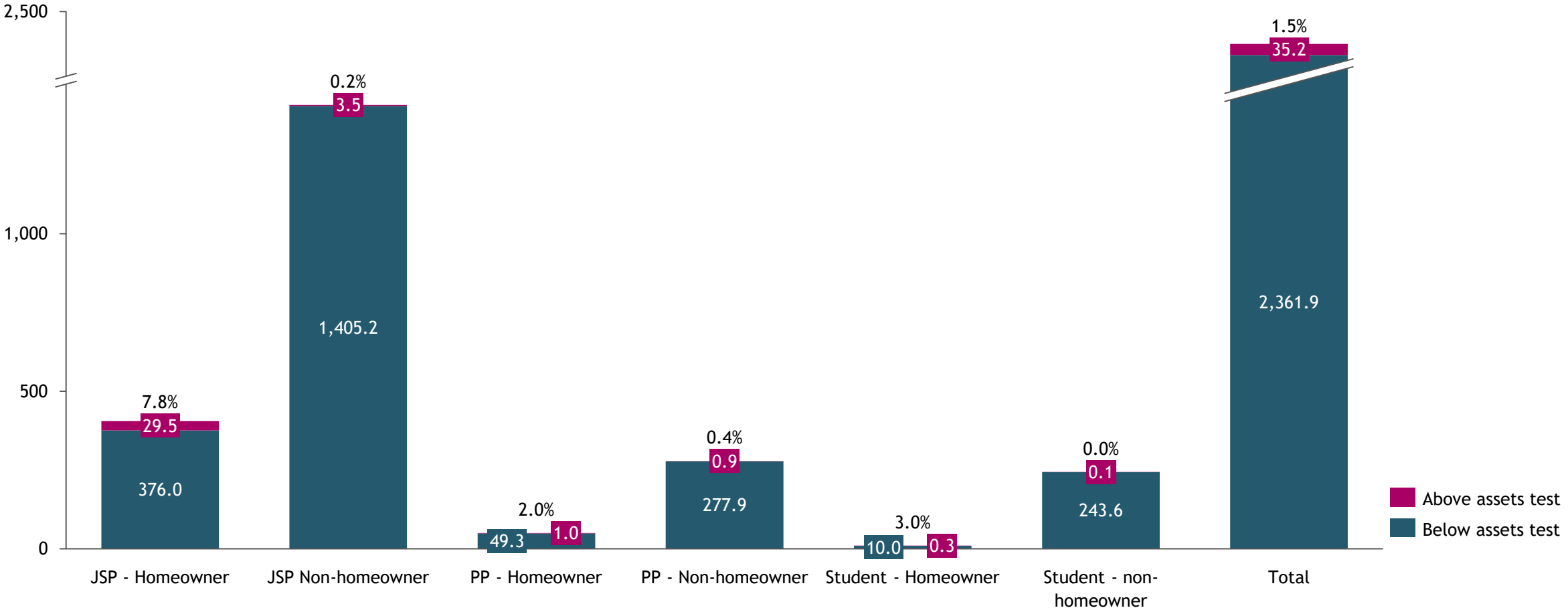
Backup: ~35k recipients expected to be ineligible under assets test

Key changes: # removed from assets testing extrapolated from net total assets data obtained by Service Aus

To come: Pending claims to be included in volumes

As at 24 Sep

Recipients (k)/(% above assets limit)



Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus

Source: DSS Data, Project analysis

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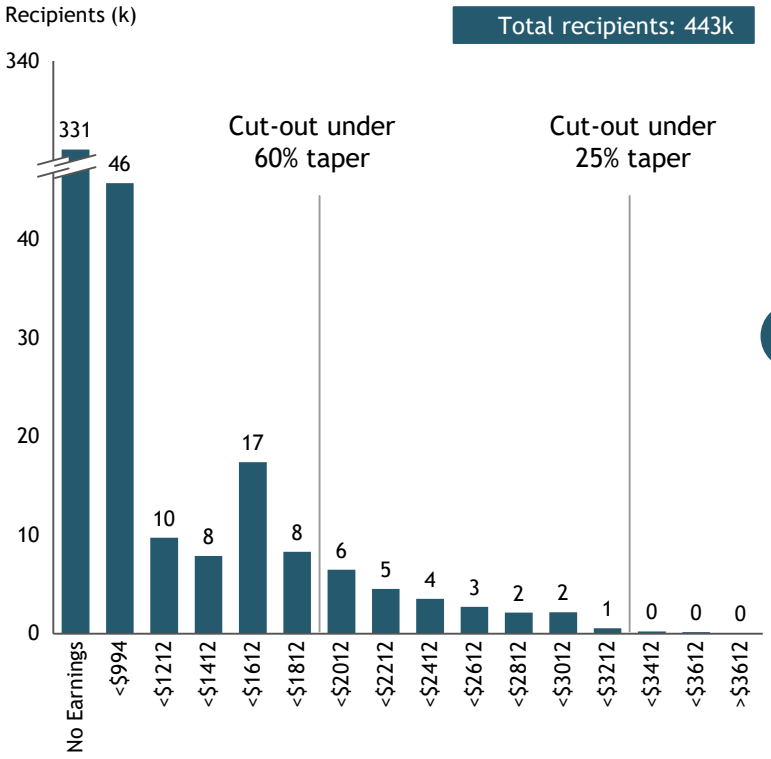
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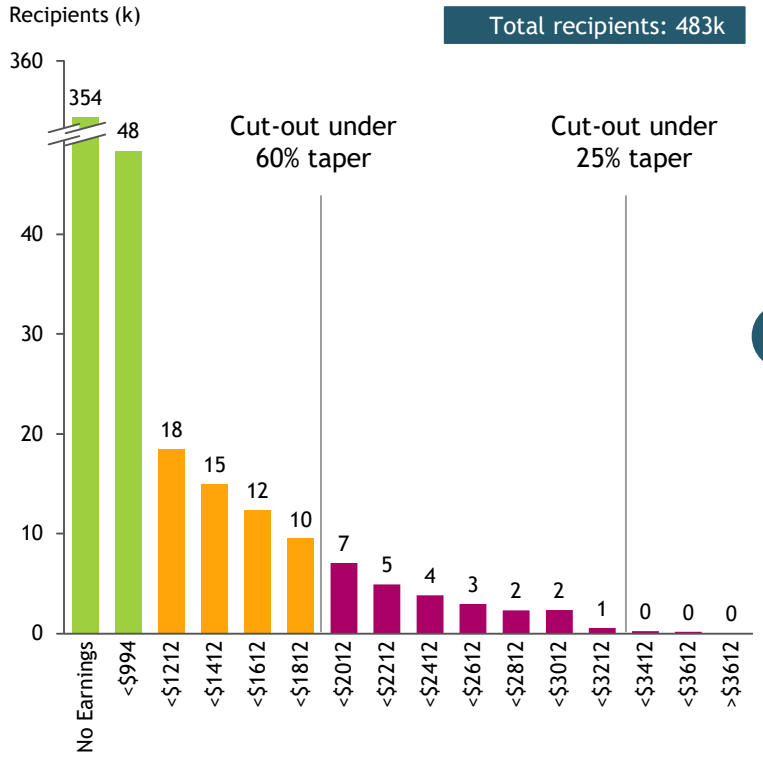
Backup: ~25k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

To come: Pending claims to be included in volumes; partner income distribution to be updated using unit-level data

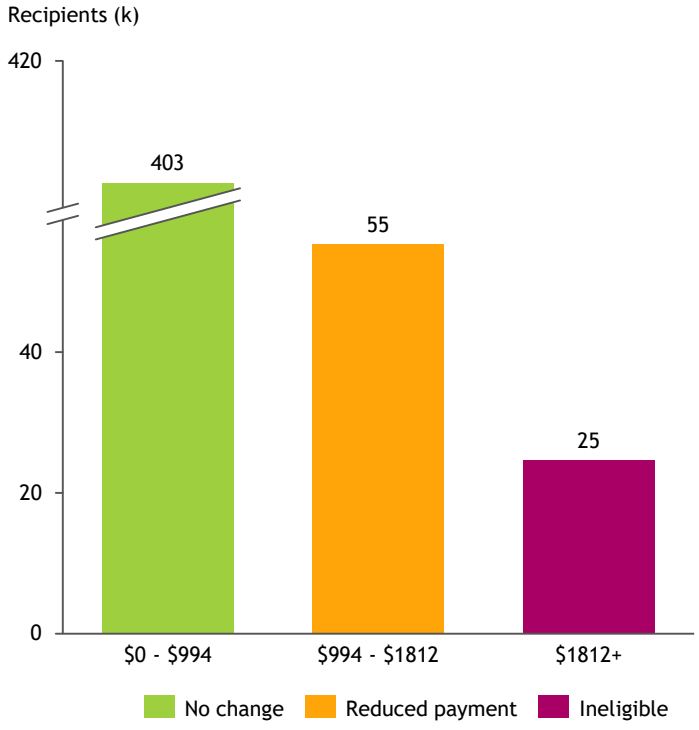
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

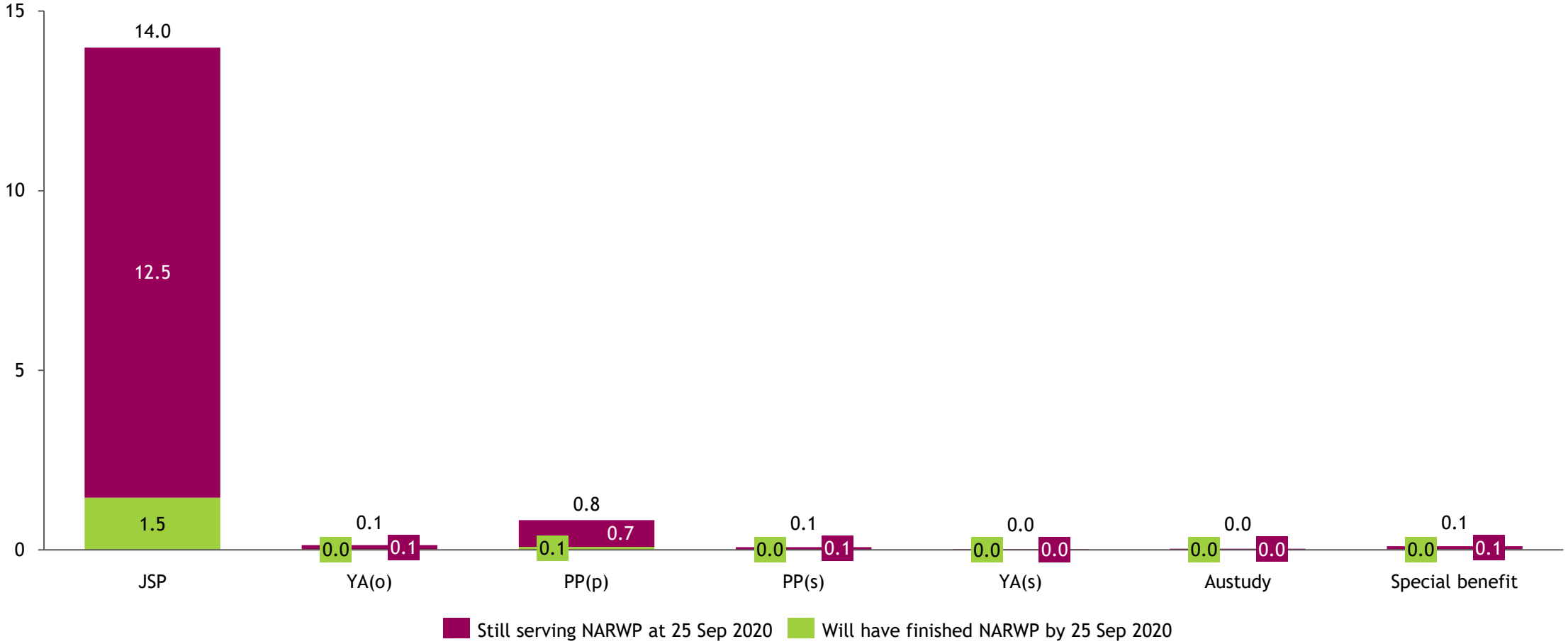
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Backup: ~14k recipients removed from payment if NARWP reinstated in Sep '20

As at 25 Sep

Recipients (k) currently receiving an ISP who would be serving a NARWP



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts; recipients on nil rates excluded
Source: DSS Data, Project analysis

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Stage One: Deep dive

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Recap: Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

Focus of today

	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (e.g. ~4-6 months)	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend Coronavirus supplement at $100 p/f Extend C-19 'access to payments' measures Expand unrealisable assets discretion Align IFAs with pensions, max 50% tapers Expand & simplify working credit Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $100 p/f, absorb supplements Create new mature aged / PCW rate in JSP Abolish the SWPP
Financial Impact[1]	In FY21: $55-66b (+$3b vs. Current Path) In FY22: $38-48b (+$0.1b vs. Current Path)	In FY21: $56-67b (+$5b vs. Current Path) In FY22: $41-53b (+$4b vs. Current Path)	In FY21: $55-67b (+$4b vs. Current Path) In FY22: $40-52b (+$3b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Working credit changes not yet incorporated in modelling .
Source: DSS Data, Project analysis

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Extend C-19 supplement or lift basic rates: Three options to consider

Description

1: Extend supplement to 19 March 2021, then end

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	-
Students	$100 C-19 suppl.	-
PPS	$100 C-19 suppl.	-
PPP	$100 C-19 suppl.	-
SB	$100 C-19 suppl.	-
Energy, Pharma, Phone, APW/LLN	No change	No change

2: Replace supplement with lift in base rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 base rate lift	
Students	$100 base rate lift	
PPS	$25 base rate lift	
PPP	$100 base rate lift	
SB	$100 base rate lift	
Energy, Pharma, Phone, APW/LLN	Abolished for above recipients	

Hypothesis

3: Extend supplement to 19 March, then replace with lift in basic rates

Payment type	From 25 Sep	From 20 Mar
JSP, YA(o)	$100 C-19 suppl.	$100 base rate lift
Students	$100 C-19 suppl.	$100 base rate lift
PPS	$100 C-19 suppl.	$25 base rate lift
PPP	$100 C-19 suppl.	$100 base rate lift
SB	$100 C-19 suppl.	$100 base rate lift
Energy, Pharma, Phone, APW/LLN	No change	Abolished for above recipients

Implications

- Provides extra support through the worst of crisis
- No expansion of long-run costs

- Provides extra support for the long-term
- Achieves simplification quickly by eliminating supplements
- Only one point of change required
- Short timeline for implementation – may be challenging in terms of system changes

- Provides extra support for the long-term
- Achieves simplification by eliminating supplements
- Two points of change, Sep '20 and Mar '21, where recipient payments reduce, requires very clear communications at each stage
- Easier timeline for Services Australia

Cost

If supplement/rate increase at:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$1.7b	+$2.5b	+$3.3b
FY22[1]	No change	No change	No change

If supplement / rate increase at[2]:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$1.7b	+$2.8b	+$3.9b
FY22[1]	+$1.7b	+$2.8b	+$3.8b

If supplement/ rate increase at[2,3]:	$50 p/f	$75 p/f	$100 p/f
FY21[1]	+$2.2b	+$3.3b	+$4.5b
FY22[1]	+$1.7b	+$2.8b	+$3.8b

1. Delta against Current Path: $57.9b for FY21 and $41.2b in FY22, assuming revert to pre-COVID settings from end of Sept '20. 2. Hold PPS increase constant at $25. 3. Both supplement and rate changed.
Source: DSS data, Project analysis

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Backup: Raising base rates creates potential to abolish 12 supplements for allowance recipients

Definitely consolidate
Probably consolidate
Maybe consolidate
Don't consolidate
Out of scope
xx # recipients at 1/12/19

Current State

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement	5,975k
Pharmaceutical Allowance	881k
Telephone Allowance	561k
Approved Program of Work Supplement	81k
Language, Literacy and Numeracy Supplement	16k
Essential Medical Equipment Payment	TBC
Remote Area Allowance	80k
Pensioner Education Supplement	22k
Education Entry Payment	133k
Fares Allowance	1,301
Training Allowance	16
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Potential end-state

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k

Allowances

Special Benefit	3k
Jobseeker Payment	1109k

4 payment types merged into others

Austudy	162k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supple	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Pensioner Education Supplement	TBC
Education Entry Payment	14k

12 supplements abolished for allowance recipients

Mobility Allowance	TBC
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients
Source: DSS data

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Backup: 11 supplements could be absorbed into the $100 base rate rise

Mobility allowance provides up to $139.10 p/f – would need to be grandfathered or paid out separately

Shows circumstances with broad eligibility for supplements. FTB, Fares Allowance, and Training Allowance not shown

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612.0	790.1	612.0	510.8	510.8
	Energy supplement	8.8	9.5	12.0	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.7	4.7	4.7	4.7	4.7	4.7
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Essential Medical Equip.	6.2	6.2	6.2	6.2	6.2	6.2
	Remote Area Allowance	18.2	18.2		18.2	15.6	15.6
	Pensioner Edu. Supplement			62.4			
	Education Entry Payment[1]	8.0	8.0		8.0	8.0	8.0
	Rent assistance cap[2]	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**771.9**	**849.6**	**1066.4**	**825.1**	**705.5**	**738.0**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**805.3**	**876.1**	**979.2**	**851.6**	**742.4**	**774.9**
	Increase vs current	**33.4**	**26.5**	**-87.2**	**26.5**	**36.9**	**36.9**

Note: Fares Allowance applies primarily for Youth Allowance Student and Austudy recipients and is not shown here

1. One-off payment of $208 per year, shown here as a fortnightly amount 2. Assumes not sharing a dwelling, and max family size of two children

Source: Services Australia Guide to welfare payments; Project analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort), and TBC were receiving PES. May need to compensate these recipients with a lump sum or grandfathering as they are not fully compensated by the $25 lift

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C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	35k+	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper	~80k[3]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP[1]	~550-650k new claims[3]	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
NARWP	~13k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	~75k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[2]	~550-650k new claims[4]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification

Implications

- **1:** ~100k recipients removed from payment from 25 September[5]; Regular claim process for anticipated wave of claimants when JobKeeper ends; Reduced cost for the welfare system in terms of outlays (not administration)
- **2:** ~45k recipients removed from payment 25 September; Some streamlining for anticipated wave of claimants when JobKeeper ends; Reduced cost for welfare system vs current C-19 measures
- **3:** No recipients lose eligibility; Continue current levels of support for new claimants as JobKeeper ends; Cost to welfare system from these measures continues at current levels

Cost vs. Current Path

- **1:** No change from Current Path
- **2:** +$0.4b vs Current Path
- **3:** +$0.7b vs Current Path

Note: "Grandfather" means grandfathering current recipients already in income support system. Source: DSS data, Project analysis
1. Costing outlay impact not modelled. Included in backlog for future sprints. 2. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 3. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 4. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 5. Impact of permanent employees stood down not yet quantified

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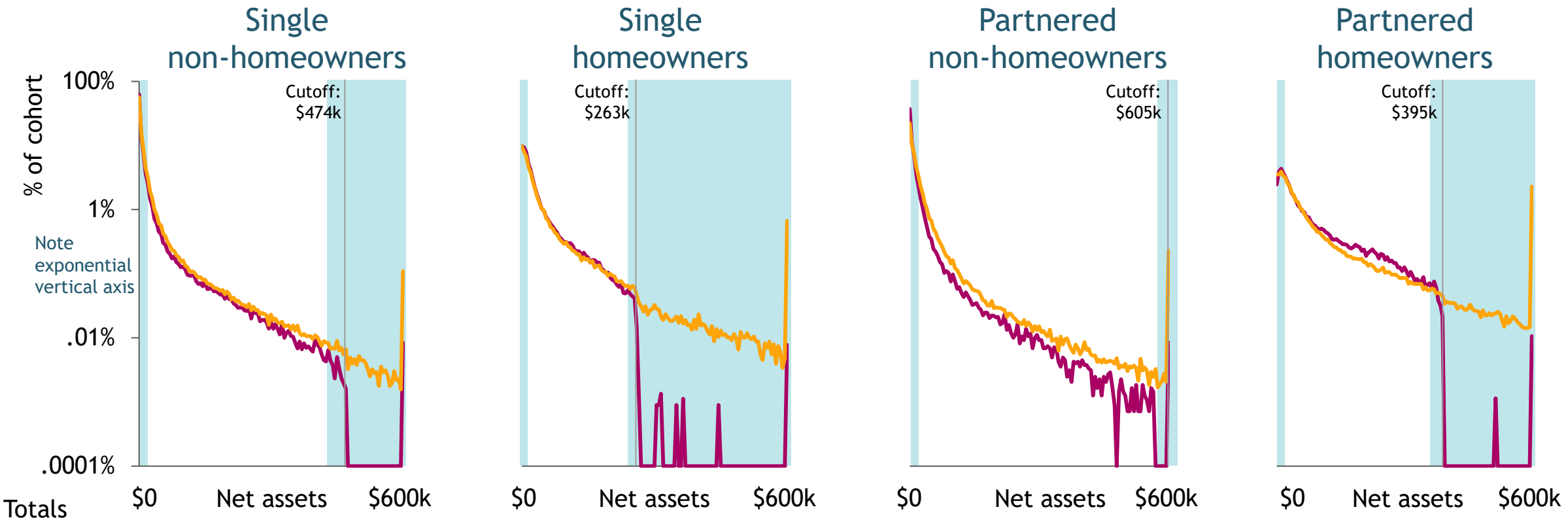
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Risk-based approach to assets verification is possible

Net assets distributions across Jobseekers, Parents, & Students, as at Feb 2020 and May 2020

Suggested priority cohorts for review

Note: Should also consider reviewing recipients with high financial assets and limited/no non-financial assets, and vice versa



Totals	Single non-homeowners	Single homeowners	Partnered non-homeowners	Partnered homeowners
384k	288k To be reviewed[1]	23k To be reviewed[1]	38k To be reviewed[1]	35k To be reviewed[1]
35k	2k Likely ineligible[2]	10k Likely ineligible[2]	2k Likely ineligible[2]	22k Likely ineligible[2]

Should refine further by removing recipients with $2-5000 in assets

Should refine further by removing recipients with $2-5000 in assets

1. Suggested for review as per above graph. Does not include those with high financial assets and limited/no non-financial assets, which are also suggested for review 2. Appear to have assets in excess of the relevant cut-off, as per Blue Book data as at 20 May 2020 Source: DSS Blue Book data

To come: Note on the number of very wealthy people (>$1m) on payment now

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Potential policy settings for Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	70,880 (10.6%[1])	6,331 (10.6%[1])	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

1. Same income distribution used for all Job Seeker cohorts. To be updated. Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Potential policy settings for Increasing IFAs and rationalising taper rates (students)

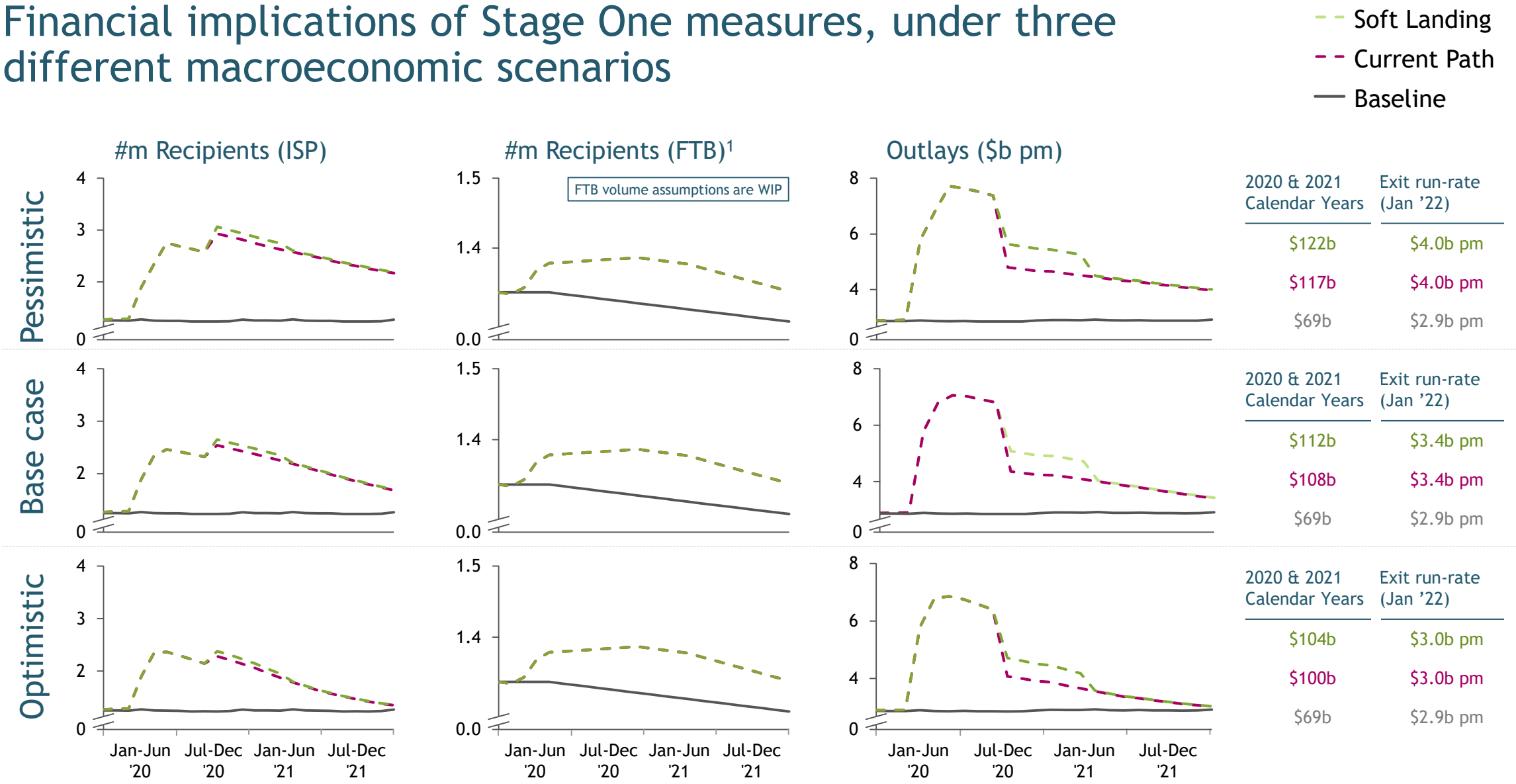
	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices**: $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,188 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Financial implications of Stage One measures, under three different macroeconomic scenarios



1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B

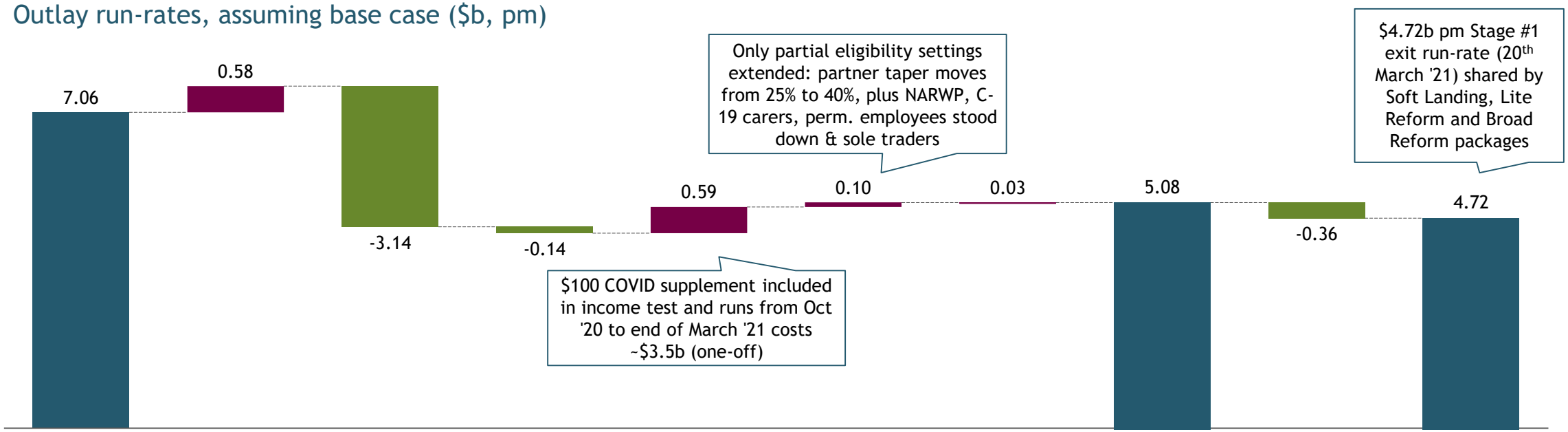
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Financial implications: Stage One only, run-rate build-up (Mar '21)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	2.5m	+185k		-120k	+35k	+65k	+15k	2.7m	-300k	2.4m
No. FTB recipients	1.4m	+5k						1.4m	-50k	1.3m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Stage One: Implications for recipients at 25 Sep 2020

Note: Excludes impact of any changes to FTB

Focus of today

	Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers New JSP	Students YA(s), Austudy ABSTUDY	Parents New JSP	Jobseekers New JSP	Students New Austudy ABSTUDY	Parents New JSP
Drop in average payment rate ($ pf)[1]:	~$550 (~50%)	-$550 (~60%)	~$550 (~45%)	-$440 (~40%)	-$465 (~50%)	-$465 (~40%)	-$440 (~40%)	-$465 (~50%)	-$465 (~40%)	-$440 (~40%)	-$465 (~50%)	-$465 (~40%)
# Removed from payment[2]: PRELIMINARY ELIGIBILITY, PARTNER INCOME TEST IMPACT SHOWN	~98k	~2.5k	~0.5k	~42k	~2k	~0.4k	~70k	~2k	~0.4k	~70k	~2k	~0.4k
# Required to update info[3]:	~1,000k	~33k	~50k	~1,000k	~33k	~50k	~1,000k	~33k	~50k	~1,000k	~33k	~50k
More favourable IFAs, tapers, working credit	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

1. Delta between max weighted average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 24 Sep '20 to forecasted 25 Sep '20 due to assets testing, eligibility, NARWP, and partner income. 3. Assumes an average of ~60-70k new total applications granted per month as part of BAU
Note: Assumes base case economic scenario
Source: Project analysis

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Initial view of couple combined income test

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Potential to move to a Combined Couple Income Test

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases

There are currently different income testing arrangements between Pension and Allowance recipients

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source

From: Sequential Income Testing for Allowances and PPS

1. Apply the personal income test to the earned income of the recipient
2. Apply the partner income test to the residual entitlement once the personal income test has been applied
3. The remaining entitlement from both tests is the recipient's entitlement

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests
- × For recipients receiving Rent Assistance or other supplements, individual and partnered income tests can "stack" at various points, creating a 100%+ taper

To: Combined couple income testing for Allowances and PPS

1. Combine the income of the couple
2. Apply the combined income test to the earned income of the couple
3. Where both people receive an ISP, the IFA is shared equally between them

Pros:

- ✓ Simpler: One income test, same as pensions
- ✓ Eliminates "stacking" of individual and partner income test (e.g. when supplements or CRA are payable)
- ✓ Fairer: Achieves same payment regardless of income distribution within household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Couples with just one ISP recipient, and a primary income earner working will typically be worse off
- × Increases financial dependence on the primary income earner

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Backup: Example specific policy settings

For reference

Current policy settings: Sequential

Single Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper
(exceptions for Principal Carer and Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper

$994 income free area for Partner Income
60c taper

More generous sequential test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$174 income free area (each member of a couple)
50c taper

$1,214 income free area for Partner Income (so that Partner Income Test cut-in occurs after JSP cuts out on the Individual Income Test)
50c taper

Combined couple income test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$308 income free area for a couple combined
50c taper maximum for the couple (I.e one recipient on ISP has a 50c taper, both recipients on ISP have a 25c taper each)

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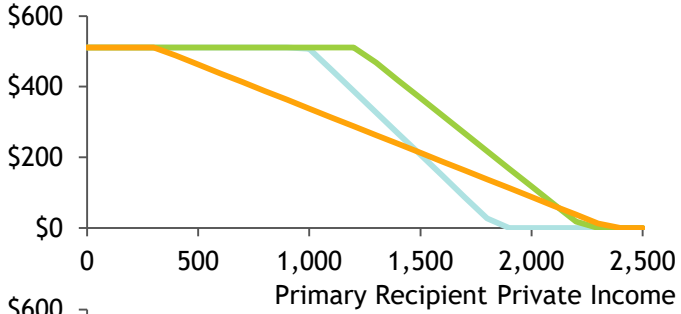
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Example households to consider impact of combined income test

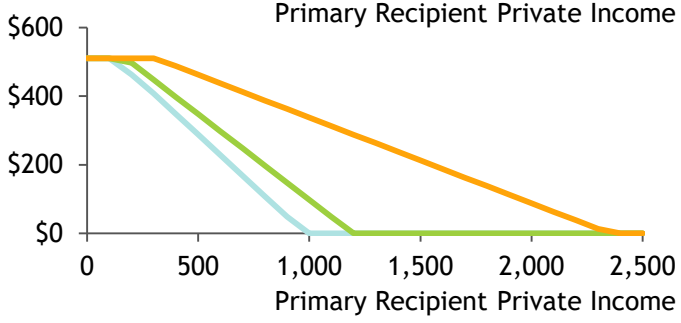
Two partnered Jobseeker recipients: The "Partner" consistently earning $0 p/f, the "Recipient's" earnings variable

Partner Private Income set at $0 p/f

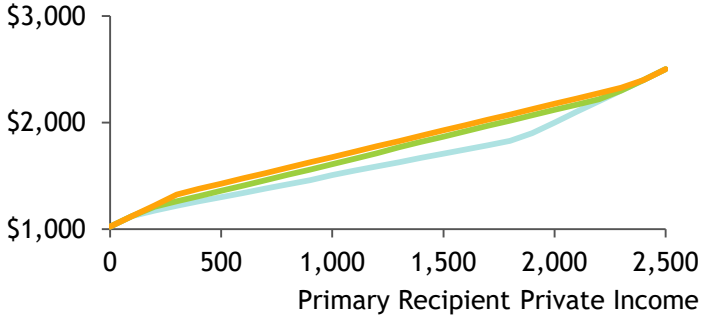
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1800 p/f

Situation under combined test

- Partner's ISP falls earlier, once Primary Recipient earns >$308 p/f
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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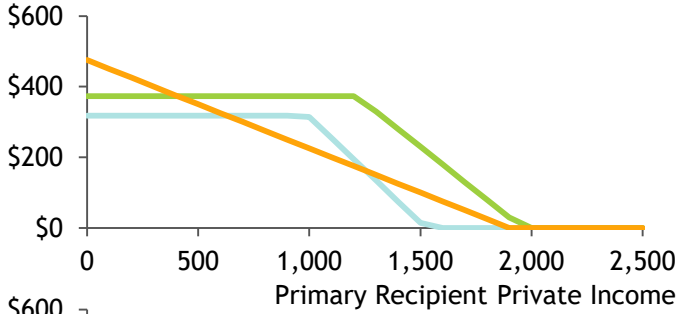
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Example households to consider impact of combined income test

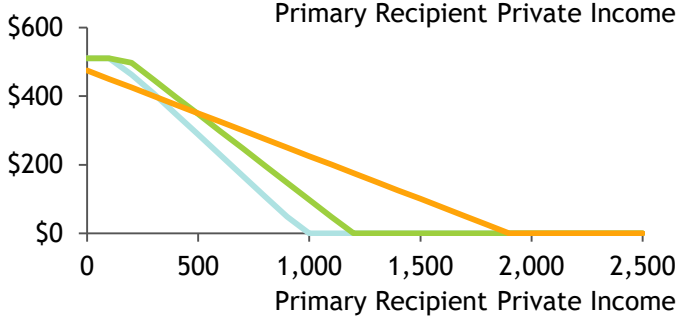
Two partnered Jobseeker recipients: The "Partner" consistently earning $450 p/f, the "Recipient's" earnings variable

Partner Private Income set at $450 p/f

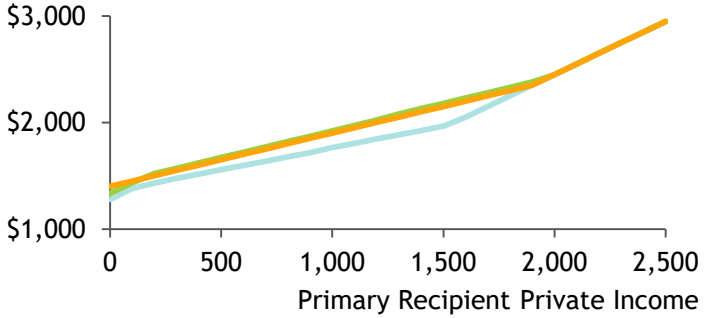
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1500 p/f

Situation under combined test

- Partner's ISP tapers with every dollar earned by Primary Recipient, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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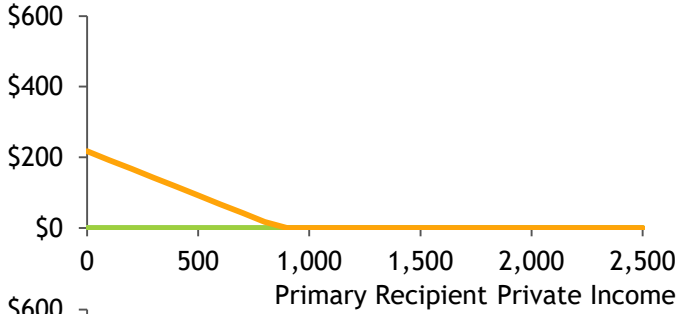
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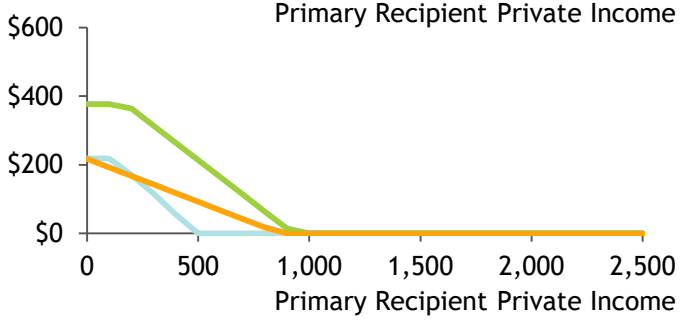
Two partnered Jobseeker recipients: The "Partner" consistently earning $1482 p/f, the "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

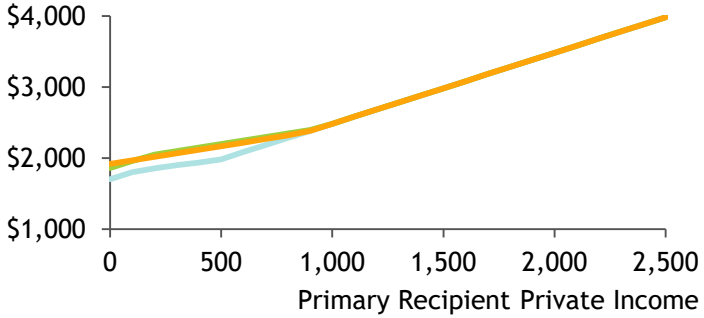
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner is not eligible for ISP as income is too high
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- Partner becomes eligible for an ISP as long as Primary Recipient's private income remains <$850 p/f
- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Primary Recipient better off at most income levels under combined test
- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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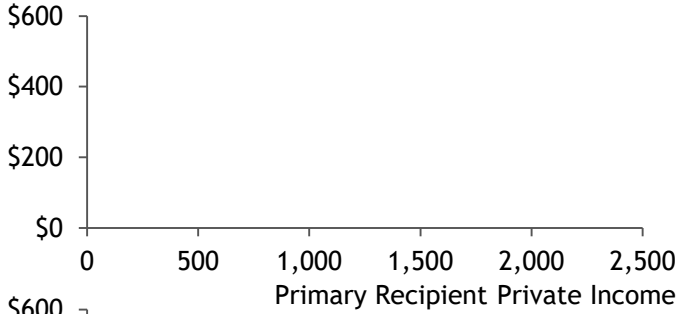
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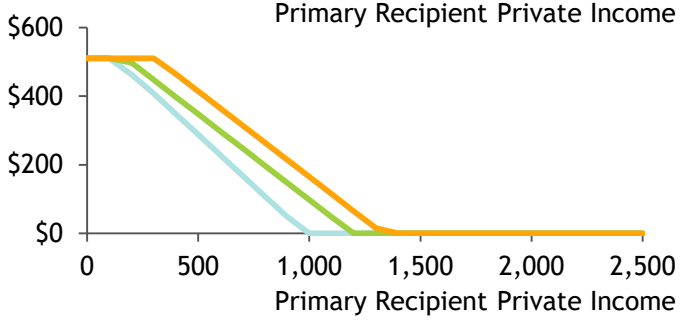
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $0 p/f, "Recipient's" earnings variable

Partner Private Income set at $0 p/f

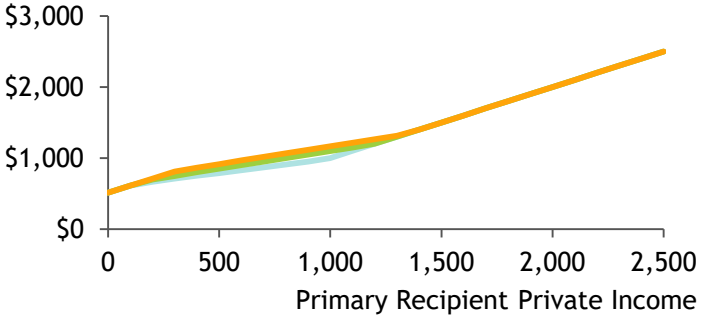
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 50% rather than up to 60%; cut-out increases slightly

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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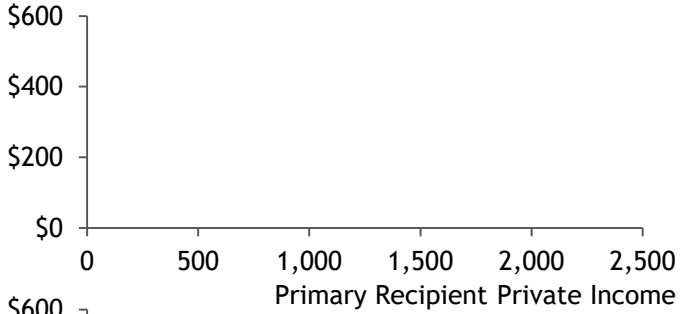
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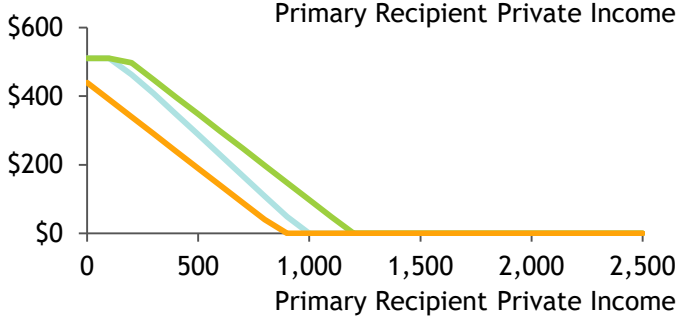
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Partner Private Income set at $450 p/f

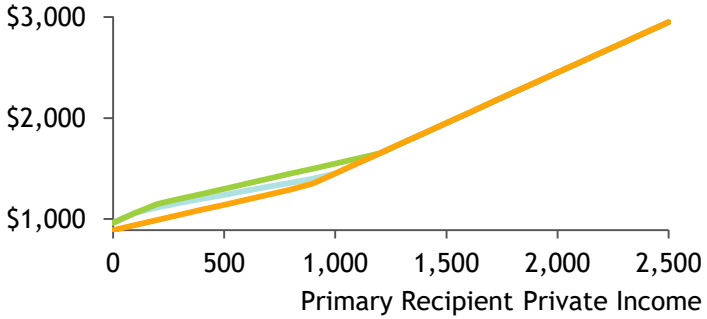
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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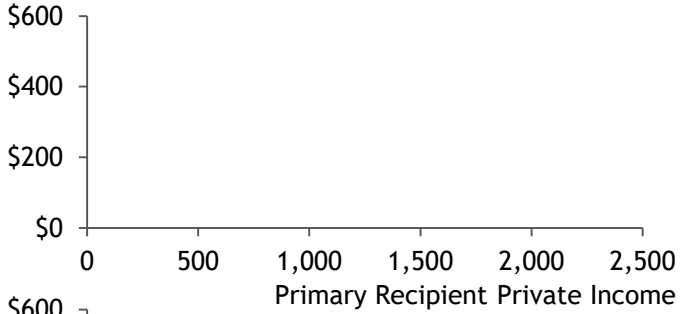
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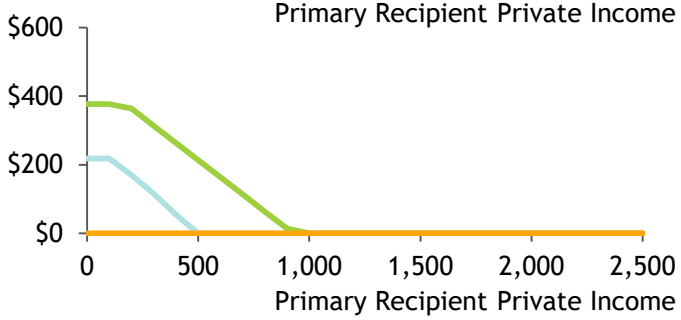
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Partner Private Income set at $1,482 p/f

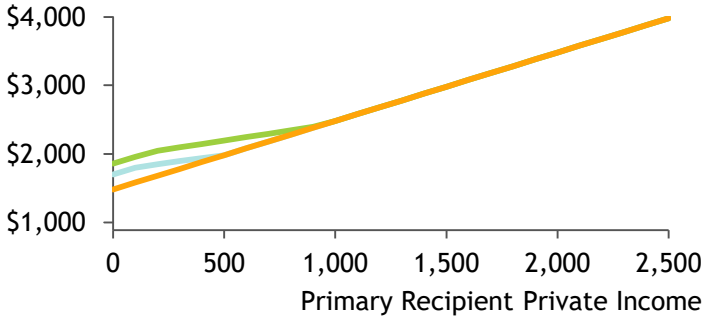
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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Plan for next week

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Plan for next week

Week 2, Sprint 5

Rapidly iterate Stage One costings and policy detail based on feedback from Secretary/Minister

- Incorporate feedback from today
- Push further on consolidation of supplements and analysis of consequent distributional impacts
- Round out analysis of risk-based approach to assets verification

Come to a view on household income test, and build it as a new feature in the model as part of a potential Stage Two

Progress integration of unit level analyses into the model (within constraints due to time required for data clearance)

- Required to improve accuracy (e.g. better income distributions)
- Required to enable detailed cohort-level impact analysis of current glide-path and Stage One/Two policy choices

Continue updates and feature additions to model in line with the Model Backlog, including:

- Modelling volume of claims submitted and claims on hand, and impact on outlays from changes to waiting periods
- Inclusion of additional supplements now under consideration

Progress model QA and handover to DSS modelling team, including ~2 days of in-person handover in Canberra

Priorities for future sprints

Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister

- Add new features to model if new policy design ideas requested
- Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
- Engage Services Australia on possible implementation timing & constraints

Support Ministerial Briefing and/or Cabinet Submission development for Stage One and/or Stage Two packages

Complete integration of unit level analyses into the model (due to time required for data clearance in Sprint 5)

Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:

- Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
- Ability to adjust indexation rules and see cost & volume impacts

If required, continue/finalise model QA and handover to DSS modelling team, including in-person handover in Canberra

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Project Canoe: Appendix

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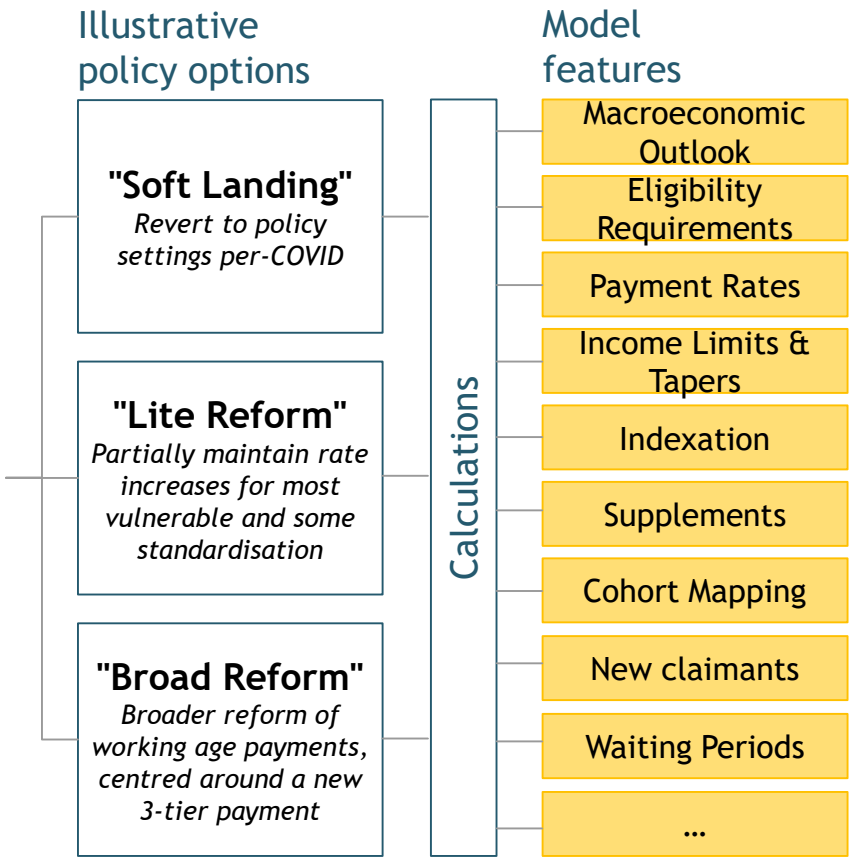
Modelling approach: Policy options were developed iteratively by progressing and testing one 'model feature' at a time

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- RBA job loss forecast
- Social Security Guide
- Social Security Guide
- Social Security Guide
- ABS / Social Security Guide
- Social Security Guide
- Project team analysis
- Dingo extracts
- tbd
- tbd

Next steps

Refer to detailed model backlog in next steps section below

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Thursday, 25 June 2020 8:31 AM
To: CAMPBELL, Kathryn; WILLIAMSON, Nathan; BENNETT, Shane
Cc: MCLARTY, Mary; PATON, Kath; s 22 Clancy, Trish; Carrasco, Miguel
Subject: Project Canoe: Materials for our 10am discussion
Attachments: Project Canoe - Executive Summary vF.pdf; Compendium v18.pdf

Categories: Dot points due

Dear Secretary, Nathan, Shane

Please find attached the materials to support our discussion at 10am on Project Canoe.

I have also attached a near final draft of the compendium of materials we will hand over tomorrow, in case there are topics you would like to dive into in more detail this morning (e.g. couple combined income test, payment type consolidation, FTB changes).

We have proposed an agenda for today in the executive summary, but are very happy to adjust and spend time where it would be most helpful.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

BCG BOSTON CONSULTING GROUP

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Thank you.

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Project Canoe

Executive Summary

25 JUNE 2020

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Agenda for today

Current Path: Recipient volumes and cohort analysis 2

Potential policy response: The 'menu of options' and two-stage implementation approach 7

Selected deep dives on high-priority policy options: 13
- Extension of 'access to payment' measures
- Extension of Coronavirus supplement
- Potential lift in base rates with absorption of supplements

Suggested next steps 17

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On current path, significant contraction of welfare payments will coincide with end of JobKeeper

12 Mar 2020

Gov't announced significant expansion of working-age welfare policy settings

- Coronavirus supplement instituted ($550 p/f)
- Jobseeker eligibility expanded
- Assets test waived
- Partner income test relaxed
- Waiting periods waived

March to June 2020

As expected, a significant inflow of recipients followed

- ~1,000k to JobSeeker
- ~105k to YA(other)
- ~50k to Parenting Payment (P&S)
- ~100k to YA(S) and Austudy

24 Sep 2020

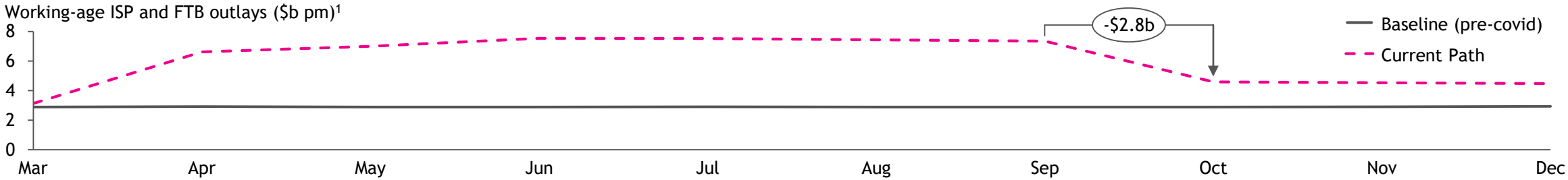
Expanded welfare policy settings end on 24 September…

- Coronavirus supplement ends, withdrawing ~$2.8b p.m. in welfare spending
- Average payment rates drop 45-60%
- Eligibility, assets tests, partner income tests, and NARWP revert to pre-covid settings, removing 100k+ recipients from welfare

27 Sep 2020

…JobKeeper payment finishes 3 days later (under current timeline)

- Withdrawal of $1500 p/f from ~3.5m workers
- Anticipate 150-350k[2] job losses, with those individuals flowing onto welfare[3]



1. Covers JSP, PP, student payments, SB, FTB A & B, excludes supplements except energy supplement and pharma allowance 2. Indicative estimate, based on C'th Treasury's announcement that JobKeeper would reduce unemployment by ~500,000 jobs (5 ppts on the unemployment rate). Assumption is that the removal of Jobkeeper will see job losses in the range of 30-60% of the original figure 3. Based on % flow into welfare of job losses over March to May 2020, after excluding those who would have been ineligible but for the changes to eligibility, assets test, partner income test, and NARWP

Source: DSS data, Project analysis

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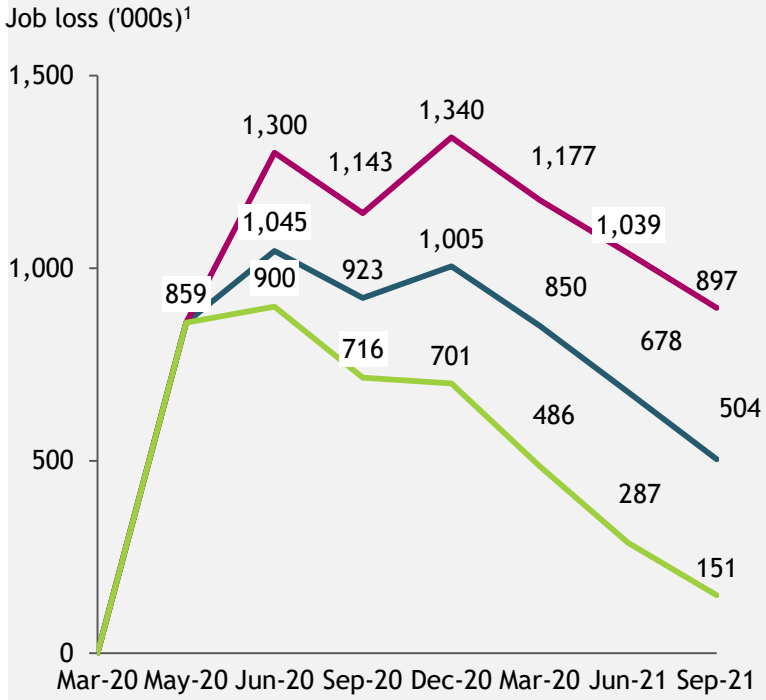
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End of JobKeeper expected to accompany "second peak" in working-age welfare recipients

To come: Recipient volumes from Jun-Sep 2020 use Apr income distributions; to be updated with incoming data

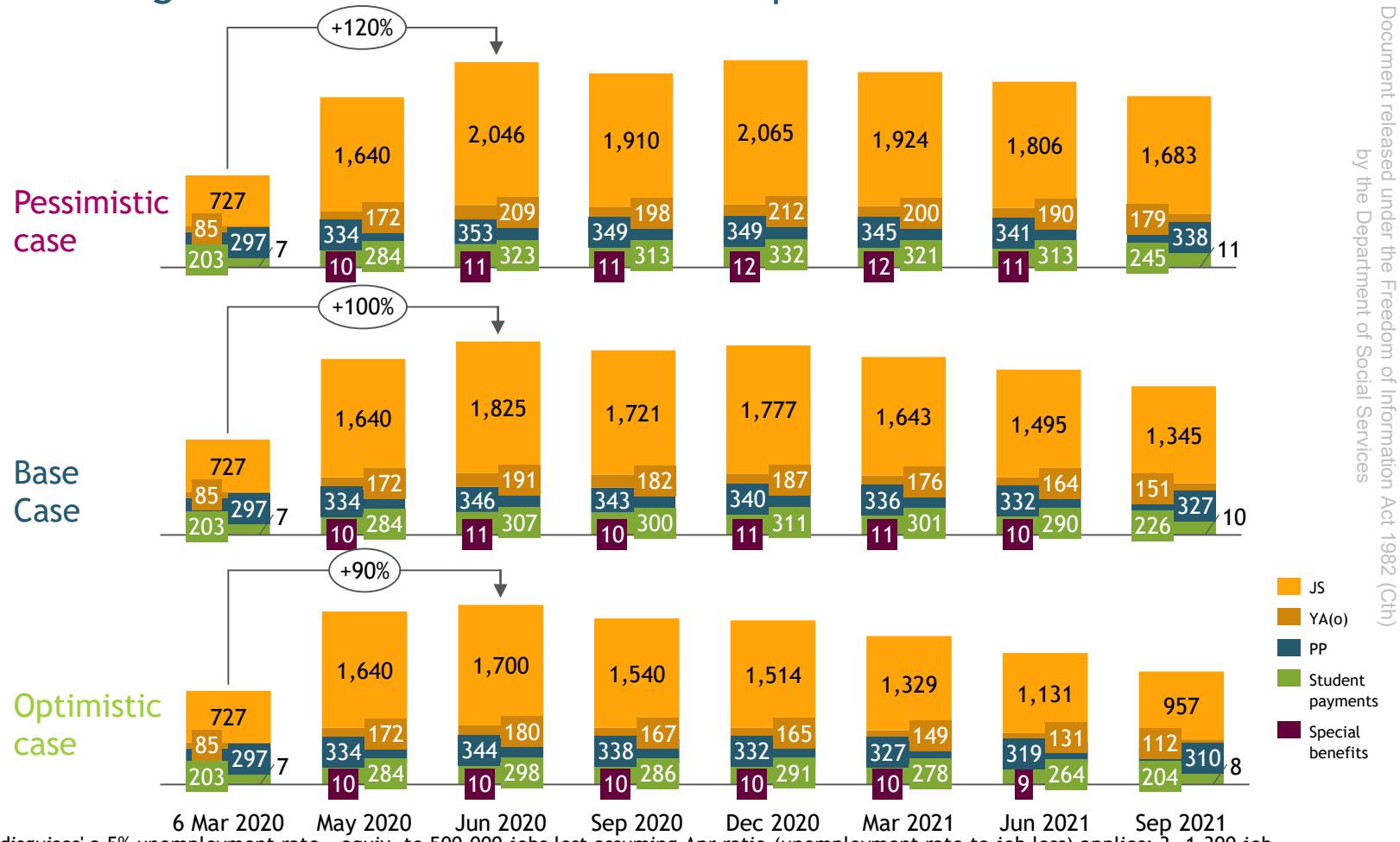
Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k recipients flow into welfare system post-JK
- Base case: ~225k recipients
- Optimistic case[4]: ~150k recipients

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate - equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 900k job loss in Jun 2020 aligns with Citibank forecasts (856k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include suspended recipients due to MO exemption, exclude nil rates
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

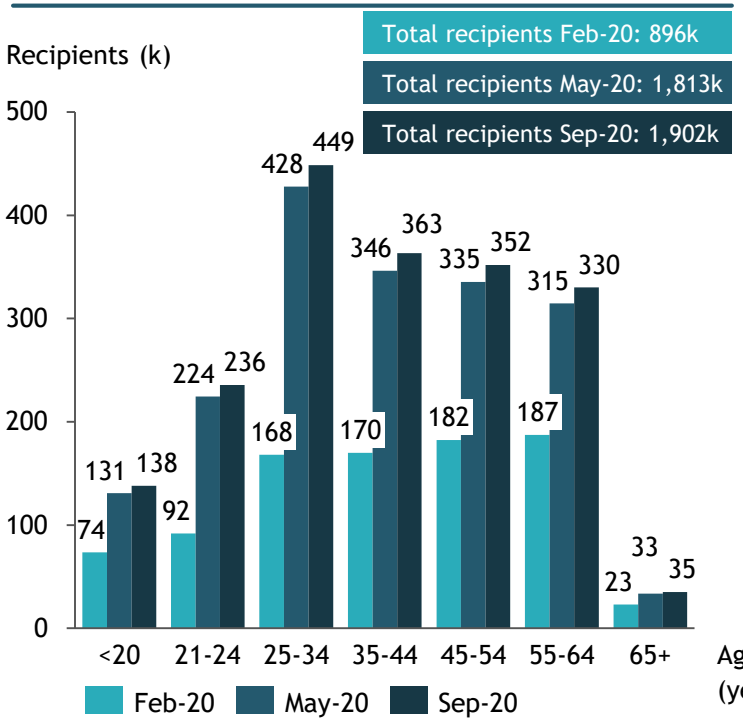
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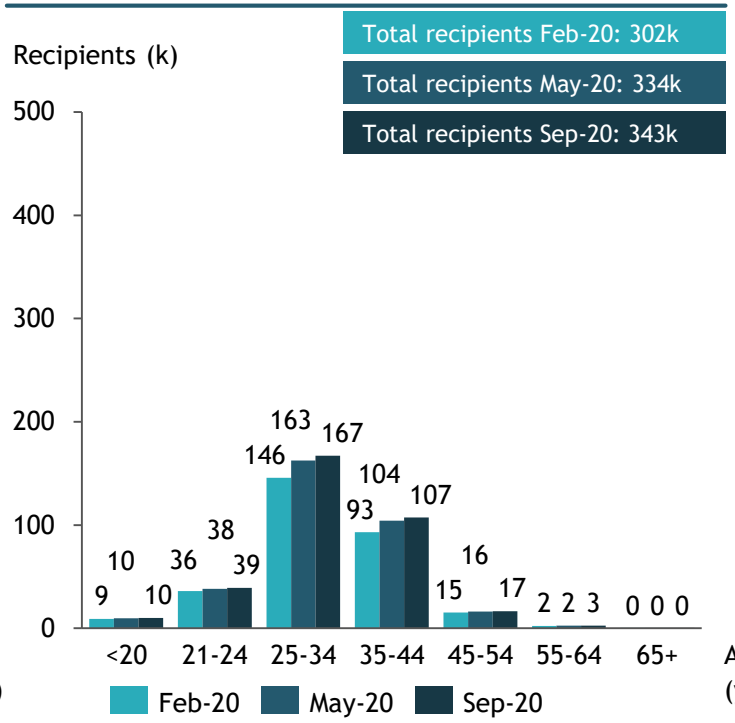
These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

Jobseekers[1]



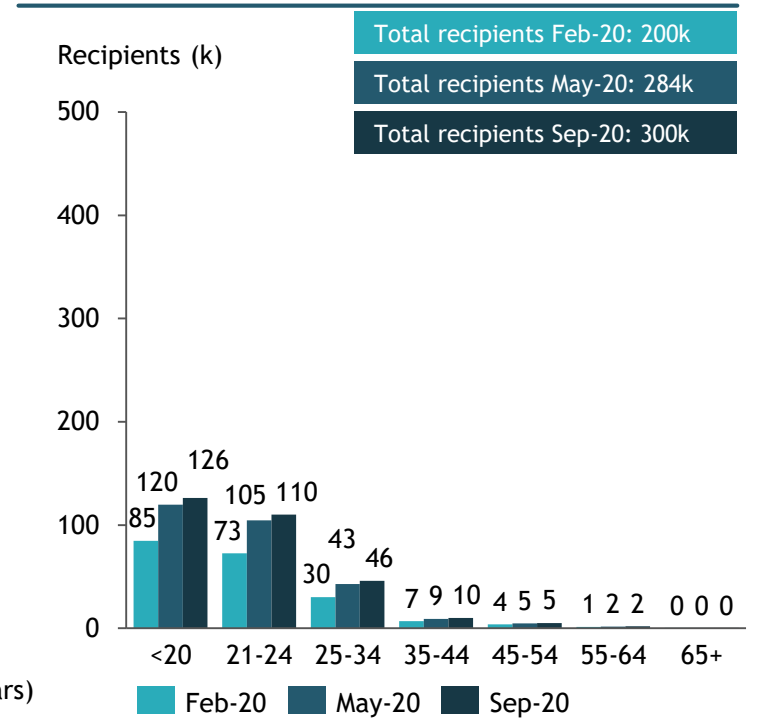
Age distribution skewed towards younger cohorts in May 2020; +7 ppts in 21-34 age group from Feb 2020 to May 2020

Parents of young children[2]



Age distribution largely unchanged from Feb 2020

Students[3]



Age distribution largely unchanged from Feb 2020

1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Excludes nil rate earning recipients, <16 age group not shown
Source: DSS Data (Bluebook), Project analysis

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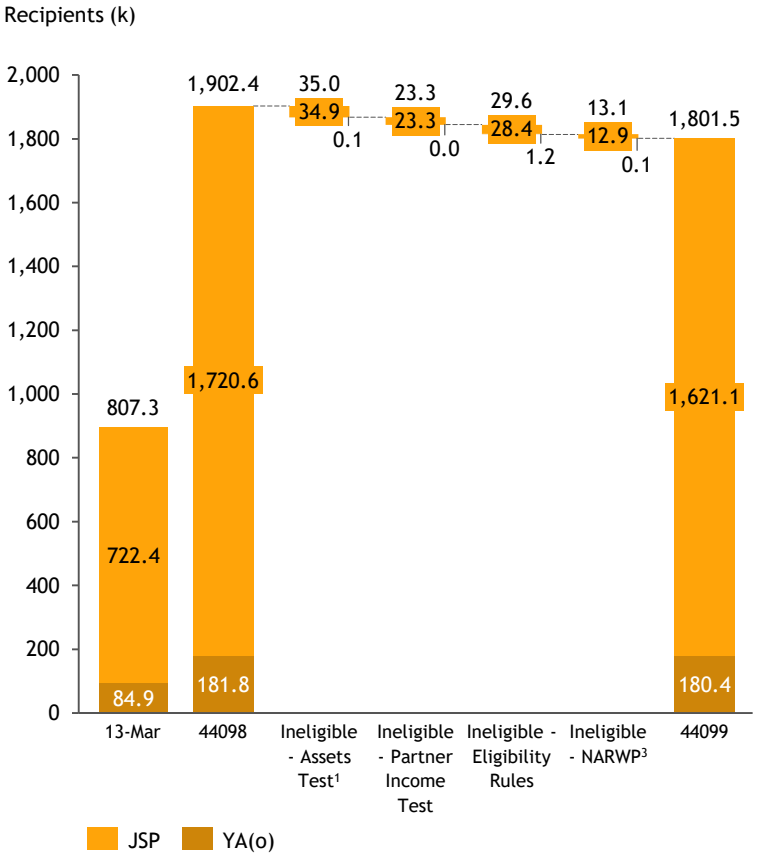
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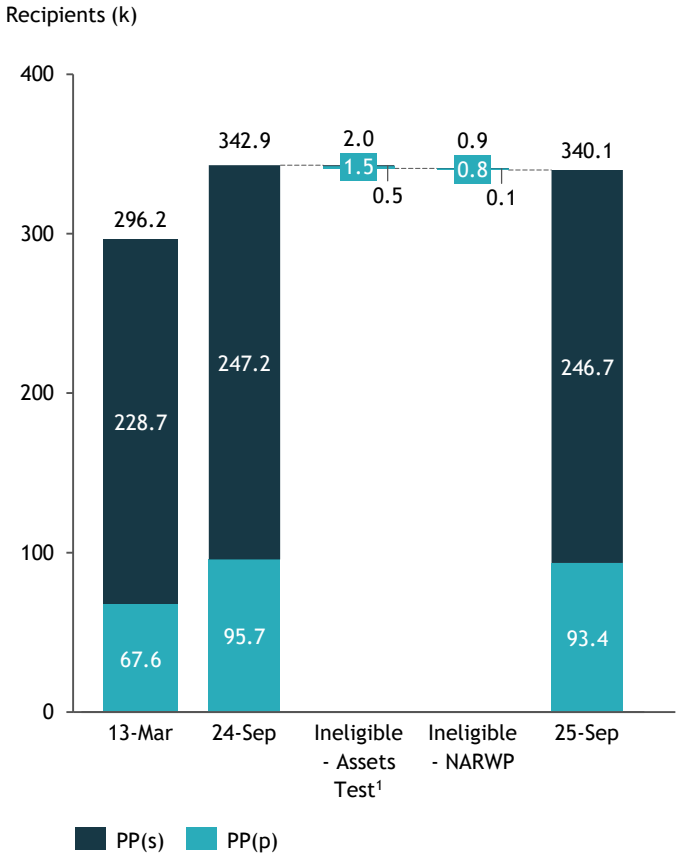
On current path, 100k+ recipients likely to be removed from payment following 25 Sep 2020…

To come: Partner income distribution to be updated; partner income distribution as at 1 Apr 2021

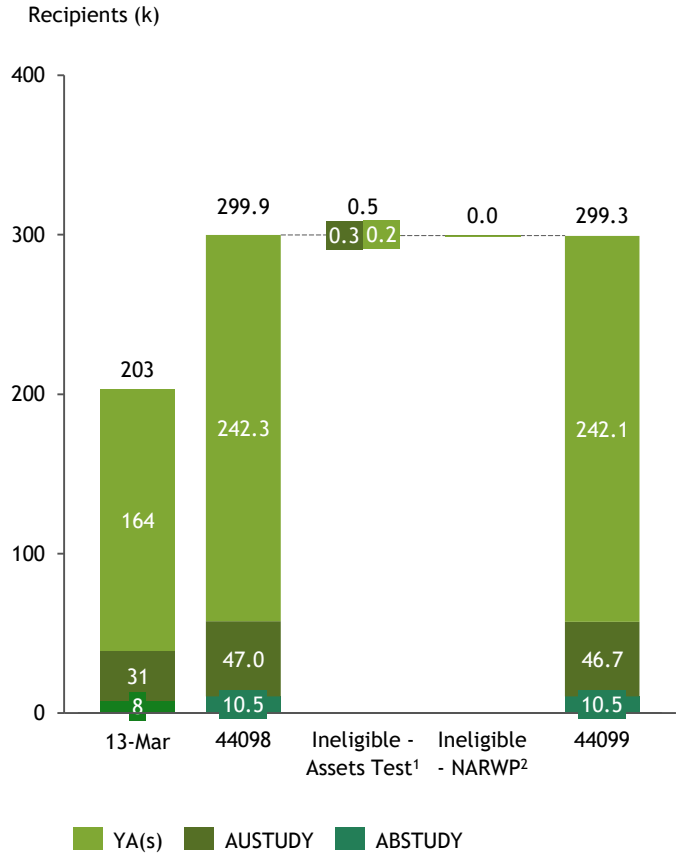
Jobseekers (100k+)



Parents of young children (~3k)



Students (0.5k+)



1. Distribution of total net assets (net financial and non-financial assets) observed in 29 May 2020 assumed to apply in Sep 2020 2. 25% of ~75k stood-down permanent employees and 40k sole traders assumed to opt of payment due to MO requirements 3. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

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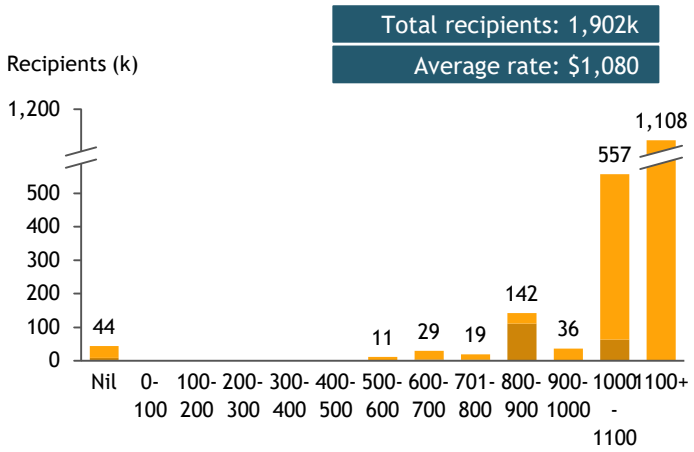
…And average payments will drop by ~45-60%

Note: Excludes FTB, excludes supplements other than C-19, energy, and pharma

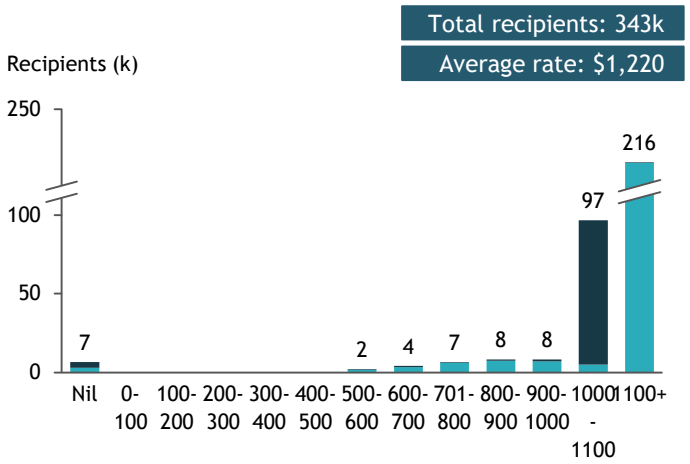
To come: Recipients on nil rates underrepresented. Distribution of payments based on income distribution as at 1 Apr 2021; awaiting data clearance for updated data extract

Forecast as at 24 Sep 2020

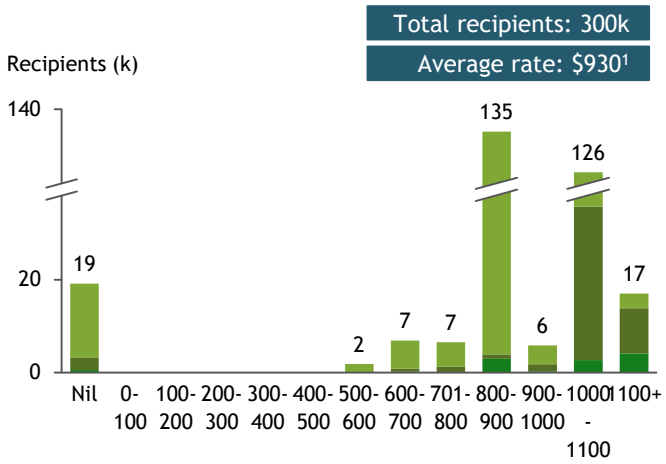
Jobseekers



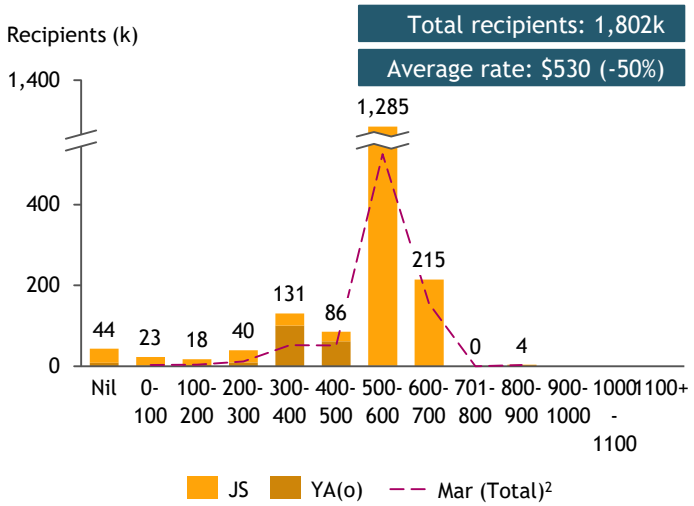
Parents of young children

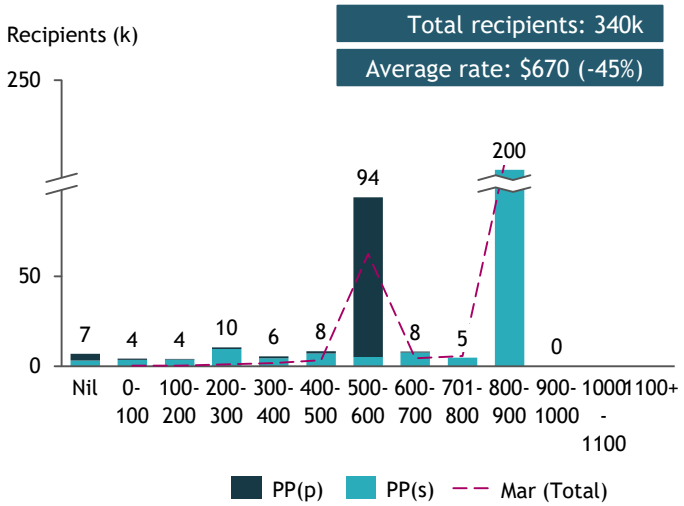


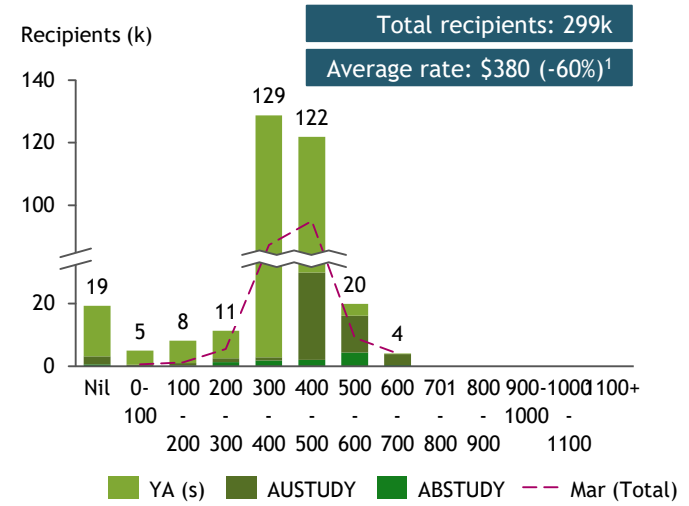
Students



Forecast as at 25 Sep 2020 (under current policy settings)







1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Pharmaceutical and Energy Supplements factored into average payments; includes nil rates determined using 1 Apr 2021 income distributions
Source: DSS Data, Project analysis

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Six high level policy goals inform the potential response



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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A menu of policy options has been developed – to reduce the financial impact of COVID-19 on Australians, and support economic recovery

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders – $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% – $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets – tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) – No outlay impact	Merge YA(s) and Austudy into a new student payment – $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts – $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) – No outlay impact	Merge into JobSeeker: Special Benefit >65s – $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child – $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN – $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week – $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates – $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 – $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions – tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts – tbd	Streamline waiting periods: Abolish SWPP – <$2m pm	Double the nil rate period to 12 fortnights – tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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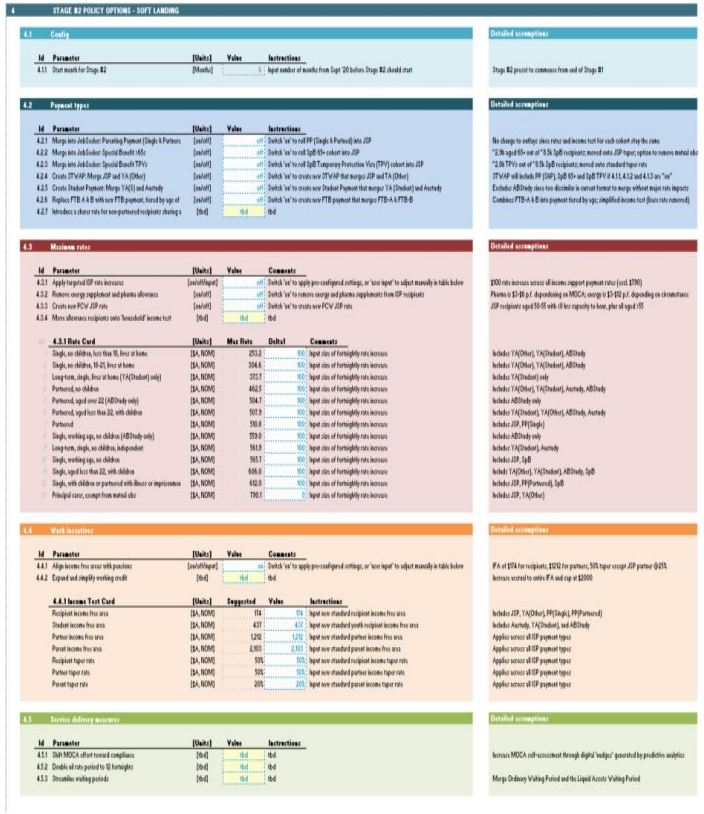
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An Interactive Dashboard has been developed to rapidly model combinations of "menu" options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phon… — $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Abolish SWPP — <$2m pm	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (25 Sept '20 to 30 June '21)	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two (1 July '21 ongoing)		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $150 p/f, absorb supplements Align all IFAs to $174, max 50% tapers Expand & simplify working credit Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $150 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align all IFAs to $174, max 50% tapers Expand & simplify working credit Move to couple combined income test Abolish the SWPP
Financial Impact[1]	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $39-51b (no change)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $44-60b (+$7b vs. Current Path)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $43-59b (+$6b vs. Current Path)

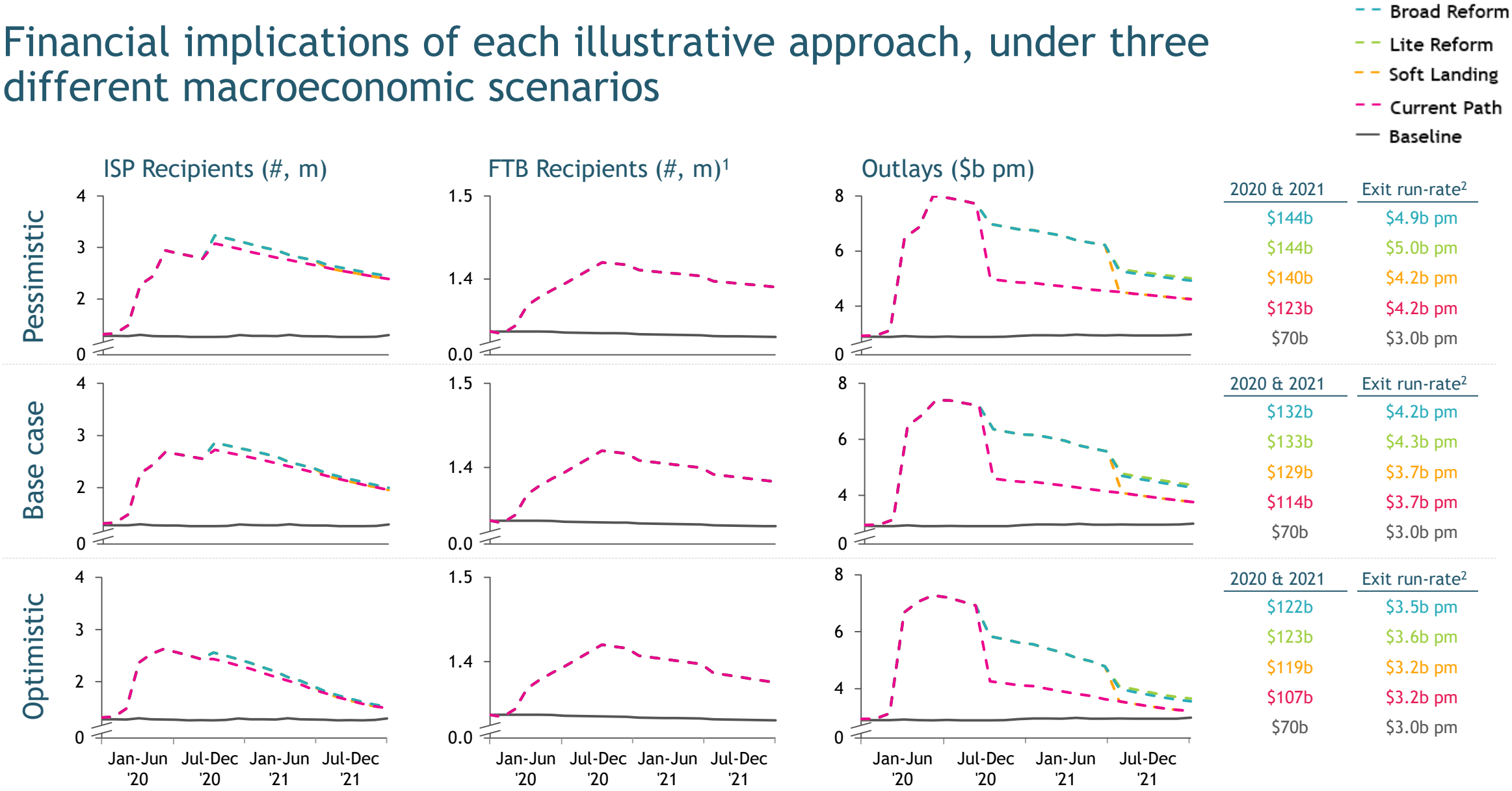
1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Nil rate changes, unrealisation asset discretion, MOCA compliance, couple combined income test not yet incorporated in modelling.
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



	2020 & 2021	Exit run-rate[2]
Pessimistic	$144b	$4.9b pm
	$144b	$5.0b pm
	$140b	$4.2b pm
	$123b	$4.2b pm
	$70b	$3.0b pm
Base case	$132b	$4.2b pm
	$133b	$4.3b pm
	$129b	$3.7b pm
	$114b	$3.7b pm
	$70b	$3.0b pm
Optimistic	$122b	$3.5b pm
	$123b	$3.6b pm
	$119b	$3.2b pm
	$107b	$3.2b pm
	$70b	$3.0b pm

1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting. 2. Jan '22
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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Implications for recipients for each illustrative approach

Note: Excludes impact of any changes to FTB

		Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
		Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
At 25 Sep 2020 (Stage 1a)	Drop in average payment rate ($ pf)[1]	~$550	~$550	~$550	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300
	# Removed from payment[2]	~100k	~0.5k	~3k	~50k	~0.5k	~2k	~50k	0.5k	~2k	~50k	0.5k	~2k
	# Required to update info[3]	~1,100k	~95k	~50k	~150k	~15k	~5k	~150k	~15k	~5k	~150k	~15k	~5k
At 20 Mar 2021 (Stage 1b)	Drop in average payment rate ($ pf)[1]	-	-	-	-	-	-	-	-	-	-	-	-
	# Removed from payment[2]	-	-	-	~70k	<0.1k	~1k	~70k	<0.1k	~1k	~70k	<0.1k	~1k
At 1 Jul 2021 (Stage 2)	Drop in average payment rate ($ pf)[1]	-	-	-	~$250	~$250	~$250	~$100	~$100	~$200	~$100	~$100	~$200
	# Removed from payment[2]	-	-	-	-	-	-	-	-	-	-	-	-

1. Delta between max average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 24 Sep '20 to forecasted 25 Sep '20 due to assets testing, eligibility, NARWP, and partner income. Impact of Partner Income Test change is preliminary, further data request pending. 3. Using risk-based compliance approach to asset testing: ~11% of cohort with <$1 in assets or assets above the assets cut-off according to May 2020 Services Australia data 4. Assumes an average of ~60-70k new ISP applications granted per month as part of BAU
Source: Project analysis

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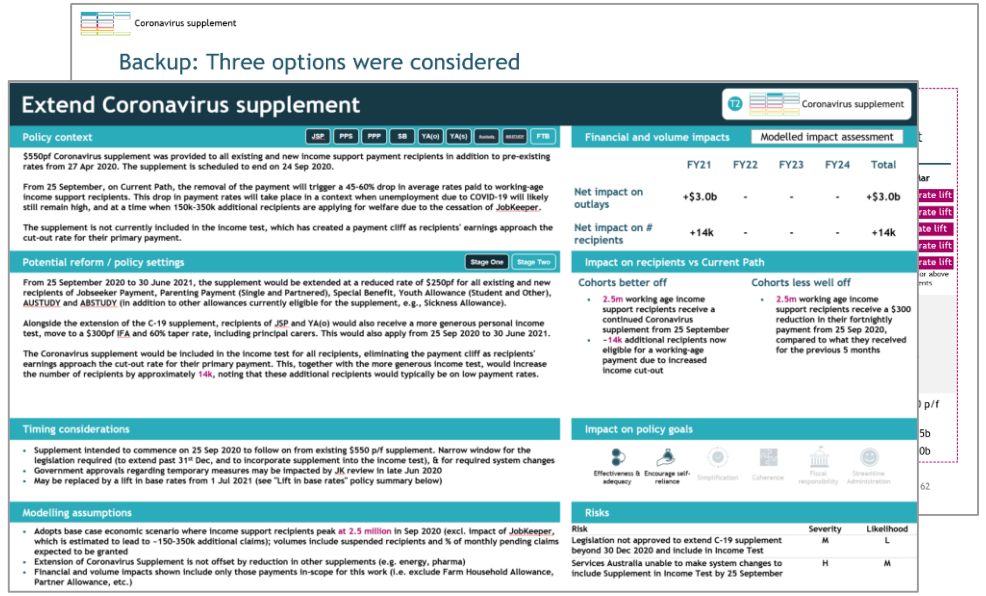
Deep dives have been developed on each policy option

Three policy options selected for deep dives today…

Temporary relief	Extend Coronavirus supplement ☆	Extend select 'access to payment' measures ☆	Discretion on unrealisable assets
Payment types	Merge into JSP: PPS and PPP	Merge YA(s) and Austudy	Merge into JSP: Special Benefit TPV holders
	Merge into JSP: YA(o)	Merge into JSP: Special Benefit >65s	Streamline FTB into a single payment
Rates	Lift base rates, cease various supplements ☆	Create new mature aged / PCW rate in JSP	
Work incentives	Align IFAs with pensions, max 50% taper rates	Expand & simplify working credit	Combined income test for couples
Service delivery measures	Predictive analytics for MOCA compliance	Streamline waiting periods: Abolish SWPP	Double the nil rate period to 12 fortnights

☆ Deep dive in following slides for today

…with deep dives on the rest available in the Compendium


Coronavirus supplement

Backup: Three options were considered

Extend Coronavirus supplement

Coronavirus supplement

Policy context

$550pf Coronavirus supplement was provided to all existing and new income support payment recipients in addition to pre-existing rates from 27 Apr 2020. The supplement is scheduled to end on 24 Sep 2020.

From 25 September, on Current Path, the removal of the payment will trigger a 45-60% drop in average rates paid to working-age income support recipients. This drop in payment rates will take place in a context when unemployment due to COVID-19 will likely still remain high, and at a time when 150k-350k additional recipients are applying for welfare due to the cessation of JobKeeper.

The supplement is not currently included in the income test, which has created a payment cliff as recipients' earnings approach the cut-out rate for their primary payment.

Financial and volume impacts — Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$3.0b	-	-	-	+$3.0b
Net impact on # recipients	+14k	-	-	-	+14k

Potential reform / policy settings

From 25 September 2020 to 30 June 2021, the supplement would be extended at a reduced rate of $250pf for all existing and new recipients of Jobseeker Payment, Parenting Payment (Single and Partnered), Special Benefit, Youth Allowance (Student and Other), AUSTUDY and ABSTUDY (in addition to other allowances currently eligible for the supplement, e.g., Sickness Allowance).

Alongside the extension of the C-19 supplement, recipients of JSP and YA(o) would also receive a more generous personal income test, move to a $300pf IFA and 60% taper rate, including principal carers. This would also apply from 25 Sep 2020 to 30 June 2021.

The Coronavirus supplement would be included in the income test for all recipients, eliminating the payment cliff as recipients' earnings approach the cut-out rate for their primary payment. This, together with the more generous income test, would increase the number of recipients by approximately 14k, noting that these additional recipients would typically be on low payment rates.

Impact on recipients vs Current Path

Cohorts better off
- 2.5m working age income support recipients receive a continued Coronavirus supplement from 25 September
- ~14k additional recipients now eligible for a working-age payment due to increased income cut-out

Cohorts less well off
- 2.5m working age income support recipients receive a $300 reduction in their fortnightly payment from 25 Sep 2020, compared to what they received for the previous 5 months

Timing considerations
- Supplement intended to commence on 25 Sep 2020 to follow on from existing $550 p/f supplement. Narrow window for the legislation required (to extend past 31st Dec, and to incorporate supplement into the income test), & for required system changes
- Government approvals regarding temporary measures may be impacted by JK review in late Jun 2020
- May be replaced by a lift in base rates from 1 Jul 2021 (see "Lift in base rates" policy summary below)

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions
- Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Extension of Coronavirus Supplement is not offset by reduction in other supplements (e.g. energy, pharma)
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make system changes to include Supplement in Income Test by 25 September	H	M

Are there any other topics we should explore today?

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Deep dive: C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	~38k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper (for JSP only)	~80k[3]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP[1]	~550-650k new claims[4]	Reinstated	Grandfather	Waived	Reinstated	Waive OWP & SWPP only	Waived	Reinstated	Grandfather	Waived
NARWP	~14k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	~75k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[2]	~550-650k new claims[4]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification
Implications		• 100k+ recipients removed from payment from 25 September[5] • Regular claim process for anticipated wave of claimants when JobKeeper ends • Reduced cost for the welfare system in terms of outlays (not administration)			• 70k+ recipients removed from payment 25 September • Some streamlining for anticipated wave of claimants when JobKeeper ends • Reduced cost for welfare system vs current C-19 measures			• No recipients lose eligibility • Continue current levels of support for new claimants as JobKeeper ends • Cost to welfare system from these measures continues at current levels		
Cost vs. Current Path		• No change from Current Path			• +$0.5b vs Current Path			• +$0.7b vs Current Path		

Note: "Grandfather" means grandfathering current recipients already in income support system. Source: DSS data, Project analysis
1. Costing outlay impact not modelled. Included in backlog for future sprints. 2. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 3. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 4. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 5. Impact of permanent employees stood down not yet quantified

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Deep Dive: Extending the C-19 supplement – Three options to consider

Description

1: Extend supplement at $150 to 20 March, with max 50% tapers, then replace with lift in base rates

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$150 C-19	$150 base rate lift	
Students	$150 C-19	$150 base rate lift	
PPS	$150 C-19	$25 base rate lift	
PPP	$150 C-19	$150 base rate lift	
SB	$150 C-19	$150 base rate lift	
Income Test	Align income test with pensions ($174 IFA, 50% taper)		
Energy, Pharma supplements	No change	Abolished for above recipients	

Hypothesis

2: Extend supplement at $250 to 30 June, increase IFA and taper for jobseekers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$250		-
Students	$250		-
PPS	$250		-
PPP	$250		-
SB	$250		-
Income Test	For JSP & YA(o): $300 IFA, 60% taper No change for others		
Energy, Pharma supplements	No change		

2: Extend supplement at $350 to 20 March, then at $250 to 30 June, no change to IFAs or tapers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$350	$250	-
Students	$350	$250	-
PPS	$350	$250	-
PPP	$350	$250	-
SB	$350	$250	-
Income Test	No change		
Energy, Pharma supplements	No change		

Implications

- Cut-out for single JSP at 25 Sep: $1,605
- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Only two points of change required, with the second point being a modest change for most recipients

- Cut-out for single JSP at 25 Sep: $1,670
- Extra support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Only two points of change required, but both are substantial for recipients

- Cut-out for single JSP at 25 Sep: $1,670
- Highest support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Three points of change where recipient payments reduce

Cost

FY21[1]	+$7.9b
FY22[1]	+$7.0b

FY21[1]	+$14.0b
FY22[1]	no change

FY21[1]	+$16.8b
FY22[1]	no change

Note: Analysis of cut-outs assumes only Energy Supplement is payable, no CRA or other supplements
1. Delta against Current Path: $57.9b for FY21 and $41.2b in FY22, assuming revert to pre-COVID settings from end of Sept '20. 2. Hold PPS increase constant at $25. 3. Both supplement and rate changed.
Source: DSS data, Project analysis

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Deep Dive: Raising base rates by $150 would create potential to abolish 10+ supplements for allowance recipients, with no net losers

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements	
Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

To: Potential end-state

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements	
Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supplen	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

1. Pensioner Education Supplement also able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

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Suggested next steps, for those leading this work

In the next two weeks

1. **Rapidly iterate Stage One costings and policy detail based on feedback from Ministers/Cabinet**

2. **Rapidly detail out implementation activities required from DSS in relation to the 25 September changes, including:**
   - Legislative, regulatory, and policy instrument changes
   - Developing risk-based approaches to required verifications (e.g. Assets Test, rental, and MOCA assessments), to reduce transaction volumes required from Services Australia

3. **Progress policy design for Stage Two, including lift to base rates, changes to income tests, working credit, FTB, consolidating payment types and supplements, mature aged / PCW rate in JSP**

4. **Decide how the model should be taken forward - suggest that an expert modeller be tasked to upkeep the model, and provide it as a service for policy teams to draw on**

5. **That expert modeller to progress the model and interactive dashboard in line with the detailed 'model backlog':**
   - Further integrating unit level analyses (picking up items not possible due to timing of data clearance processes)
   - Building out additional features required for analysis of Stage Two and future policy options (incl. supplement consolidation beyond energy supplement & pharma, FTB changes, couple combined income test, eligibility parameters, sharer rate, indexation changes)
   - Build model feature for claim volumes and waiting periods

In the following two weeks

1. **Commence critical implementation activities for 25 September changes (other than those led by Services Australia), including:**
   - Build predictive model to target initial round of Asset Test compliance interventions
   - Build predictive model and new compliance approach for MOCA, and process for MOCA periodic self-assessments
   - Commission work on improved digital tools for working credit

2. **Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister**
   - Add new features to model if new policy design ideas requested
   - Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
   - Engage Services Australia on possible implementation timing & constraints
   - Ministerial Briefing and Cabinet Submission development

3. **Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:**
   - Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
   - Ability to adjust indexation rules and see cost & volume impacts

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Thank you

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WORK IN PROGRESS VERSION
AS AT 25 June 2020

Project Canoe

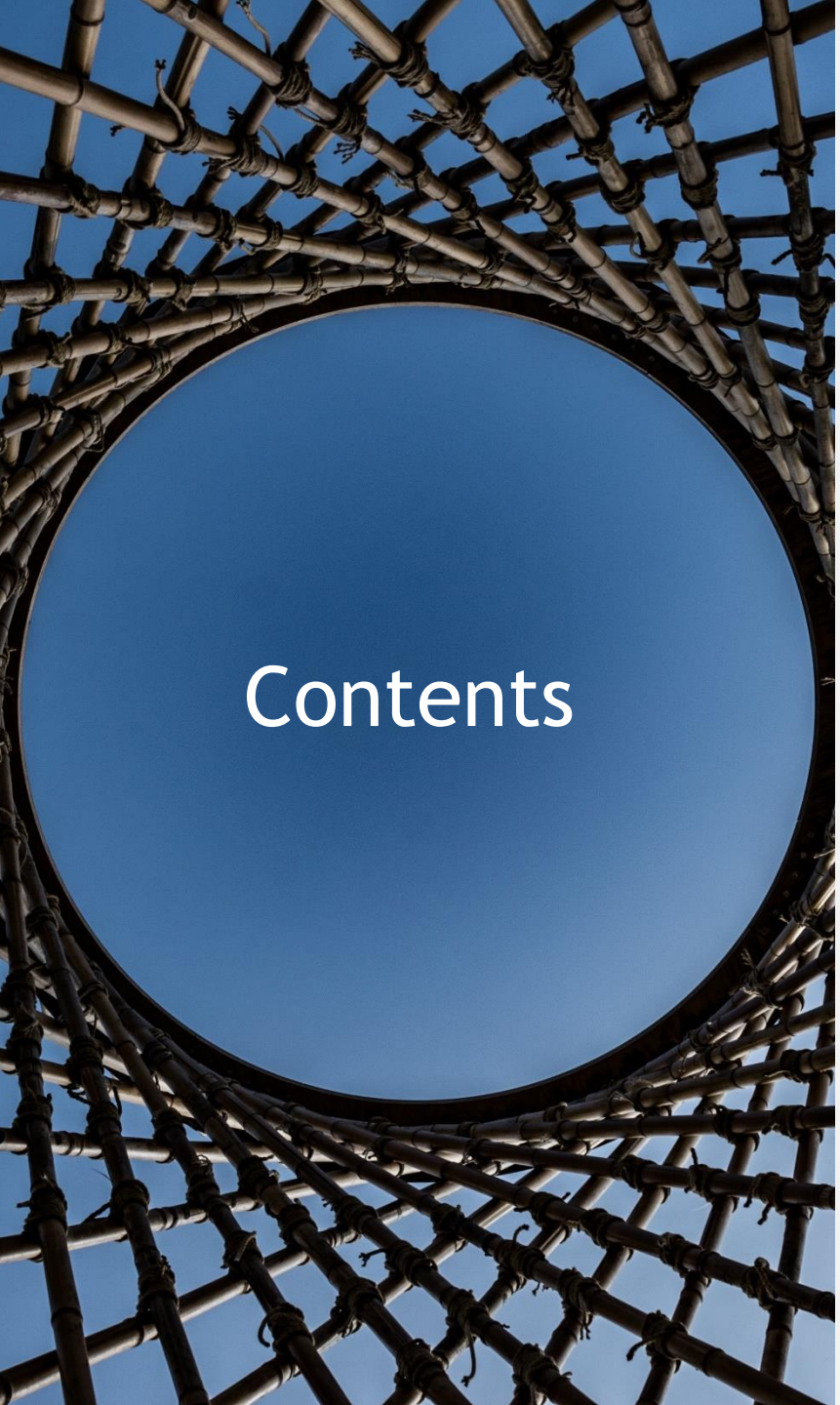
Compendium of materials

25 JUNE 2020

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Note to the reader

This compendium contains a suite of materials developed during research into a range of illustrative policy options for the social security system in the wake of the COVID-19 pandemic.

The figures shown in this compendium are drawn from a model developed during the research, which models the working-age social security system over the period FY20-24. The figures shown in this Compendium represent the best view possible as at 24 June 2020, based on the data made available to the researchers, and the time available to conduct the research.

The researchers' intent is that this model should continue to be developed and progressed over time. Accordingly, materials in this compendium should be updated with the latest figures from that model, prior to being used in subsequent months after this research.

In particular the following further updates to the model are considered to be a high priority:

- Updating the income distributions and cohort volume distributions to a more recent data extract (the researchers were provided with a data extract of income and cohort volume distributions as at 24 April 2020)
- Adding further supplements to the model, and to the modelled savings from absorbing them into a broad lift in base rates (the model currently includes only Energy Supplement and Pharmaceutical Allowance, as data on a broader range of supplements was not able to be accessed in the time period for this research)
- Building a forecast of claim volumes over time, and the ability to model impacts of changes to the OWP, LAWP, and SWPP (the researchers were provided with a top-down estimate of the impact of abolishing the SWPP, and the model does not yet incorporate the OWP or LAWP as these were not seen as a priority during the build)
- Refining the model logic for the treatment of FTB policy options (the current integration of FTB options adopted a light-touch approach, as FTB policy options were not considered a priority relative to other items)
- Refining the model logic to account for interactions between payments, and between income support payments and FTB payments
- Refine the indexation feature of the model, to ensure good alignment with Treasury estimates and specific policy settings

A full backlog for the suggested further development of the model is provided in the final section of this Compendium.

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Policy goals that this research is framed around

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Six high level policy goals



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Initial view of key pain points (I/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive/ employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age) • Child support tests can overlap with welfare payment income tests to produce EMTRs >100%
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • You can be on JSP if a casual working 40 hours/week, but can't be on JSP if permanent employee working 40 hours/week

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Initial view of key pain points (II/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Current trajectory for working-age welfare post COVID-19

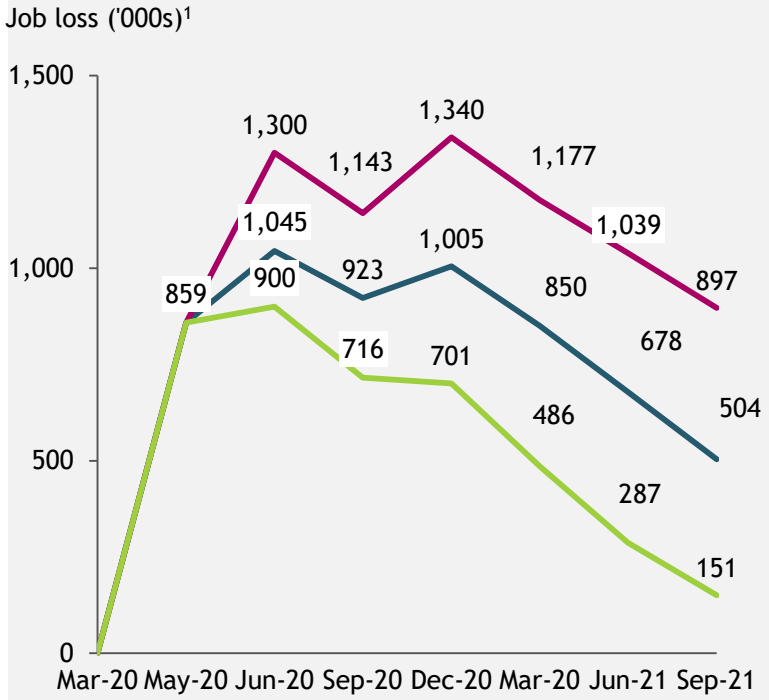
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We have considered three macroeconomic scenarios

To come: Recipient volumes from Jun-Sep 2020 use Apr income distributions; to be updated with incoming data

Three scenarios for job recovery…



Key assumptions:[2]

- Pessimistic case[3]: ~350k recipients flow into welfare system post-JK
- Base case: ~225k recipients
- Optimistic case[4]: ~150k recipients

…Leading to three scenarios for total recipient numbers



1. Job loss since mid-Mar (pre-COVID); 2. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; 3. 1,300 job loss in Jun 2020 aligns with Grattan Institute's forecasts (1,370k); 4. 900k job loss in Jun 2020 aligns with Citibank forecasts (856k)
Note: Job loss forecasts and recipient number trajectories may change if JK payments are terminated earlier than end of Sep; figures include suspended recipients due to MO exemption, exclude nil rates
Source: ABS Data, DSS Data (Bluebook), Treasury estimates, RBA estimates, Senate media release, Project analysis

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Backup: Macroeconomic scenarios focus on potential COVID-19 recovery pathways

Optimistic case

- Virus is suppressed; people movements are safe
- Continuation of favourable fiscal policies; limited challenges with global trade
- Workforce embraces new flexibility in remote working, driving higher productivity levels
- High consumer confidence and an increase in discretionary spending

- Job loss due to C-19 forecasted to reach 850k[1], with expectation to recover by Apr 2022
- Most sectors expected to recover by 2022, with significant recovery made by highly impacted sectors, incl., Arts and Recreation Services, Accommodation and Food Services

Base case (likely)

- Virus slowly eradicated; staged unwinding of social distancing restrictions
- Some favourable fiscal policies; some challenges with global trade
- Slow workforce adoption of remote-working with mixed results; little improvements in productivity
- Declining consumer confidence and discretionary spending

- Job loss due to C-19 forecasted to reach 1m[2], with expectation to recover by Apr 2023
- Most sectors expected to recover by 2022, with the exception of highly impacted sectors

Pessimistic case

- Wave 2/3 of virus; continued social distancing restrictions
- Lack of effective fiscal policies; increased protectionism in global trade
- Absenteeism and declining productivity due to remote working
- Low consumer confidence, drastic cutbacks in discretionary spending

- Job loss due to C-19 forecasted to reach 1.3m[3], with expectation to recover by Apr 2024
- Sectors slow to recovery, with sustained job loss for highly impacted sectors – permanent job loss expected

1. Aligns with Citibank forecasts (856k by Jun 2020); 2. Aligns with RBA forecast of 1 mil jobs lost by June 2020; 3. Aligns with Grattan Institute forecasts (1,370k by Jun 2020)

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Backup: Methodology applies job loss scenarios to current recipient numbers, to derive scenarios for recipient volumes

Modelling approach

Develop scenarios for job loss until Dec 2025

- **Forecasted job loss** due to C-19 conducted using sector by sector analysis, **and likely recovery pathway (e.g. V or U)**[1]
- **Estimate likely duration** until job loss will likely stabilise
- **Triangulate using estimates** from Treasury, RBA, Grattan Institute, industry experts
- Adjust job loss forecasts **to reflect additional job loss when JobKeeper ceases** (Oct-Sep 2020)

Determine recipient #s for Apr and May 2020

- **Assess extent of increase in recipient numbers** for each payment type **post-shutdown** using Apr, May 2020 actuals
- **Adjust actuals to include suspended recipients and pending claims** likely to be granted

Quantify likely impact of job loss #s on recipient #s

- **Adjust to reflect unique features of C-19 crisis and likely near-term trajectory** (e.g. travel/tourism hit hardest, with more young people)

Apply job loss #s to actuals to forecast recipient #s

- **Determine impact of changes in job loss recovery** on recipient numbers for each payment type
- **Calibrate trajectory according to likely response** when JK and coronavirus supplements end (in Sep)

1. https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy
Source: Project analysis

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Backup: Key assumptions in modelling total recipient numbers under each macroeconomic scenario

	Optimistic case	Base case	Pessimistic case
Job loss recovery	• No permanent job loss – V shaped recovery • Job loss stabilises in ~2 years	• No permanent job loss - U-shaped recovery • Job loss stabilises in ~3 years	• Permanent job loss following L-shaped recovery: 1.2% of jobs lost due to C-19 remain • Job loss stabilises in ~4 years
Job loss to recipient increase conversion[1]	• Same as base case	• Jobseeker: JS recipient increase equates to 87.4% of total job loss • YA(o): 7.6% • PP(p): 1.6% • PP(s): 1.2% • YA(s): 5.3% • AUSTUDY: 1.0% • ABSTUDY: 0.2% • Special benefits: 0.3%	• Same as base case
Post-JK impact on total job loss[2]	• ~115k jobs to be lost post-JK	• ~200k jobs to be lost post-JK	• 350k jobs to be lost post-JK

1. The Treasury estimated that JK 'disguises' a 5% unemployment rate – equiv. to 500,000 jobs lost assuming Apr ratio (unemployment rate to job loss) applies; pessimistic case assumes 70% of 500,000 jobs will be realised; base case assumes 45%; optimistic case assumes 30%
Source: DSS data, RBA forecasts, Project analysis

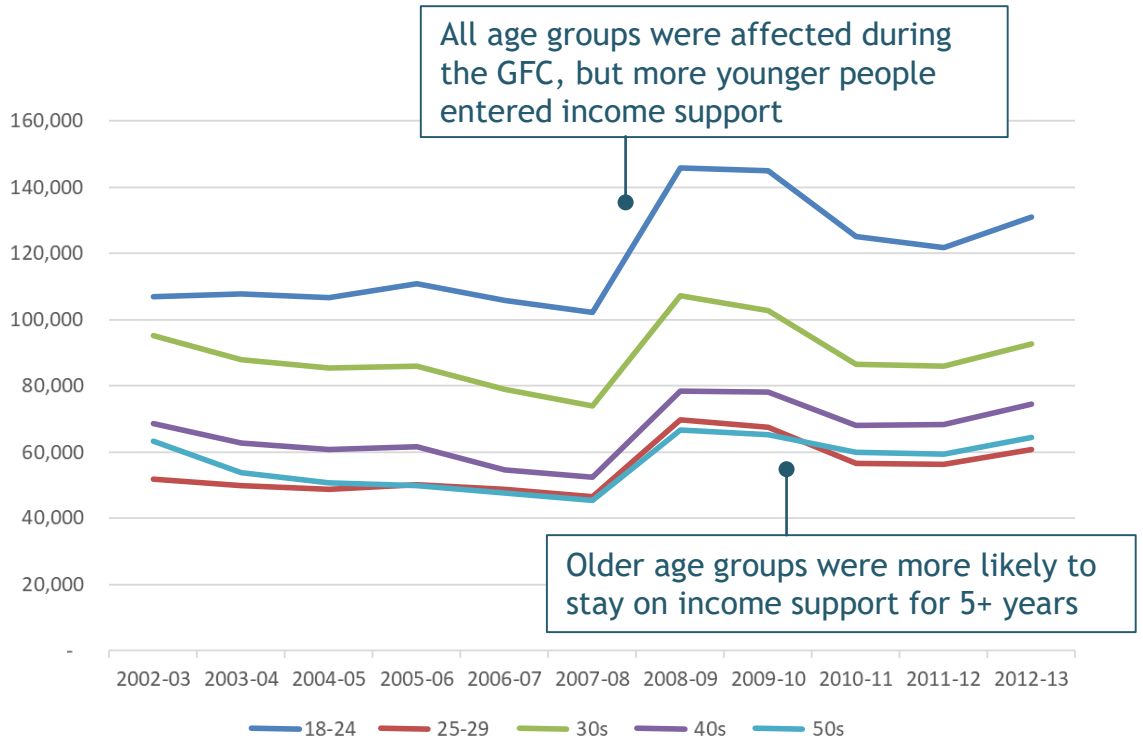
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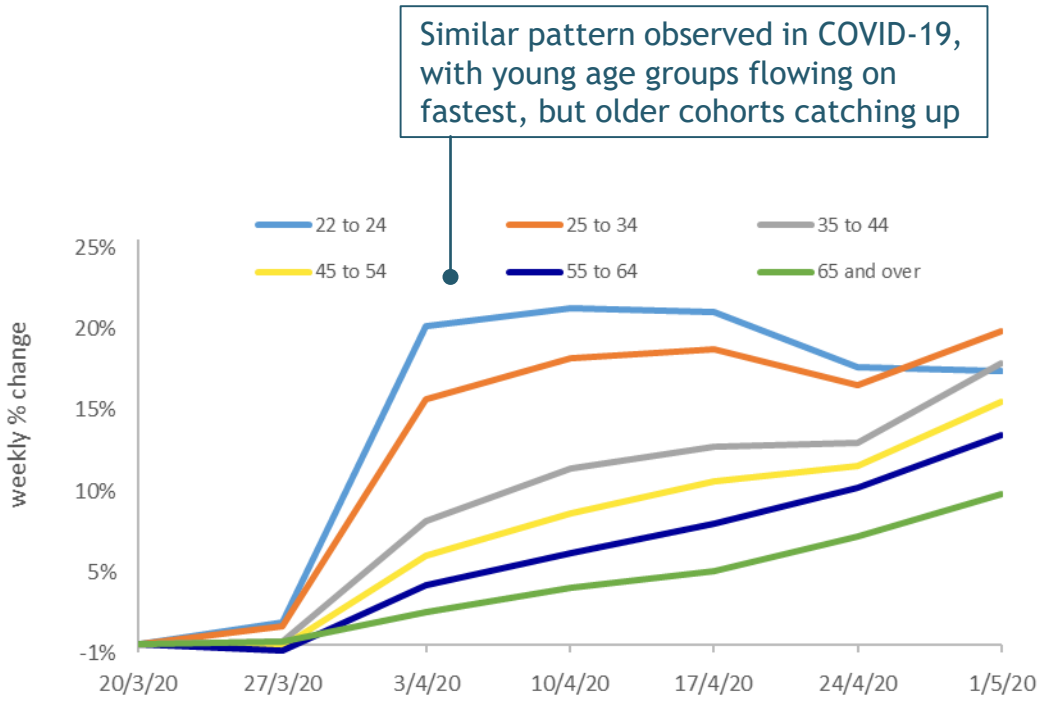
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Backup: GFC saw young people more likely to enter welfare system, but also faster to leave; COVID-19 crisis is following a similar pattern so far

GFC: New entrants to income support, by age group



Today: Entrants to Jobseeker Payment, by age group



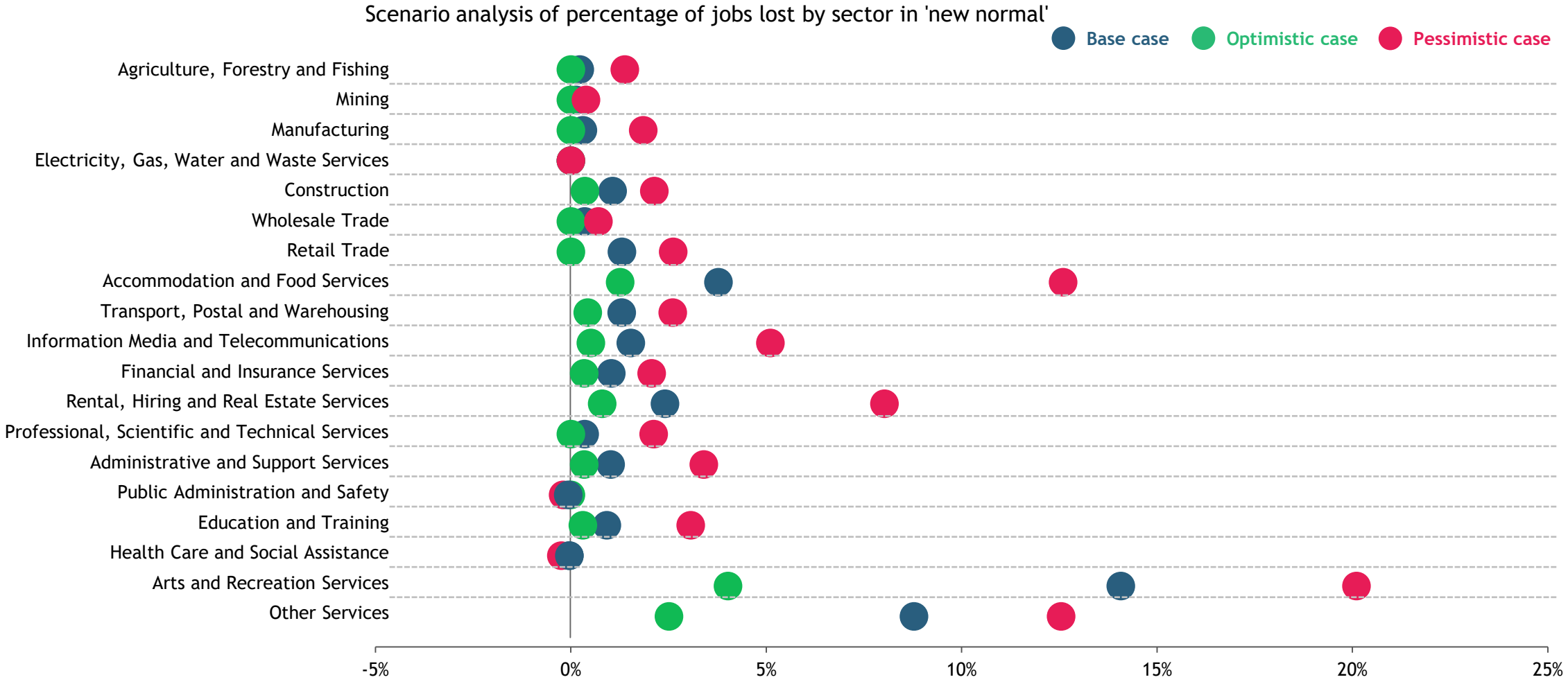
Source: DSS data

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Back-up: Unemployment rate forecasts were informed by job loss predictions for 19 sectors



Source: Project analysis, interviews with sector experts

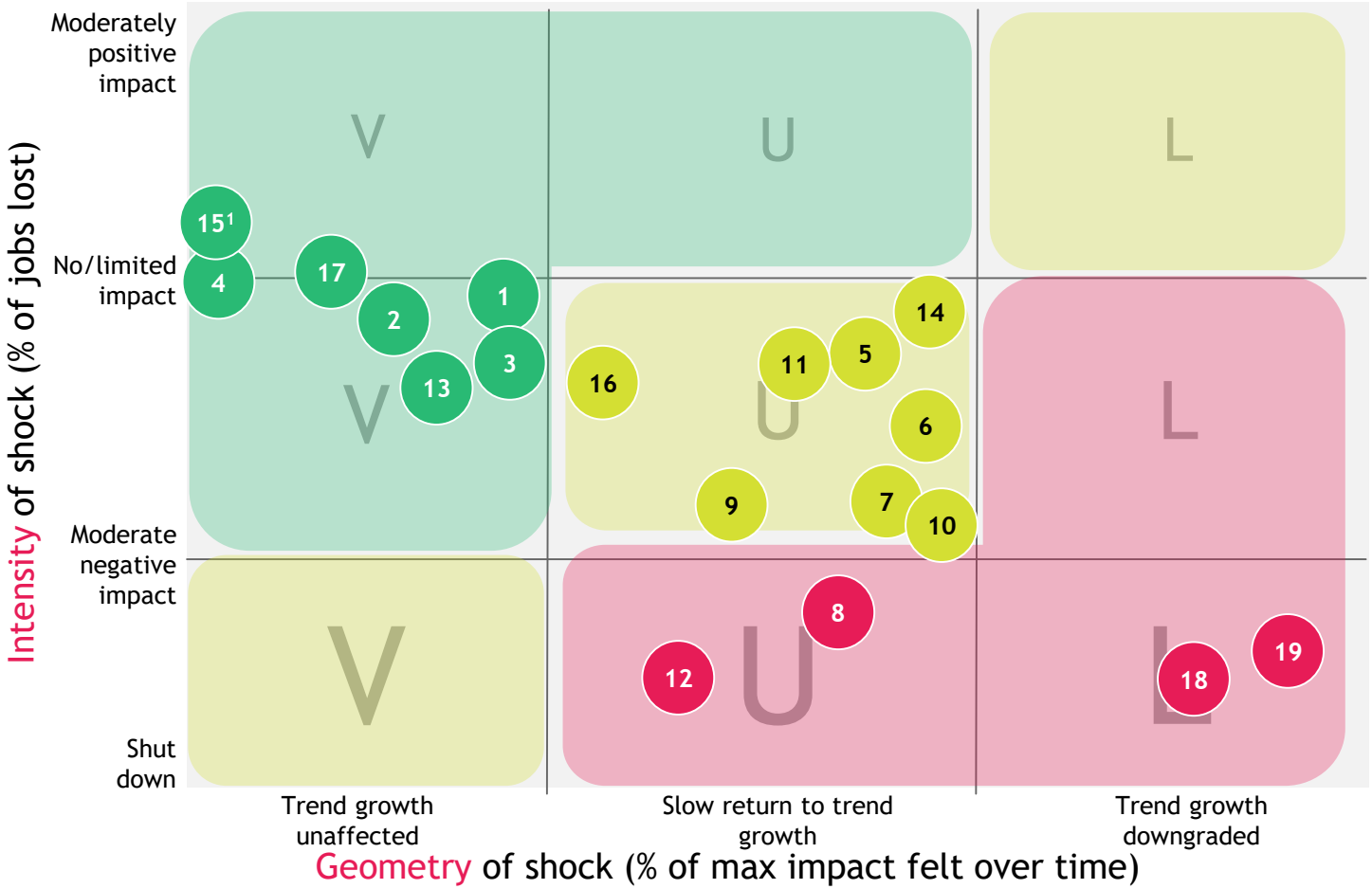
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Backup: Under the base case scenario, 2 sectors have an L-shaped recovery, and 7 sectors have a V-shape

Intensity and Geometry of each sector at max impact



1	Agriculture, Forestry and Fishing	11	Financial and Insurance Services
2	Mining	12	Rental, Hiring and Real Estate Services
3	Manufacturing	13	Professional, Scientific and Technical Services
4	Electricity, Gas, Water and Waste Services	14	Administrative and Support Services
5	Construction	15	Public Administration and Safety
6	Wholesale Trade	16	Education and Training
7	Retail Trade	17	Health Care and Social Assistance
8	Accommodation and Food Services	18	Arts and Recreation Services
9	Transport, Postal and Warehousing	19	Other Services
10	Information Media and Telecommunications		

1. Public administration and safety is estimated to see job increases (positive intensity) and so will not adopt a V-shape recovery

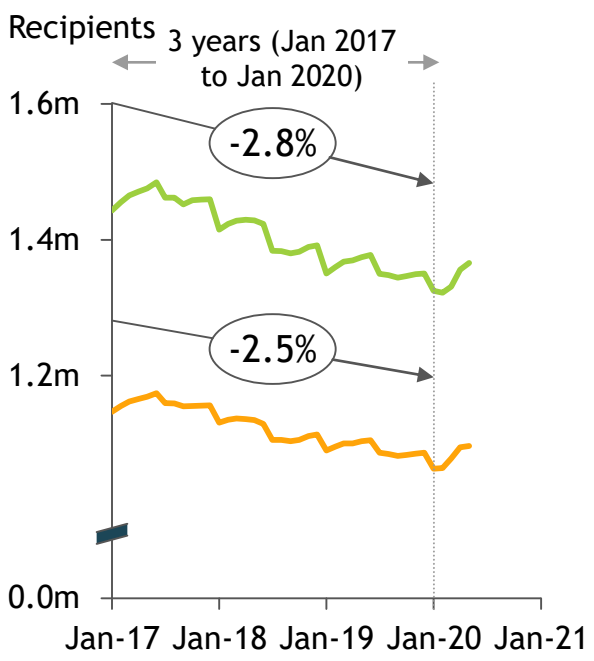
Source: Project analysis, interviews with sector experts

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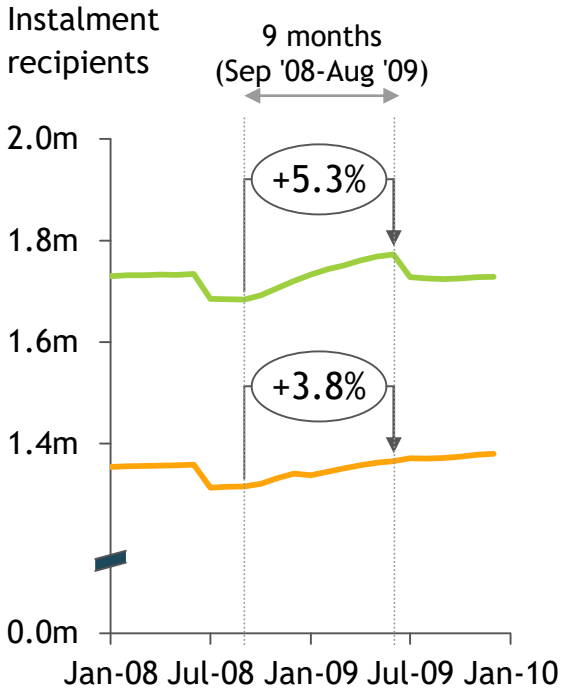
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Volume forecast for FTB is informed by trend of decline, and GFC-driven one-off increase

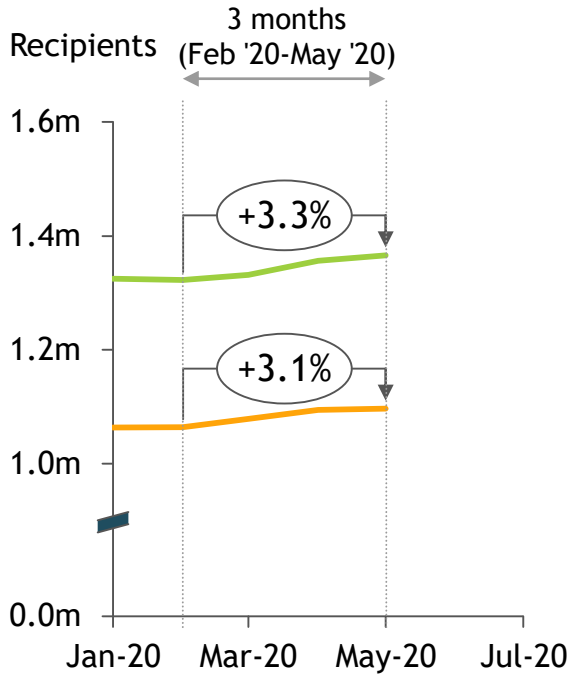
FTB volumes decreasing at ~2.5% p.a (organically and due to policy changes)



A one off increase of 4-5% occurred during the Global Financial Crisis



FTB volumes have increased by ~3% since the start of the COVID-19 crisis



FTB Part A FTB Part B

Source: Project analysis; DSS FTB monthly fact sheets

Assumptions used in FTB forecast in this research

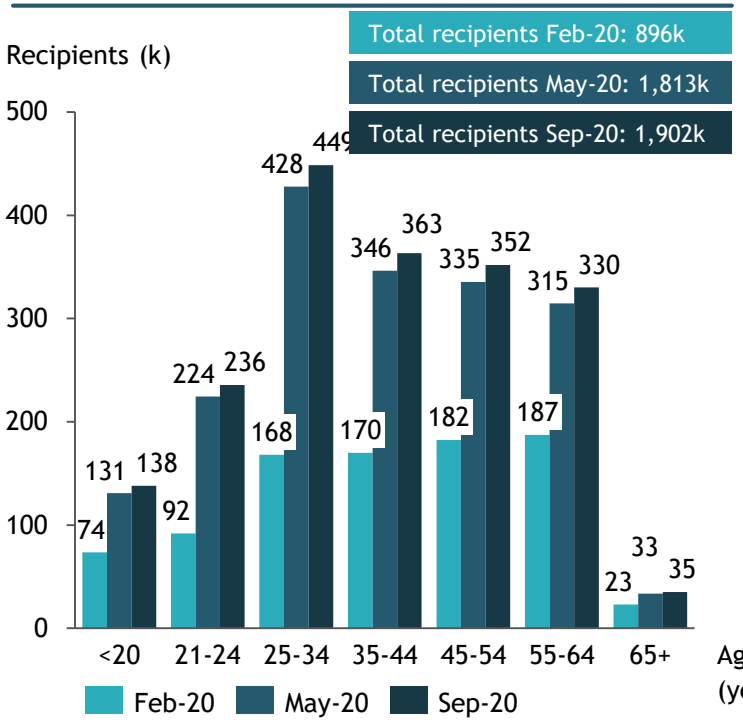
To come

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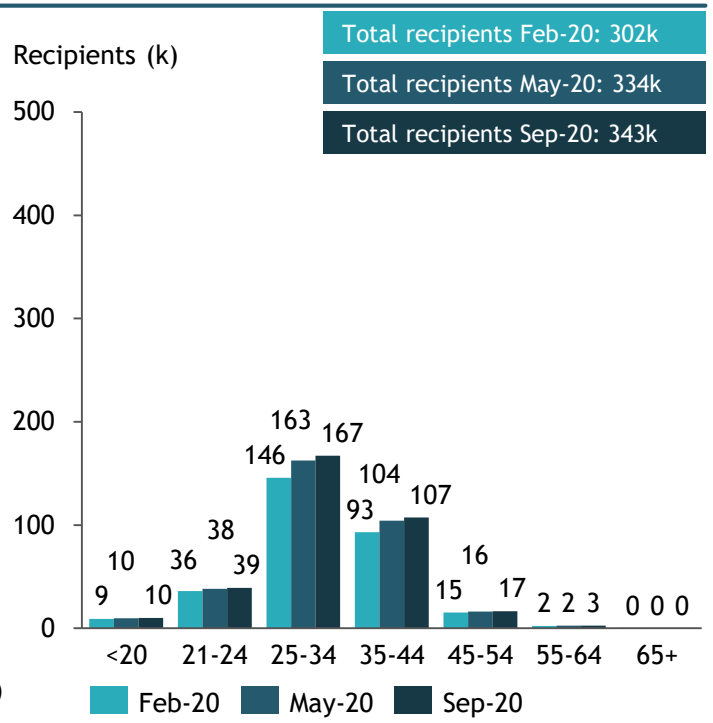
These scenarios inform the likely shape of the working-age welfare system we expect in Sep-2020

Jobseekers[1]



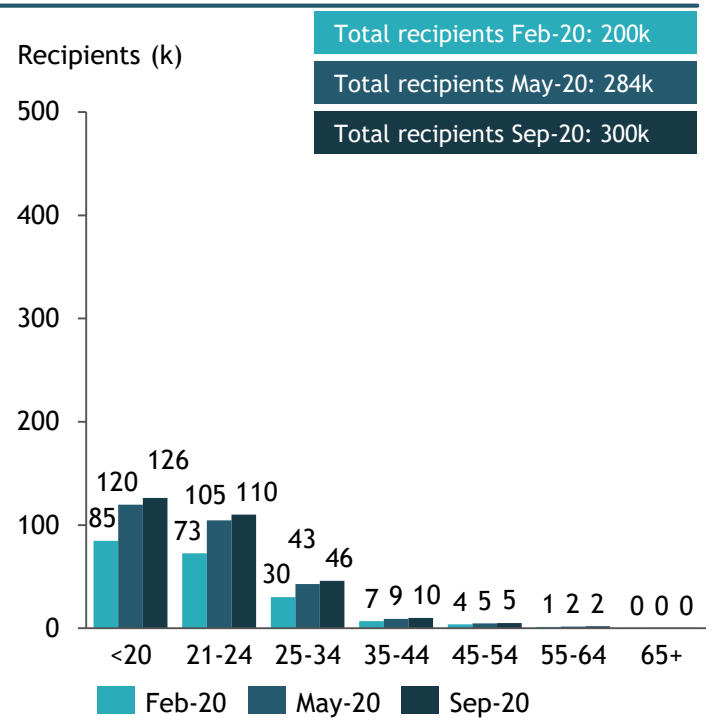
Age distribution skewed towards younger cohorts in May 2020; +7 ppts in 21-34 age group from Feb 2020 to May 2020

Parents of young children[2]



Age distribution largely unchanged from Feb 2020

Students[3]



Age distribution largely unchanged from Feb 2020

1. Includes JSP and YA(o) recipients 2. Includes PP(s) and PP(p) 3. Includes YA(s), AUSTUDY, ABSTUDY
Note: Excludes nil rate earning recipients, <16 age group not shown
Source: DSS Data (Bluebook), Project analysis

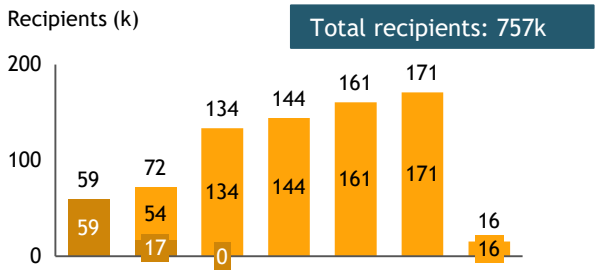
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Back-up: Expected shape of working-age welfare system by payment type

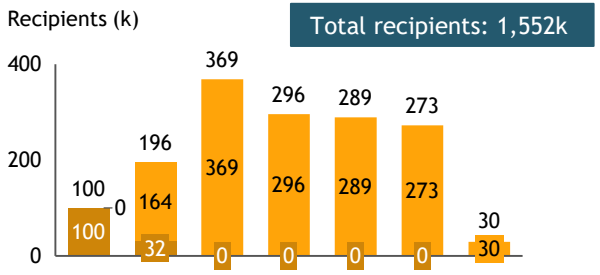
Note: Impact of JobKeeper withdrawal and timing is not yet known

Jobseekers

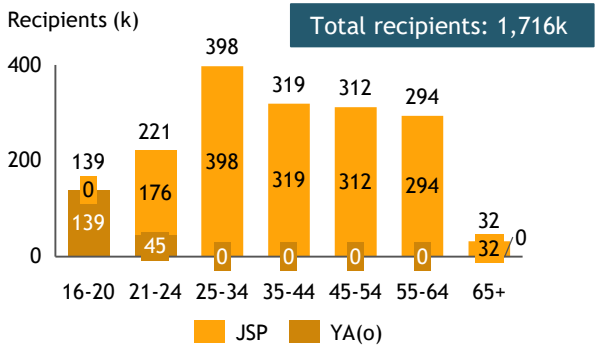
Pre-COVID (as at 13 Mar 2020)



Current (as at 1 May 2020)

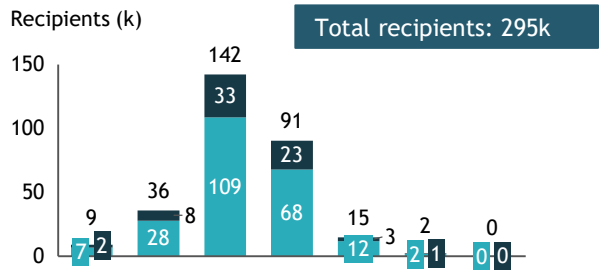


Expected at 24-Sep 2020

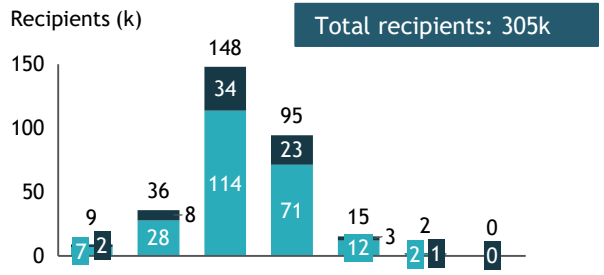


Parents of young children

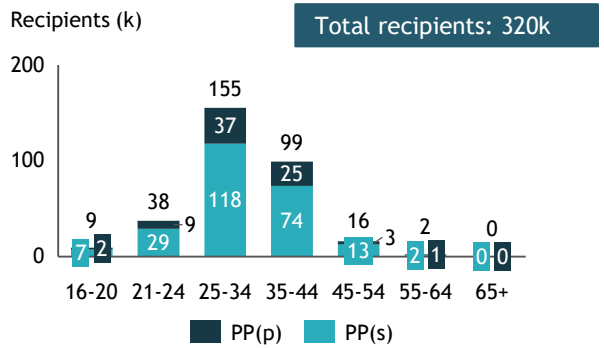
Pre-COVID (as at 13 Mar 2020)



Current (as at 1 May 2020)

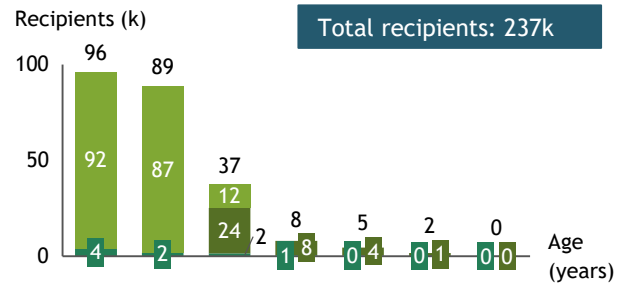


Expected at 24-Sep 2020

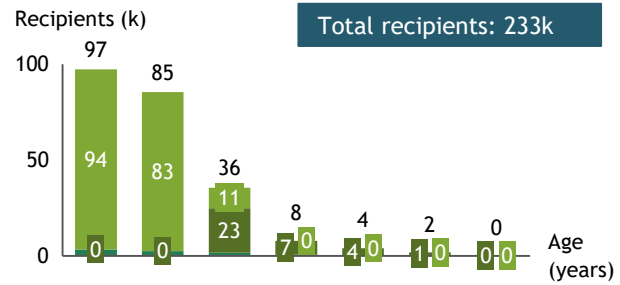


Students

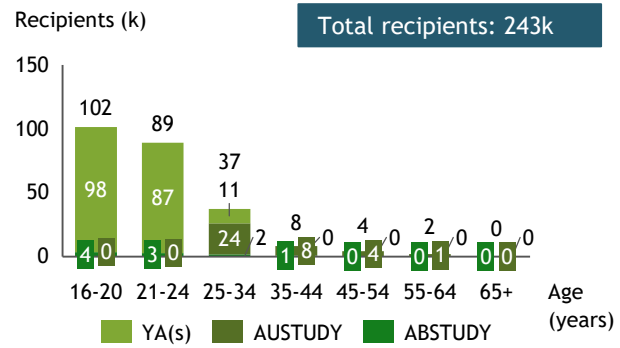
Pre-COVID (as at 13 Mar 2020)



Current (as at 1 May 2020)



Expected at 24-Sep 2020



Note: Excludes recipients aged <16 years old; assumes Sep 2020 age distribution is the same as May 2020; does not take into account impact of JobKeeper – timing not yet known
Source: DSS Data, Project analysis

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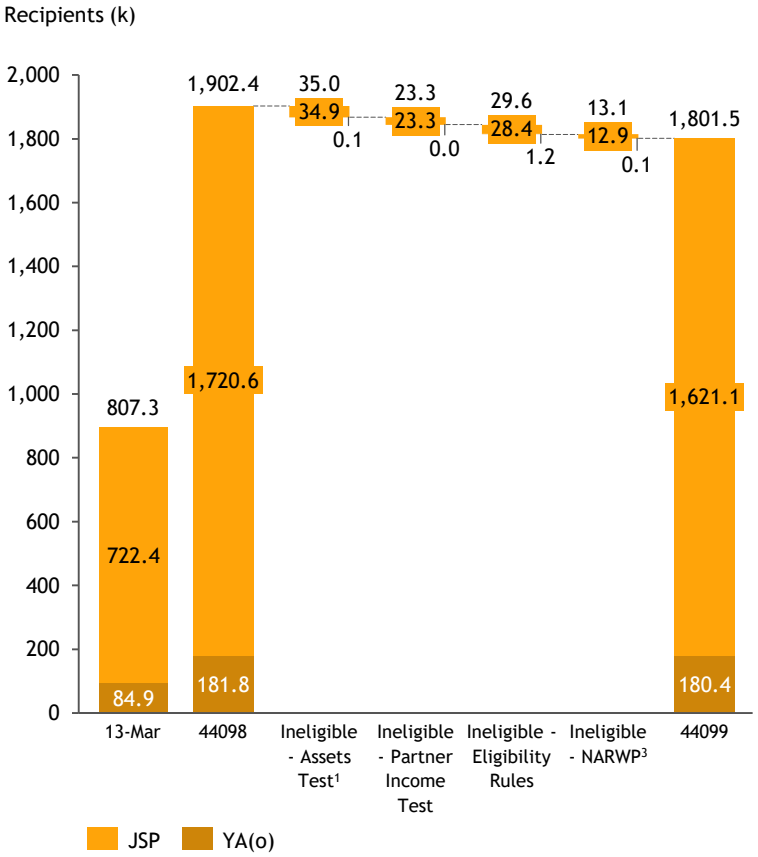
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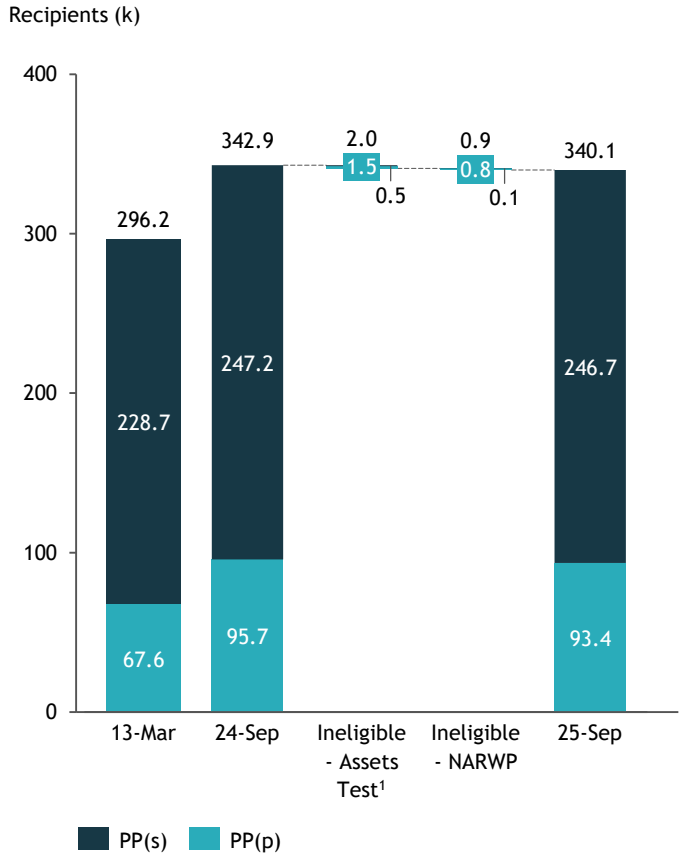
On current settings, 100k+ recipients likely to be removed from payment following 25 Sep 2020…

To come: Partner income distribution to be updated; partner income distribution as at 1 Apr 2021

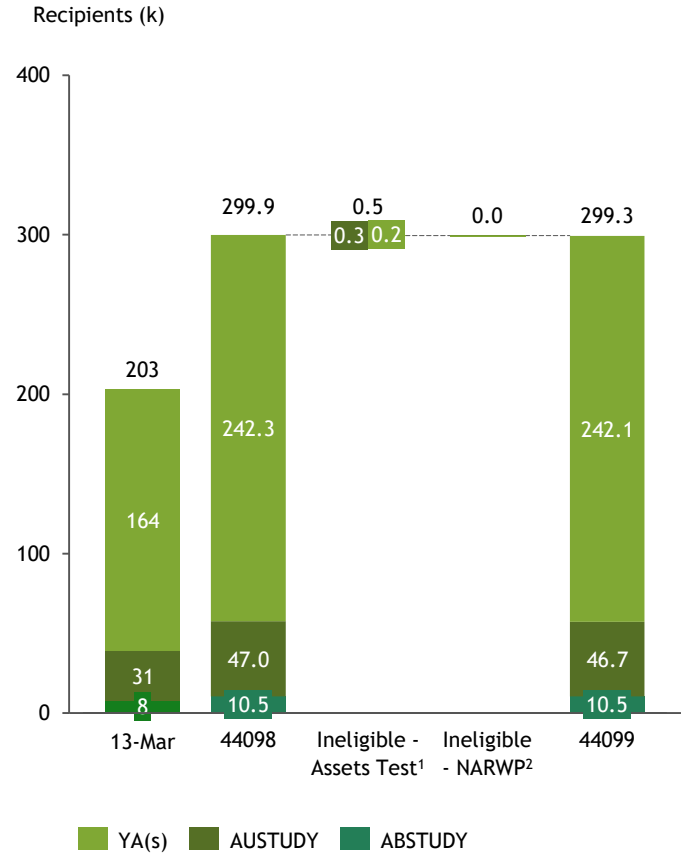
Jobseekers (100k+)



Parents of young children (~3k)



Students (0.5k+)



1. Distribution of total net assets (net financial and non-financial assets) observed in 29 May 2020 assumed to apply in Sep 2020 2. 25% of ~75k stood-down permanent employees and 40k sole traders assumed to opt of payment due to MO requirements 3. NARWP assessment based off 30 April 2020 estimates of recipients on payment but should be serving a NARWP
Note: Excludes nil rate earning recipients
Source: DSS Data, Project Analysis

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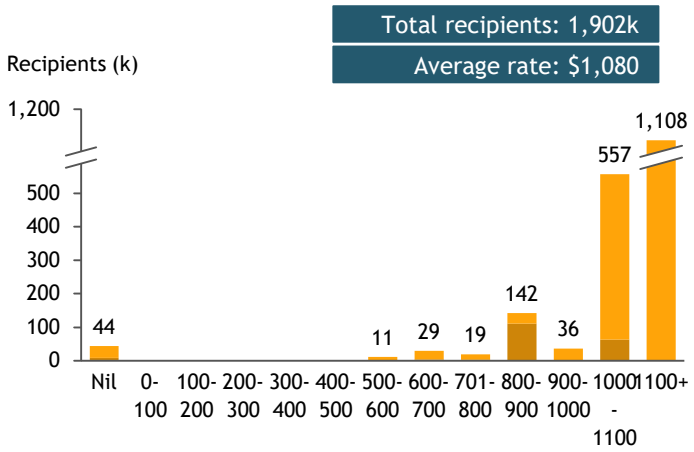
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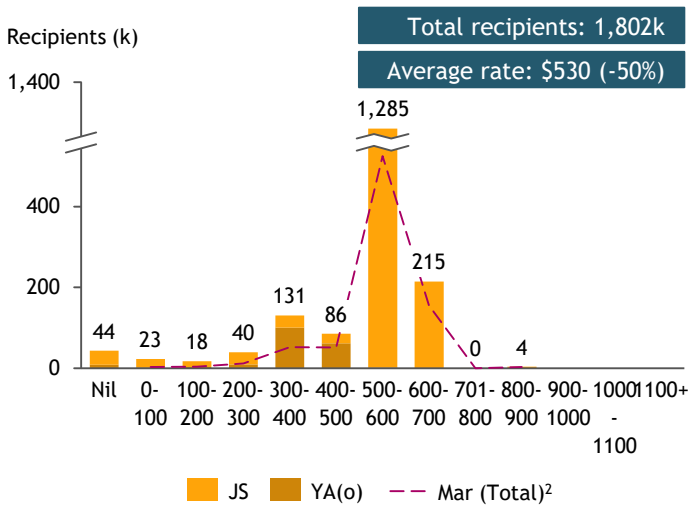
…And average payments will drop by ~45-60%

Note: Excludes FTB, excludes supplements other than C-19, energy, and pharma

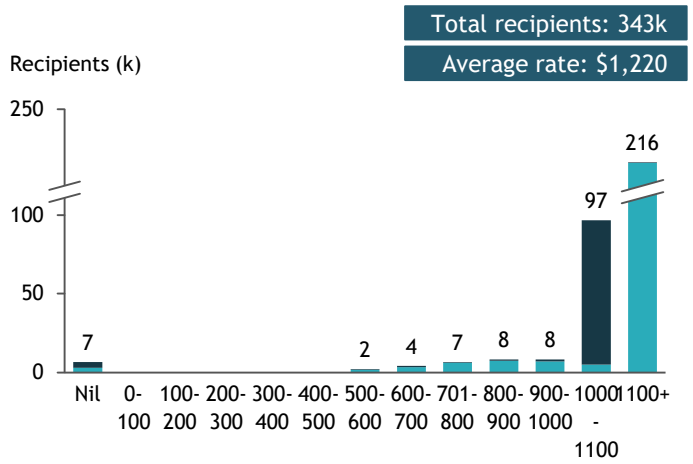
To come: Recipients on nil rates underrepresented. Distribution of payments based on income distribution as at 1 Apr 2021; awaiting data clearance for updated data extract

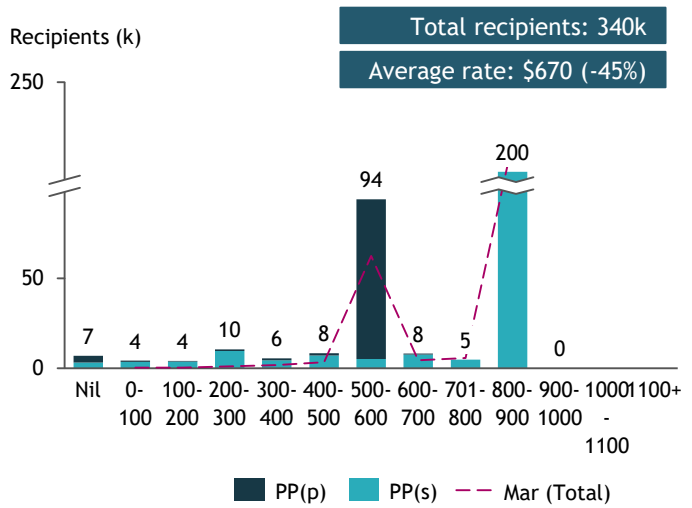
Jobseekers



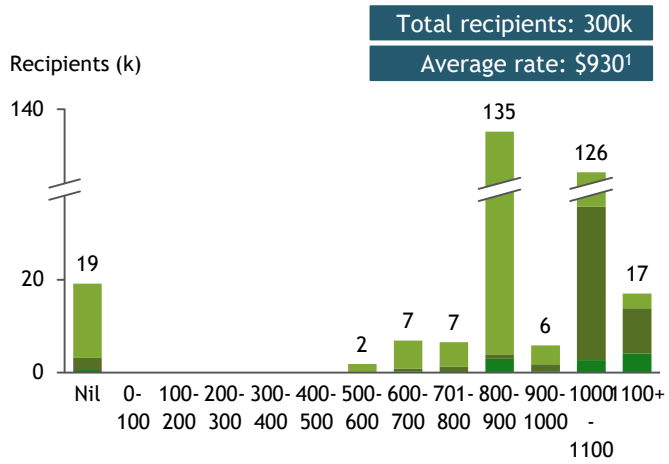


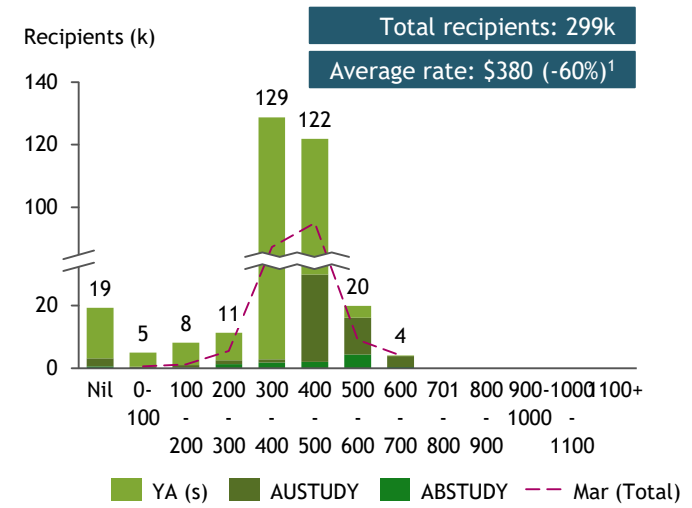
Parents of young children





Students





1. Average rate does not include ABSTUDY Masters payments; 2. Calculated using 13 Mar 2020 recipient numbers and pre-COVID income distributions
Note: Pharmaceutical and Energy Supplements factored into average payments; includes nil rates determined using 1 Apr 2021 income distributions
Source: DSS Data, Project analysis

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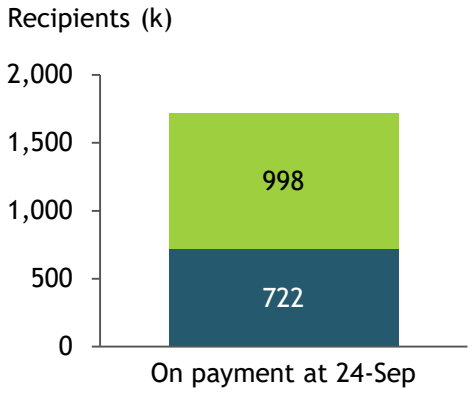
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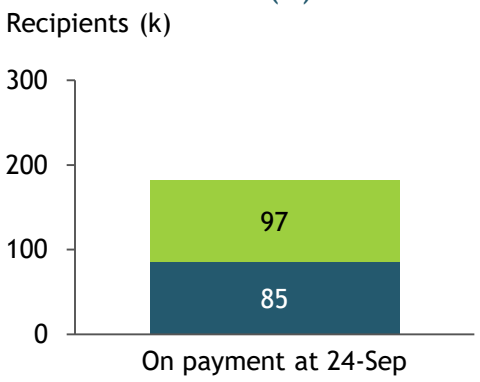
…And 1,200k+ recipients likely required to update information

Jobseekers

JSP

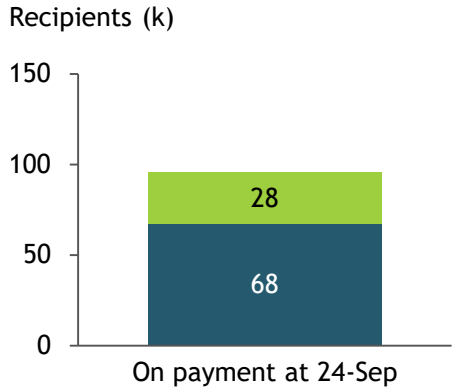


YA(o)

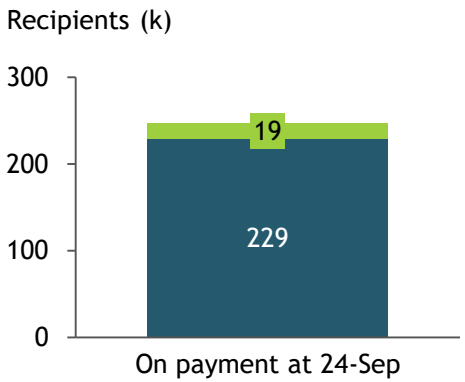


Parents

PP(P)

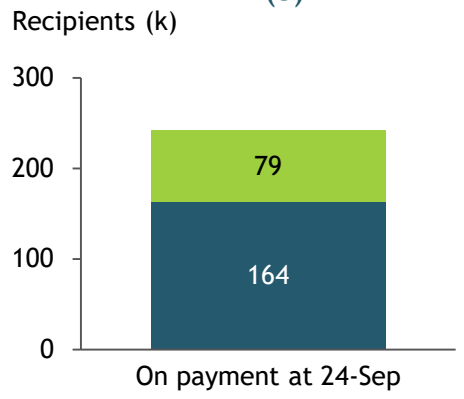


PP(S)

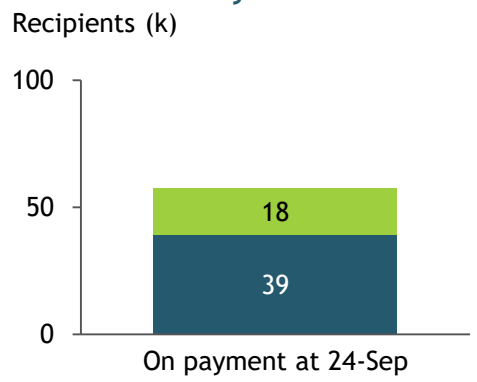


Students

YA(s)



Austudy/ABSTUDY



"New" recipients, joined after 13-March-2020 "Old" recipients

Note: Recipient volumes include suspended recipients and a % of pending claims expected to be granted
Source: DSS Data, Project analysis

Two key updates required

1. **Net assets held by recipients**
   - Services Australia has only collected data on financial assets
2. **Rental amounts being paid**
   - Currently only a self-declaration is required
   - Post 24-September, a lease or tenancy agreement must be provided

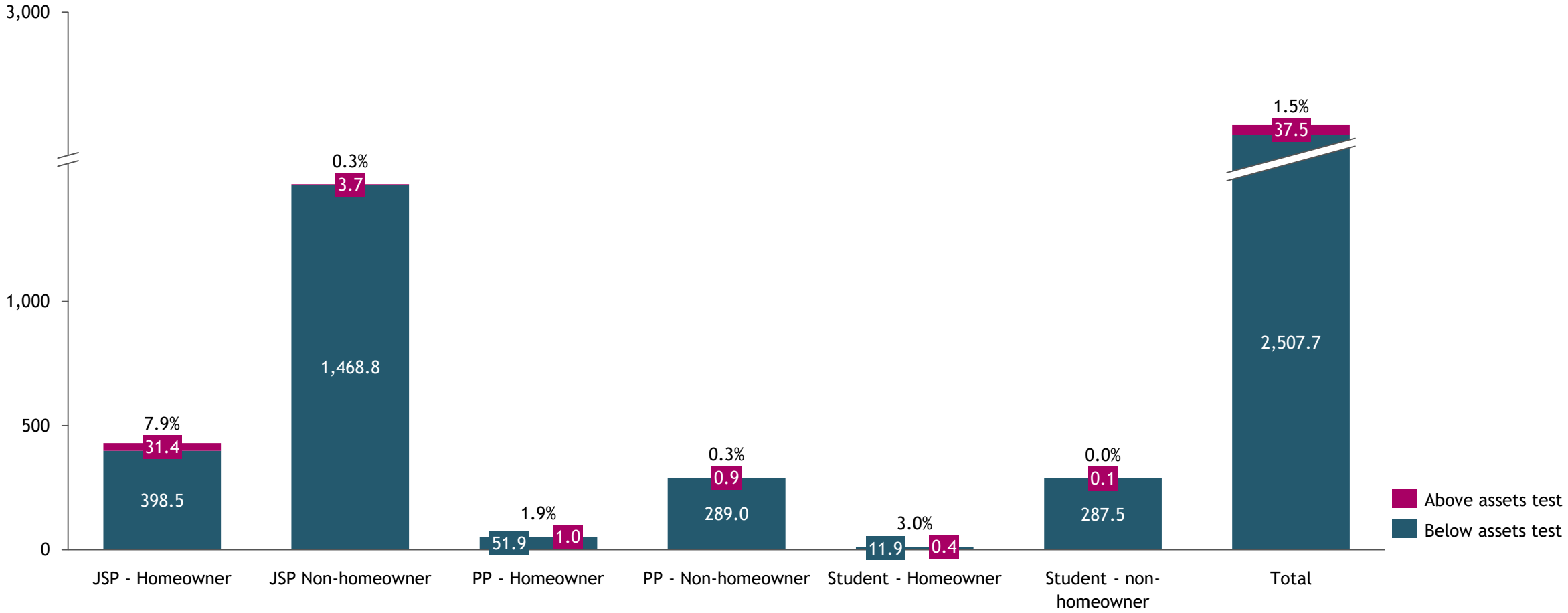
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Backup: ~38k recipients expected to be ineligible under assets test

As at 24 Sep

Recipients (k)/(% above assets limit)



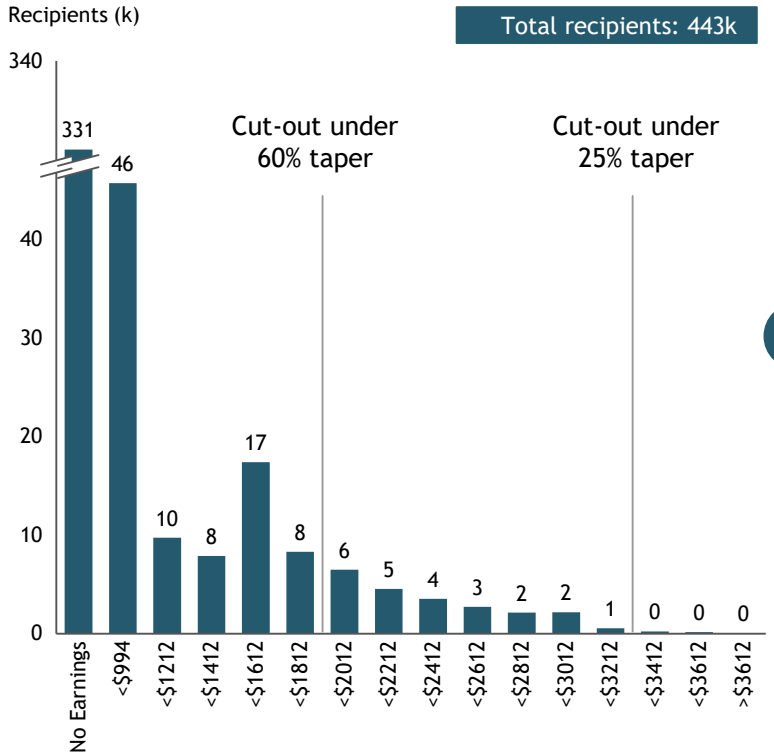
Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

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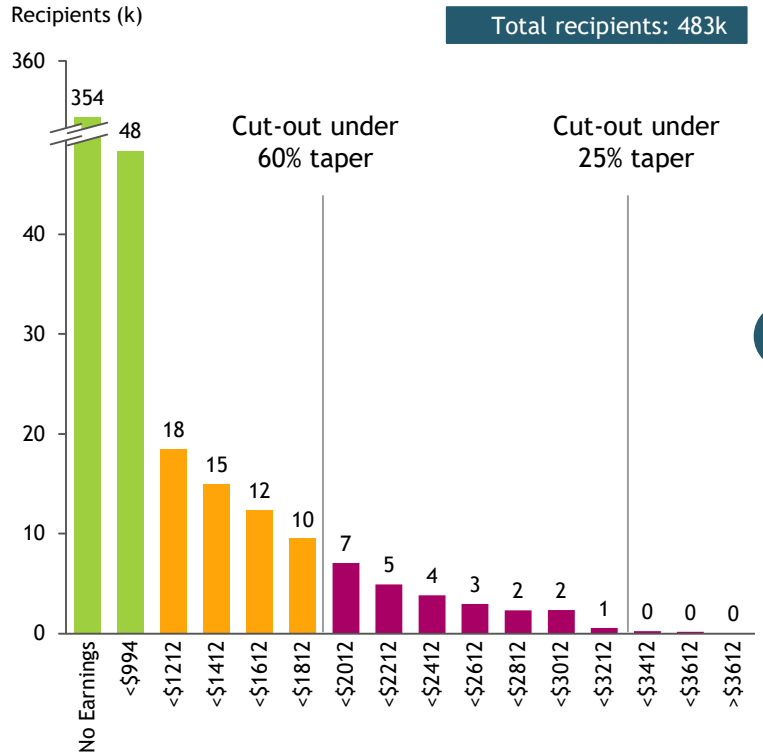
Backup: ~25k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

To come: Pending claims to be included in volumes; partner income distribution to be updated using unit-level data

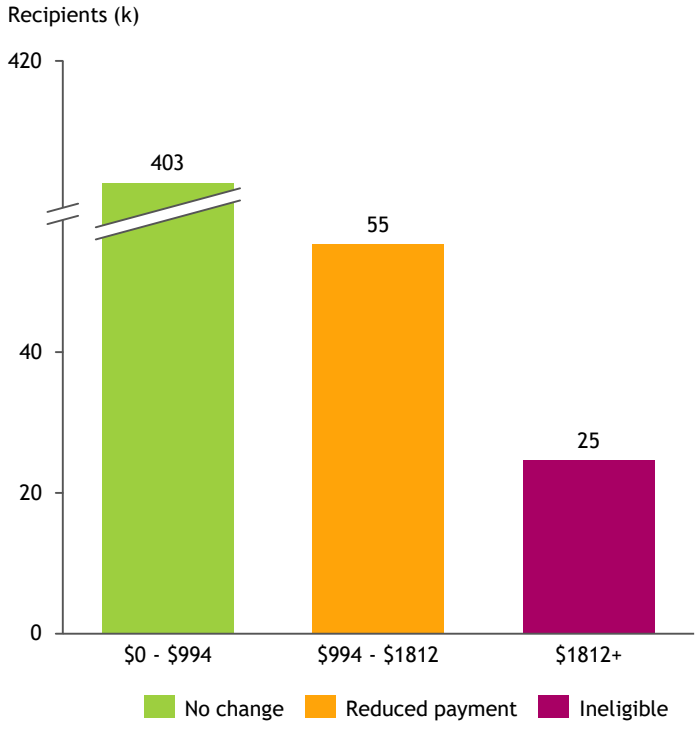
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

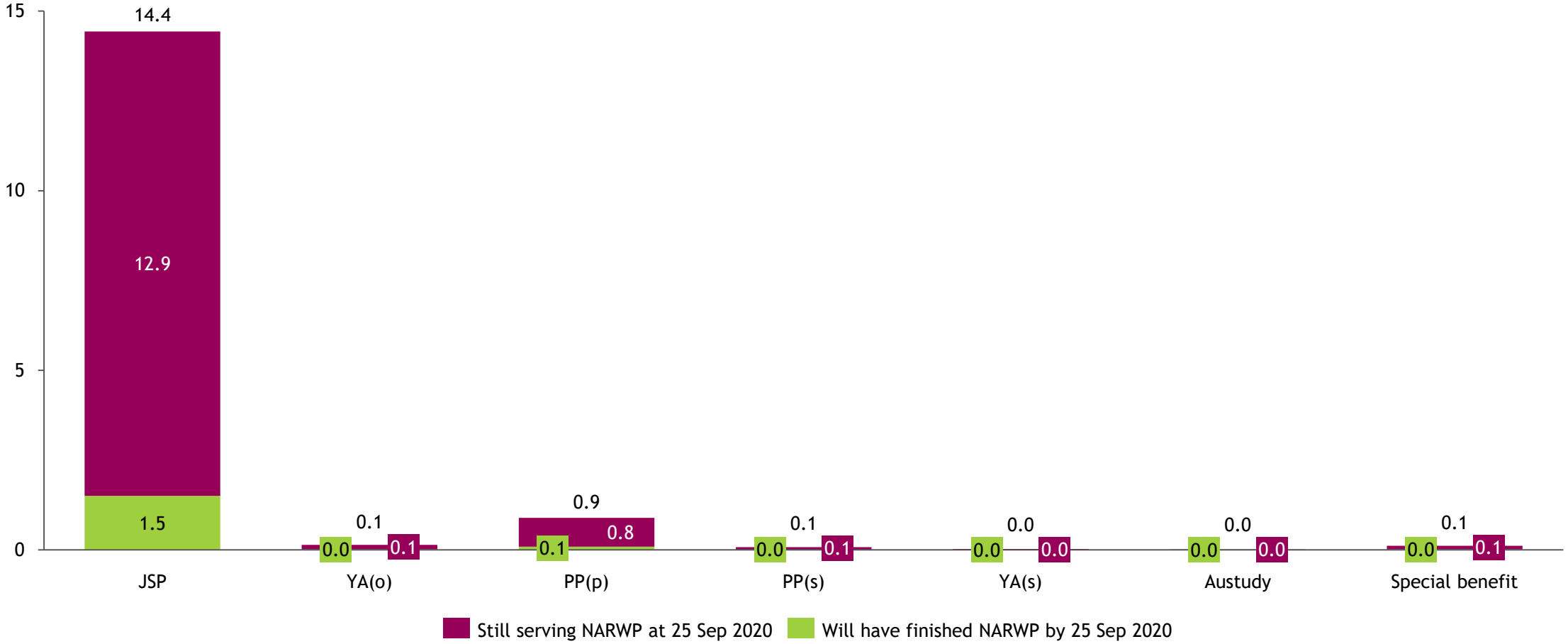
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Backup: ~14k recipients removed from payment if NARWP reinstated in Sep '20

As at 25 Sep

Recipients (k) currently receiving an ISP who would be serving a NARWP



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts; recipients on nil rates excluded
Source: DSS Data, Project analysis

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Update required

Backup: Key verifications to be applied to recipients

Principles

Claims and means testing will likely re-commence without retrospectively applying claim information requirements to COVID JobSeekers

However information relevant to ongoing eligibility would likely be sought

Where verification demand is not able to be met by Services Australia, effort priority would focus on high compliance risk items (income) over low risk items (rent)

1. Rental details

Description:

- Self-declaration of rental amount is currently used for COVID supplement period
- From 25 September, recipients will need to have provided verification of rent amounts (e.g. uploaded lease, tenancy agreement)

Estimated # recipients affected:

- All new claims and circumstance changes
- ~300-400k of current cohort anticipated to require update[2]

Suggested service delivery approach and timing:

- Continue full online rent verification and change of circumstance reporting, noting low manual effort priority to apply backlogs

Note:

- Rent declaration error fraud is not considered a compliance high risk[1]
- Precise rental amounts do not necessarily provide increased accuracy as 78% of rent assistance eligible households are eligible for the maximum rate

2. Assets verification

Description:

- Assets[3] test was waived during the period of the Coronavirus Supplement.

Estimated # recipients affected:

- All new claims will be required to report assets.
- All ~950,000 recipients who commenced on payment since 13 March 2020 will need to submit details on their net assets (assets information collected during the initial claim process likely cannot be fully relied upon)

Suggested service delivery approach and timing:

- Start full-scale data request and collection ~3 months prior to reinstatement of Assets Test
- Use outbound call program to notify recipients of the need to submit assets information, and to notify of ineligible after a decision is made

1. In a three month period assuming 197k JobKeeper claimants, proportionalised pre-covid claim churn and 75k change of rental address 2. Random Sample Survey 3. Liquid assets reported as part of the streamlined jobseeker claim.

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"Menu of options" and example two-stage approaches

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A menu of policy options has been developed

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN — $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Abolish SWPP — <$2m pm	Double the nil rate period to 12 fortnights — tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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Three illustrative approaches to implementing the menu of options, over two stages

Temp relief
Payment types
Rates
Incentives
Service delivery

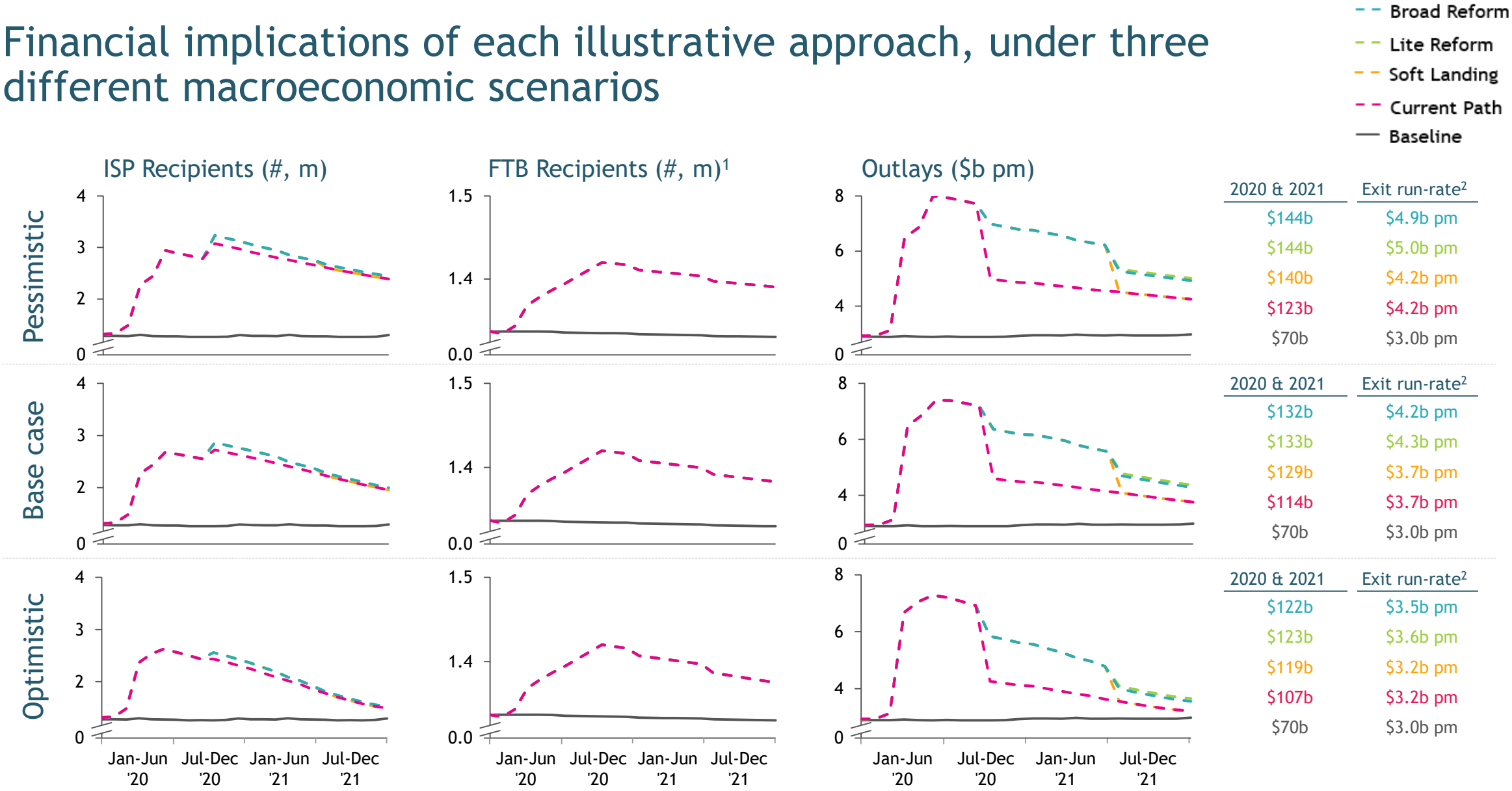
	1 Soft Landing: Stage 1 only	2 Lite Reform: Stage 1 + Partial Stage 2	3 Broader reform: Stage 1 + Full Stage 2
Underlying principles	Brief extension of C-19 supports as JobKeeper ends, increased reward for work	Higher long-term support, increase reward for work, common sense simplification	Higher long-term support, increase reward for work, substantial simplification incl. FTB
Stage One (25 Sept '20 to 30 June '21)	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights	Extend select 'access' measures to 20 Mar '21 Extend C-19 supp. @$250 until 30 June '21 Expand unrealisable assets discretion Expand JSP/YA(o) IFA to $300, taper to 60% Shift MOCA effort toward compliance Double the nil rate period to 12 fortnights
Stage Two (1 July '21 ongoing)		Merge into JSP: PP(P) and PP(S) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Lift rates by $150 p/f, absorb supplements Align all IFAs to $174, max 50% tapers Expand & simplify working credit Abolish the SWPP	Merge into JSP: PP(P), PP(S), and YA(o) Merge into JobSeeker: SB >65yo cohort Merge into JobSeeker: SB TPV cohort Merge YA(s) and Austudy into new payment New single FTB payment, tiered by child age Lift rates by $150 p/f, absorb supplements Create new mature aged / PCW rate in JSP Align all IFAs to $174, max 50% tapers Expand & simplify working credit Move to couple combined income test Abolish the SWPP
Financial Impact[1]	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $39-51b (no change)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $44-60b (+$7b vs. Current Path)	In FY21: $70-83b (+$15b vs. Current Path) In FY22: $43-59b (+$6b vs. Current Path)

1. Includes cost of JSP, PP, student payments, SB, FTB, excluding supplements
Note: Nil rate changes, unrealisation asset discretion, MOCA compliance, couple combined income test not yet incorporated in modelling.
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



	2020 & 2021	Exit run-rate[2]
Pessimistic	$144b	$4.9b pm
	$144b	$5.0b pm
	$140b	$4.2b pm
	$123b	$4.2b pm
	$70b	$3.0b pm
Base case	$132b	$4.2b pm
	$133b	$4.3b pm
	$129b	$3.7b pm
	$114b	$3.7b pm
	$70b	$3.0b pm
Optimistic	$122b	$3.5b pm
	$123b	$3.6b pm
	$119b	$3.2b pm
	$107b	$3.2b pm
	$70b	$3.0b pm

1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting. 2. Jan '22
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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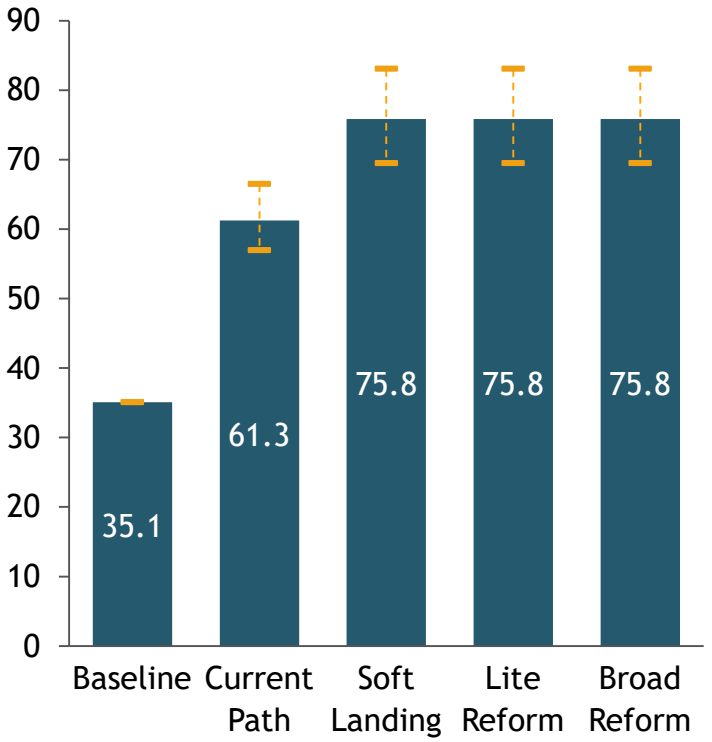
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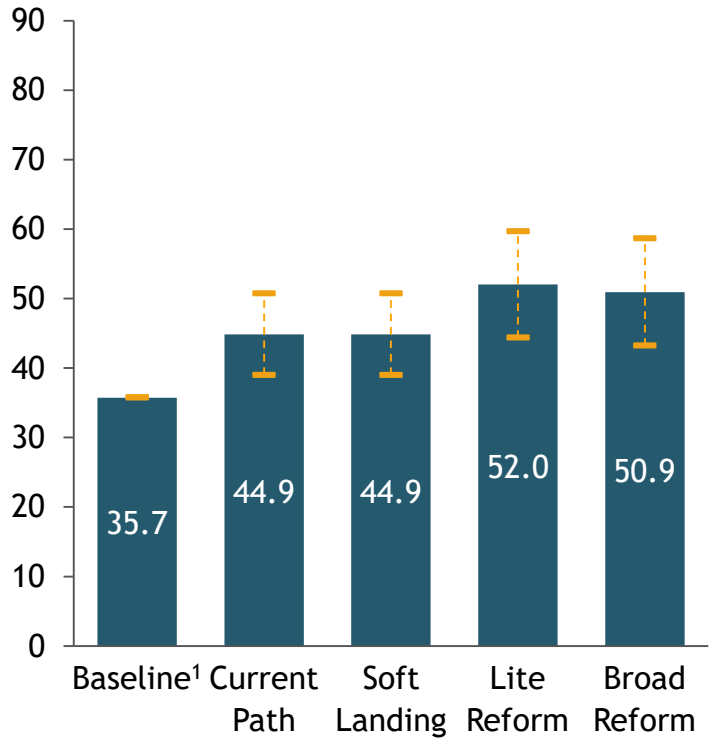
Financial implications: Comparing FY21 and FY22 outlays

Uncertainty range comes from pessimistic and optimistic job loss forecast

FY21 outlays ($b pa)



FY22 outlays ($b pa)



1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

1. **FY22 outlays are generally lower than FY21** - Job loss volumes are projected to improve in all scenarios

2. **Soft Landing outlays equal Current Path from July '21 onwards** - Policy settings only differ during Stage 1 (step-down period)

3. **Soft Landing, Reform Lite and Broad have identical FY21 outlays** - Each of these options shares the share policy settings from July '20 to June '21, before diverging

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

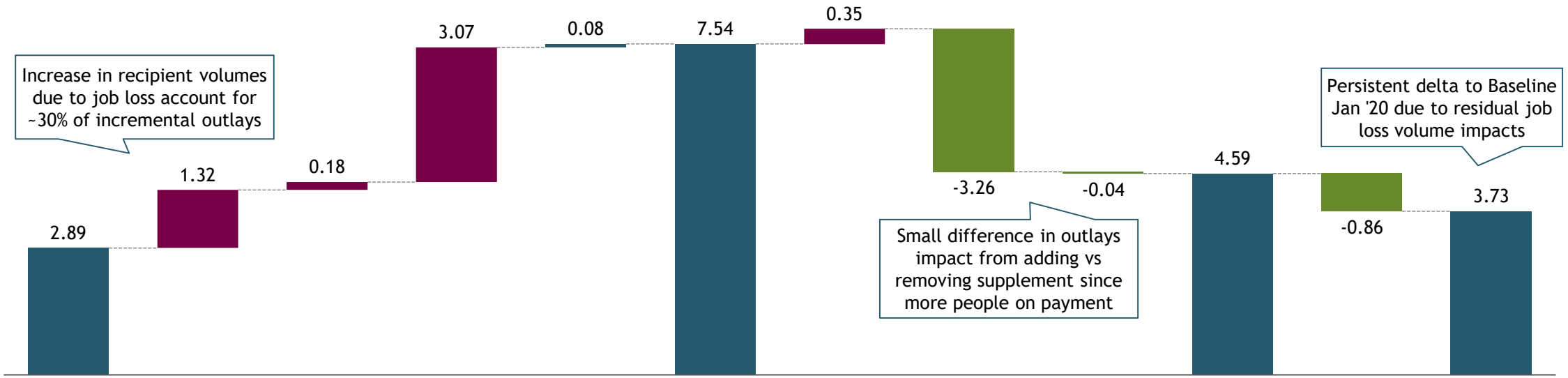
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Financial implications: "Current Path" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



No. ISP recipients[2]	1.3m	+1.2m	+160k		+25k	2.7m	+65k		-20k	2.7m	-830k	1.9m
No. FTB recipients	1.3m	+50k				1.4m	+30k			1.4m	-45k	1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

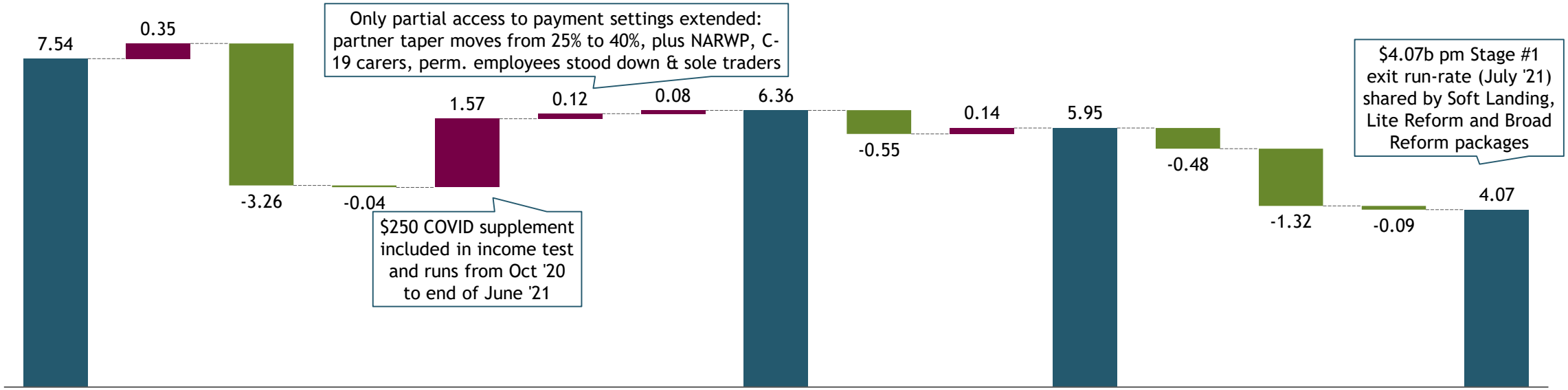
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Financial implications: "Soft Landing – Stage 1 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	COVID run-rate (June '20)	Macro job losses (includes JobKeeper)[1]	Remove $550 COVID supplement	Remove JSP eligibility & partner taper	Add back $250 COVID supplement	Add access to payment measures	Job seeker IFA $300, 60% taper	Stage 1a run-rate (Oct '20)	Macro job growth volume impact[1]	Remove access to payment measures	Stage 1b run-rate (April '21)	Macro job growth volume impact[1]	Remove $250 COVID supplement	Remove Job Seeker IFA $300, 60% taper	Soft Landing run-rate (July '21)
No. ISP recipients[2]	2.7m	+65k		-20k	+70k	+60k	+10k	2.9m	-350k	-20k	2.5m	-190k	-40k	-35k	2.2m
No. FTB recipients	1.4m	+35k						1.4m	-15k		1.4m	-10k			1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

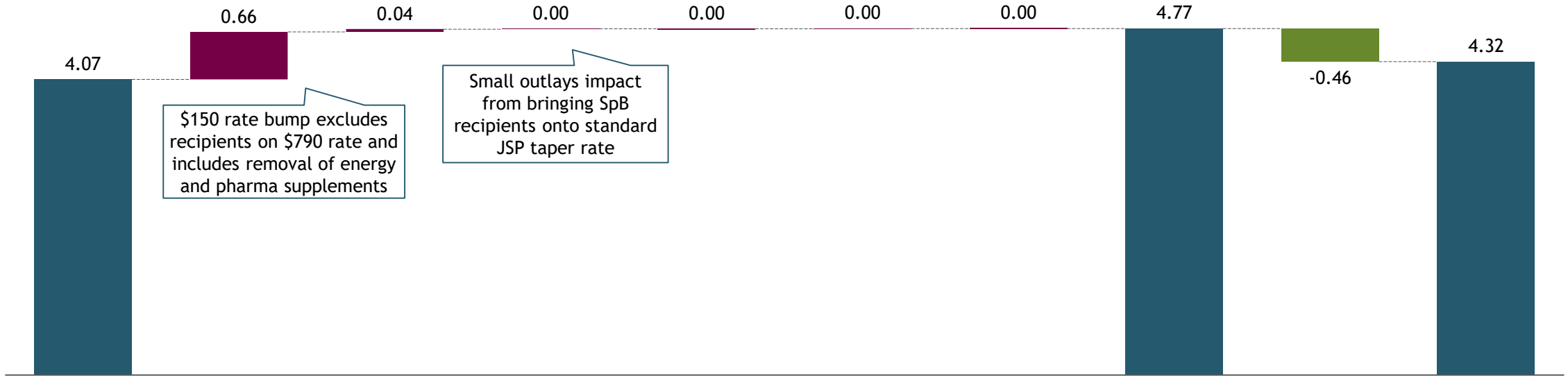
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Financial implications: "Lite Reform – Stage 2 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Current Path / Soft Landing run-rate (July '21)	Add $150 ISP rate increase, remove energy & pharam suppl.[3]	Align income test with pensions	Roll 65+ and TPV SpB cohorts into JSP, YA (O) and Austudy[3]	Roll PP (Single & Partnered) into JSP	Expand and simplify Working Credit	Abolish Seasonal Worker Preclusion Period	Lite Reform run-rate (July '21)	Macro job growth volume impact[1]	Lite Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	+35k	+15k	<5k		tbd	tbd	2.3m	-340k	1.9m
No. FTB recipients	1.4m							1.4m	-15k	1.4m

Top-down estimate of $200m and $17m over forwards for WC and SWPP respectively; not yet built into model

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. $25 increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

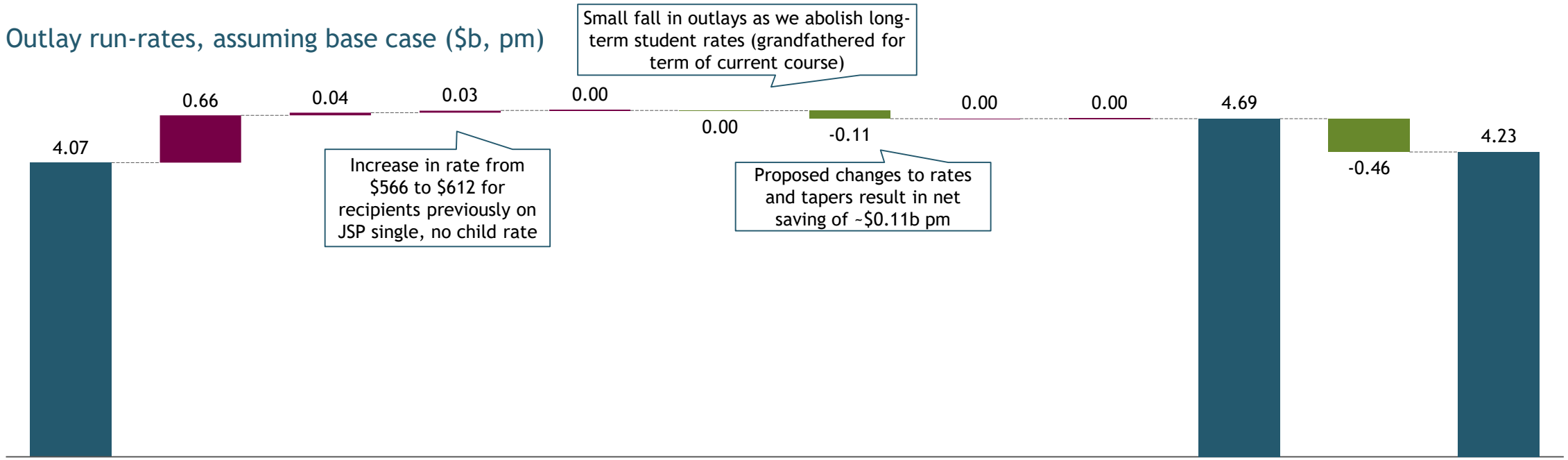
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Financial implications: "Broad Reform – Stage 2 only" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Current Path / Soft Landing run-rate (July '21)	Add $150 ISP rate increase, remove suppl.[3]	Align income test with pensions	Create new PCW JSP rate	Create 3TWAP (JSP, YA(O), PP, SpB)	Create Student payment (YAS, Austudy)	Create FTB payment (FTB-A, FTB-B)	Simplify Working Credit	Seasonal Worker Preclusion Period[1]	Broad Reform run-rate (July '21)	Macro job growth volume impact[1]	Broad Reform run-rate (Jan '22)
No. ISP recipients[2]	2.2m	+35k	+15k	<5k	<5k	<5k	tbd	tbd	tbd	2.3m	-340k	1.9m
No. FTB recipients	1.4m									1.4m	-15k	1.4m

New claimants due to change in effective FTB cut-offs not yet modelled

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding. 3. $25 increase modelled for recipients on $790 rates.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Implications for recipients for each illustrative approach

Note: Excludes impact of any changes to FTB

		Current Path			1 Soft landing			2 Lite reform			3 Broader reform		
		Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)	Jobseekers JSP, YA(o)	Students YA(s), Austudy ABSTUDY	Parents PP(P), PP(S)
At 25 Sep 2020 (Stage 1a)	Drop in average payment rate ($ pf)[1]	~$550	~$550	~$550	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300	~$300
	# Removed from payment[2]	~100k	~0.5k	~3k	~50k	~0.5k	~2k	~50k	0.5k	~2k	~50k	0.5k	~2k
	# Required to update info[3]	~1,100k	~95k	~50k	~150k	~15k	~5k	~150k	~15k	~5k	~150k	~15k	~5k
At 20 Mar 2021 (Stage 1b)	Drop in average payment rate ($ pf)[1]	-	-	-	-	-	-	-	-	-	-	-	-
	# Removed from payment[2]	-	-	-	~70k	<0.1k	~1k	~70k	<0.1k	~1k	~70k	<0.1k	~1k
At 1 Jul 2021 (Stage 2)	Drop in average payment rate ($ pf)[1]	-	-	-	~$250	~$250	~$250	~$100	~$100	~$200	~$100	~$100	~$200
	# Removed from payment[2]	-	-	-	-	-	-	-	-	-	-	-	-

1. Delta between max average payment rates from 24th to 25th of Sept, including base rate + C-19 supplement 2. Estimated as the difference in volumes from 24 Sep '20 to forecasted 25 Sep '20 due to assets testing, eligibility, NARWP, and partner income. Impact of Partner Income Test change is preliminary, further data request pending. 3. Using risk-based compliance approach to asset testing: ~11% of cohort with <$1 in assets or assets above the assets cut-off according to May 2020 Services Australia data 4. Assumes an average of ~60-70k new ISP applications granted per month as part of BAU
Source: Project analysis

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Cameos: Current Path as at 25 September 2020

1 Single JS recipient with no children

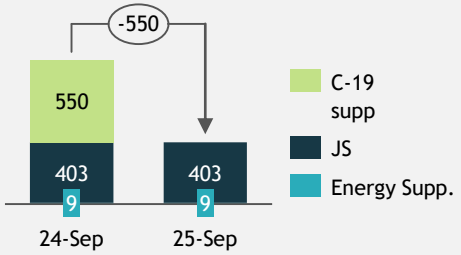
24 September 2020

Eric was made redundant in Mar 2020
Eric now earns $400 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

25 September 2020

- Eric's **welfare payment pf falls from $962 to $412**



- Eric no longer receives the C-19 supplement
- Eric needs to submit asset information to continue receiving payments, and meet mutual obligations (MOs)

2 JS recipient with a partner and 12 y/o child

24 September 2020

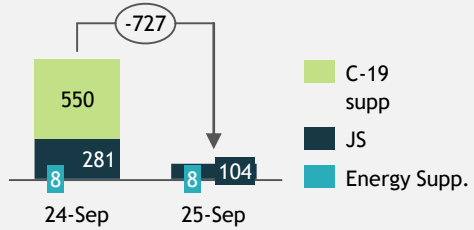
Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time.

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

25 September 2020

- Mary's **welfare payment pf falls from $839 to $112** (excl., FTB payments, which remain unchanged)



- Mary no longer receives the C-19 supplement
- Mary's payment drops as the partner income test returns to 60% (from 25%)
- Mary needs to submit asset information to continue receiving payments, and meet mutual obligations

3 Self-employed, single, 21 y/o adult coming onto YA(o)

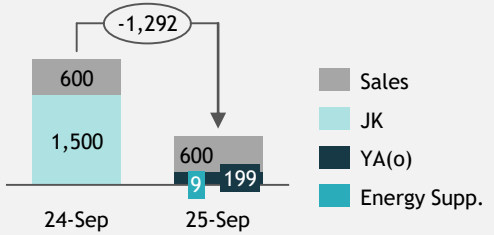
24 September 2020

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne now earns $600 pf in income, and lives away from home

Leanne begins receiving JK payments

25 September 2020

- Leanne's travel blog business is not enough to sustain her financially without JK
- Leanne applies for YA(o) and is successful
- Leanne's **income pf falls from $2,100 to $808**



- Leanne must meet mutual obligations to search for jobs. This takes up time which makes it difficult to get her travel business up to speed

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Cameos: Soft Landing – Stage One as at 25 September 2020

1 Single JS recipient with no children

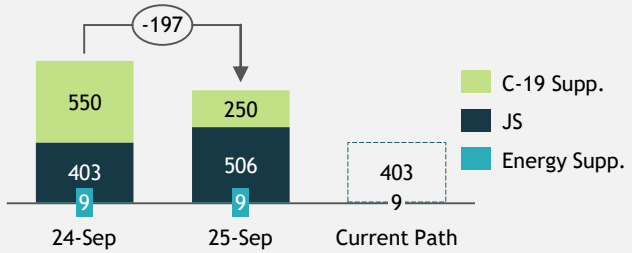
24 September 2020

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric receives JS payments from Apr and is not subject to the assets test
Eric receives the C-19 supplement from Apr

25 September 2020

- Eric's **welfare payment pf falls from $962 to $765** until 30 Jun 2021[1]



- Eric receives the $250pf C-19 supplement until 20 Mar 2021, which is included in the income test
- Eric benefits from the higher IFA to $300pf
- Eric needs to submit asset information to remain on payment, and meet MOs

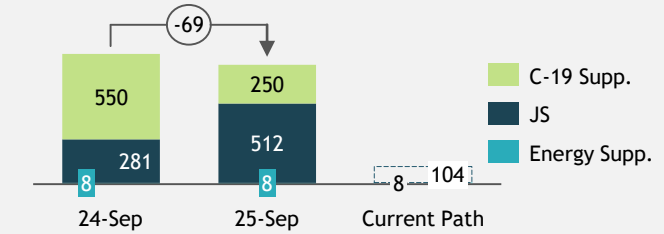
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's 30 year old partner earns $1,500 pf working part-time

Mary applies for JS and begins receiving payments plus the C-19 supplement
Mary also receives FTB A & B payments

- Mary's **welfare payment pf falls from $839 to $770** until 30 Jun 2021 (excl., FTB payments)[1]



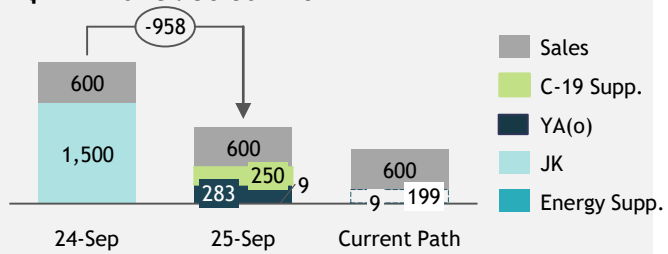
- Mary receives the $250pf C-19 supplement until 30 June 2021
- Mary's income is equal to the higher IFA of $300pf on the personal income test; no reductions in payment incurred
- Mary's partner's income falls under the higher IFA on the partner income test ($1568pf); no reductions in payment incurred

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne begins receiving JK payments

- Leanne applies for YA(o) and is successful
- Leanne's **income pf falls from $2,100 to $1142** until 30 Jun 2021[1]



- Leanne receives the $250pf C-19 supplement until 30 June 2021
- Leanne benefits from the higher IFA ($300pf) on the personal income test
- Leanne remains eligible for YA(o) as a sole trader; she can continue with her travel blog business without job search requirements until 20 Mar 2021

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Cameos: Stage Two – Lite Reform as at 1 July 2021

30 June 2021

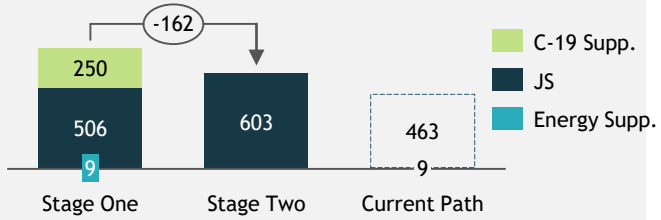
1 July 2021

1 Single JS recipient with no children

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric has been receiving $765pf in welfare payments for the past nine months

- Eric's **welfare payment pf falls from $765 to $603**



- Eric benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of the increase in JSP rate
- Eric benefits from the reduced taper rate at 50% (from 60%), although faces a lower IFA at $174pf (from $300pf)

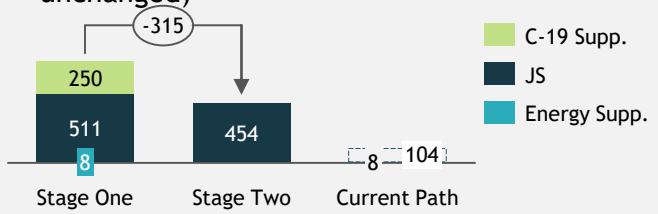
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time. Together, they are expected to earn $50,000 in FY 20/21

Mary has been receiving $770pf in welfare payments in the past nine months (excl. FTB)

- Mary's **welfare payment pf falls from $770 to $454** (excl., FTB payments, which remain unchanged)



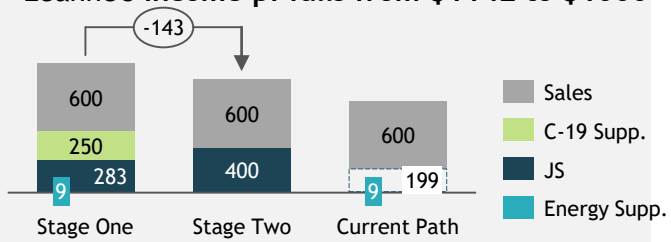
- Mary benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of increase in JSP rate
- Mary benefits from the reduced taper rate at 50% (from 60%), and her IFA reduces to $174pf (from $300pf)
- Mary's Partner income test has a higher taper vs pre-30 June at 50% (from 40%), and IFA of $1212pf (from $1568)

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne has been receiving $542pf in welfare payments. Leanne will also need to consider switching from YA to JSP in August 2021 when she turns 22 years old

- Leanne's **income pf falls from $1142 to $1000**



- Leanne benefits from a $150 rate uplift in YA(o) payment
- Energy supplement absorbed as part of the increase in YA(o) rate
- Leanne faces a taper rate of 50% (from 60%) and lower IFA vs pre-30 June on the personal income test at $174pf (from $300pf)
- From 1 July, Leanne will be on JS rather than YA(o), as the two payments have merged
- Leanne will need to continue to meet MOs

Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Cameos: Stage Two – Broader Reform as at 1 July 2021

30 June 2021

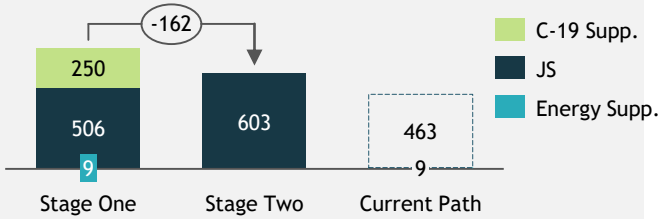
1 July 2021

1 Single JS recipient with no children

Eric was made redundant in Mar 2020
Eric earns $400 pf in income

Eric has been receiving $765pf in welfare payments for the past nine months

- Eric's **welfare payment pf falls from $765 to $603**



- Eric benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of the increase in JSP rate
- Eric benefits from the reduced taper rate at 50% (from 60%), although faces a lower IFA at $174pf (from $300pf)

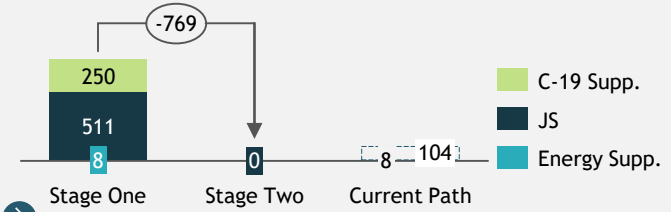
2 JS recipient with a partner and 12 y/o child

Mary, is partially stood down but is not eligible for JK given her casual tenure of 6 months. She now earns $300 pf in income

Mary's partner earns $1,500 pf working part-time. Together, they are expected to earn $50,000 in FY 20/21

Mary has been receiving $770pf in welfare from the past nine months (excl. FTB)

- Mary's **welfare payment pf falls from $770 to $0** (excl., FTB payments, which increase to $8,555 from $7,816 per year)[1]



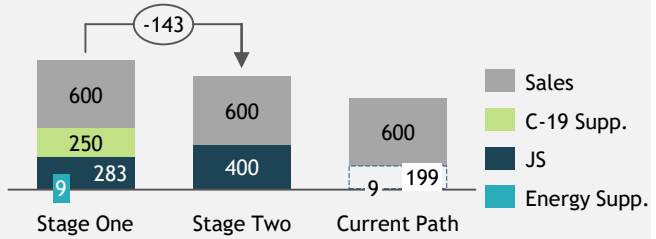
- Mary benefits from a $150 rate uplift in JSP
- Energy supplement absorbed as part of increase in JSP rate
- Under the combined couple income test, Mary no longer receives payment with a combined household income of $1800pf

3 Self-employed, single, 21 y/o adult coming onto YA(o)

Leanne runs a travel blog but suffers from an income shock due to C-19
Leanne earns $600 pf in income

Leanne has been receiving $542pf in welfare payments. Leanne will also need to consider switching from YA to JSP in August 2021 when she turns 22 years old

- Leanne's **income pf falls from $1142 to $1000**



- Leanne benefits from a $150 rate uplift in YA(o) payment
- Energy supplement absorbed as part of the increase in YA(o) rate
- Leanne faces a taper rate of 50% (from 60%) and lower IFA vs pre-30 June on the personal income test at $174pf (from $300pf)
- From 1 July, Leanne will be on JS rather than YA(o), as the two payments have merged
- Leanne will need to continue to meet MOs

1. Includes FTB-A and FTB-B
Note: Rent assistance and housing costs excluded; income figures rounded to nearest $1

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Implementation considerations: Each Stage likely needs to progress separately

I.e. two separate Cabinet Submissions, two Bills for Parliament

Note: Assumes Package 3 "Broader Reform" being pursued

Temp relief
Payment types
Rates
Incentives
Service delivery

Stage 1: C-19 Response

- Extend Coronavirus supplement at $250 p/f
- Extend select 'access to payments' measures
- Expand unrealisable assets discretion
- Increase JSP & YA(o) IFAs and tapers
- Shift MOCA effort toward compliance
- Double the nil rate period to 12 fortnights

June 2020	Mid-July	Mid-August	25 September 2020
Government approvals	Parliamentary approvals • Stand alone bill or part of omnibus?	System changes, prepare implementation, recipient comms	In operation[1]

Stage 2: Broader reform

- Merge into JSP: PP(P), PP(S), and YA(o)
- Merge into JobSeeker: SB >65yo cohort
- Merge into JobSeeker: SB TPV cohort
- Merge YA(s) and Austudy into new payment[2]
- New single FTB payment, tiered by child age[3]
- Lift rates by $100 p/f, absorb supplements
- Create new mature aged / PCW rate in JSP
- Expand & simplify working credit[1]
- Align IFAs with pensions, max 50% tapers
- Move to a combined income test for couples
- Streamline waiting periods: Abolish SWPP

July 2020	6 October 2020	Mid-December	1 July 2021
Government approvals as part of Budget process	Parliamentary approvals • Likely incl. Senate inquiry	System changes, prepare implementation, recipient comms	In operation[2,3]
Budget handed down	2.5 months a tight window for this legislation – but can spill over into Feb/Mar sittings if required	Most of stage 2 implementation aligned to 1 July 2021, except YA(s) merger into Austudy	

Note: In practice, system changes will need to commence prior to legislation passing
1. Working credit changes not expected to be implemented until 20 March 2020 2. Merger of YA(s) and Austudy would take place in January 2021 3. Moving to single FTB payment would most likely take place at end of financial year, so from 1 July 2021

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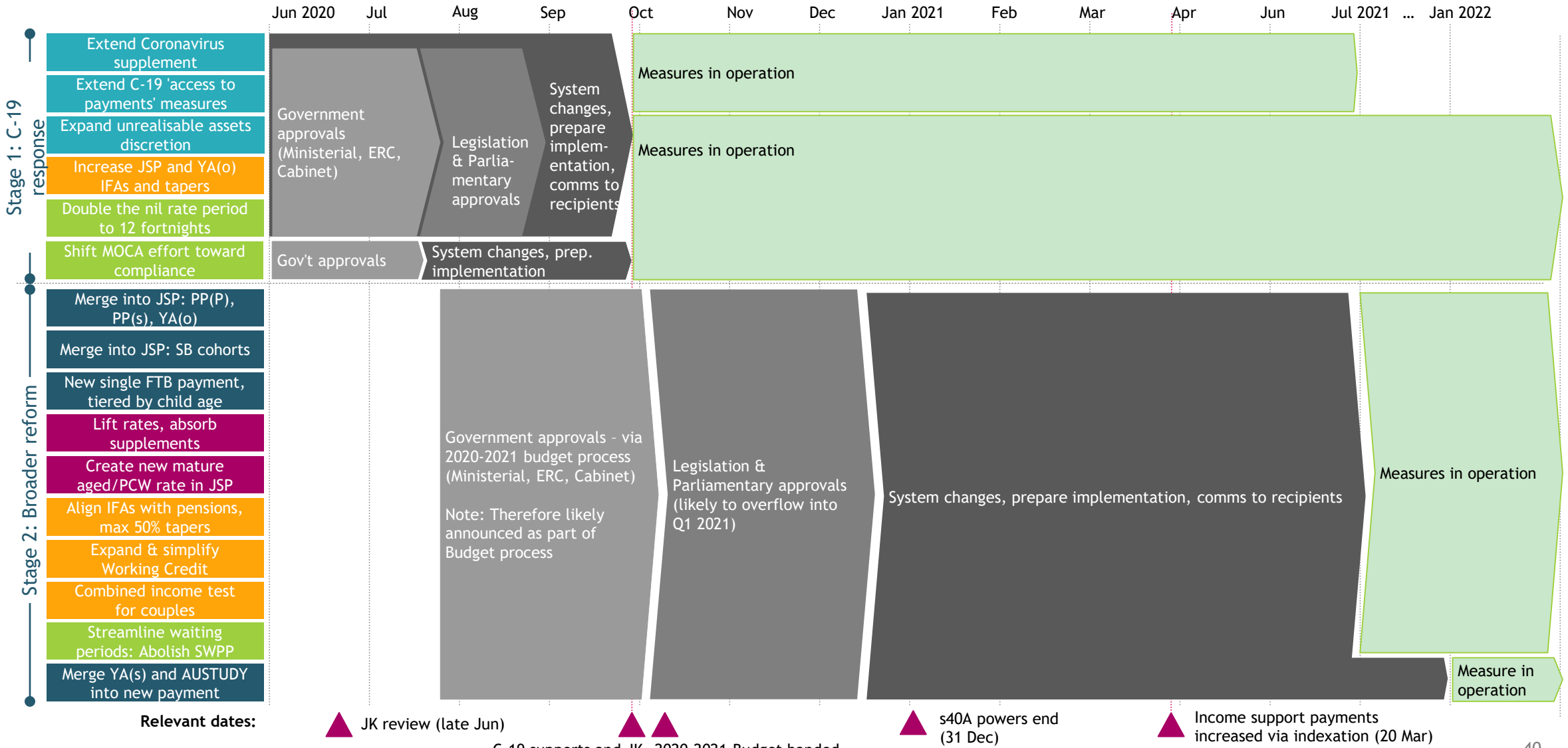
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Backup: More detailed timeline

These dates currently used in the modelling – able to be updated as required

Temp relief
Payment types
Rates
Incentives
Service delivery

Note: All timings need to be tested and refined with Services Australia



Source: Project analysis

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Modelling approach and interactive dashboard

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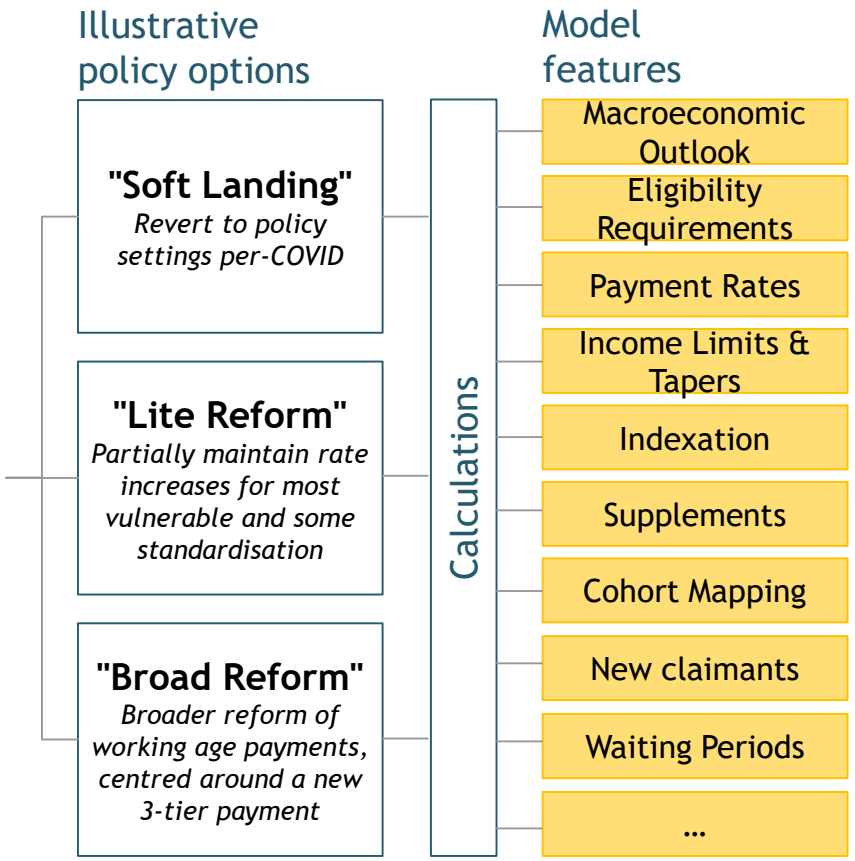
Modelling approach: Policy options were developed iteratively by progressing and testing one 'model feature' at a time

Outputs

Interactive dashboard, with:

- Outlays and volumes broken out by month and payment type
- 9 sets of results: 3 "policy options", each with 3 "macroecon. outlooks"
- Ability to adjust parameters and see results in real-time

Model logic



Data sources (current view)

- RBA job loss forecast
- Social Security Guide
- Social Security Guide
- Social Security Guide
- ABS / Social Security Guide
- Social Security Guide
- Project team analysis
- Dingo extracts
- tbd
- tbd

Next steps

Refer to detailed model backlog in next steps section below

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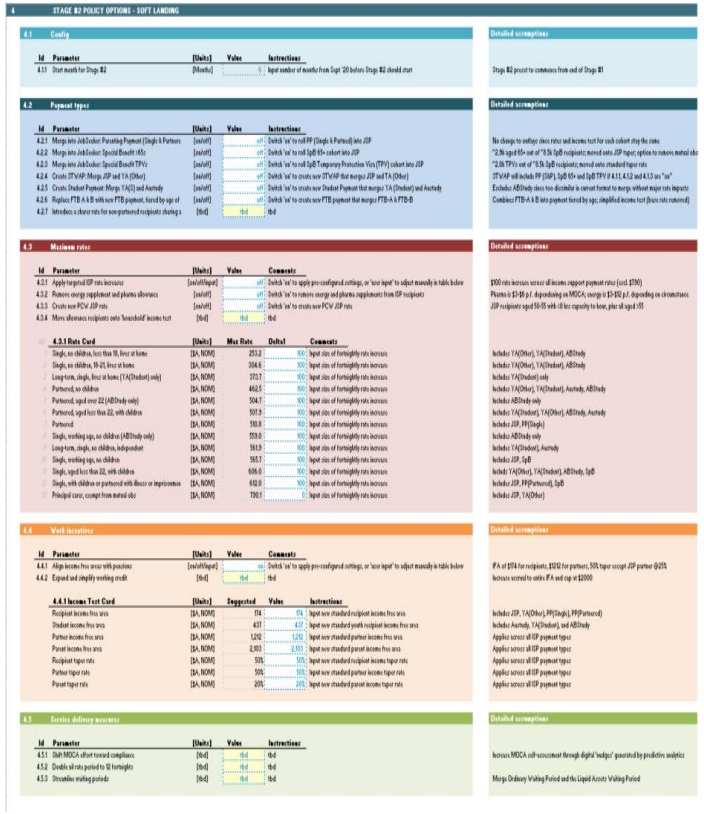
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Interactive dashboard: Structured around modular menu options

User can switch on/off menu options and evaluate impact on outlays and volumes

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) — No outlay impact	Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phon… — $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	Align Income Free Areas with pensions, max 50% taper rates — $10-50m pm[2]	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	Streamline waiting periods: Abolish SWPP — <$2m pm	Double the nil rate period to 12 fortnights — tbd

Dashboard layout



Screenshot of interactive dashboard

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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Interactive dashboard: Additional configuration available for 4 menu options with largest impact on outlays

For menu options with add'l config., user can select 'user input' and manually adjust parameters in a detailed breakout table



Parameters available for each

Extend C-19 supplement
- Size of supplement
- Income test treatment

Extend C-19 eligibility supports
- Inclusion of asset test relaxation
- Inclusion of partner income taper @40%
- Inclusion of sole traders & self-employed
- Inclusion of carers for infected and isolated
- Inclusion of permanent employee stood down due to COVID

Lift ISP payment rates
- Size of rate increase for each level across ISP payment types

Align income test
- Recipient, student, partner and parent income free area thresholds
- Recipient, partner and parent income taper rates, assuming standardised

Note: Detailed in-line instructions can be found in the excel model.
1. Saving is due to abolition of long-term ISP rates for Youth Allowance (student). 2. Does not yet include second-order volume effects of lowering taper rates.

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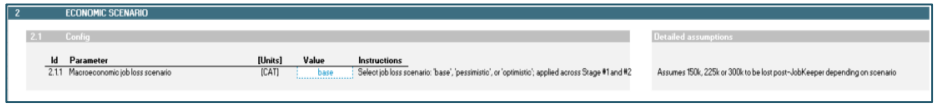
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Interactive dashboard: Step-by-step instructions for how to use

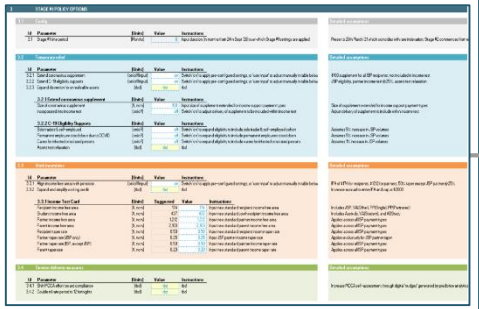
Step 1: Set macroeconomic scenario

- Choose from '**base**', '**pessimistic**', **or** '**optimistic**' macro-economic job loss scenarios
- Configuration drives claimant volumes modelled over time, including JobKeeper inflows, recovery profile, etc.



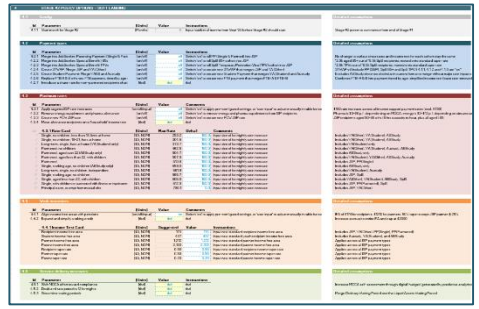
Step 2: Adjust Stage #1 policy settings

- Stage #1 should be configured to reflect desired policy settings from **24th Sept to Stage #2**
- Settings are applied to Soft Landing, Lite Reform & Broad Reform options



Step 3: Adjust Stage #2 policy settings

- Stage #2 should be configured to reflect desired policy settings from **end of Stage #1 onwards**
- Settings configured separately for each option



Step 4: Compare impacts over forward estimates

- **Baseline** and **Current Path** only impacted by settings for economic scenario
- **Soft landing**, **Lite Reform** & **Broad Reform** impacted by economic, stage #1 and stage #2 settings



Note: Detailed in-line instructions can be found in the excel model.

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Detailed view of the policy options explored

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Introduction to this section

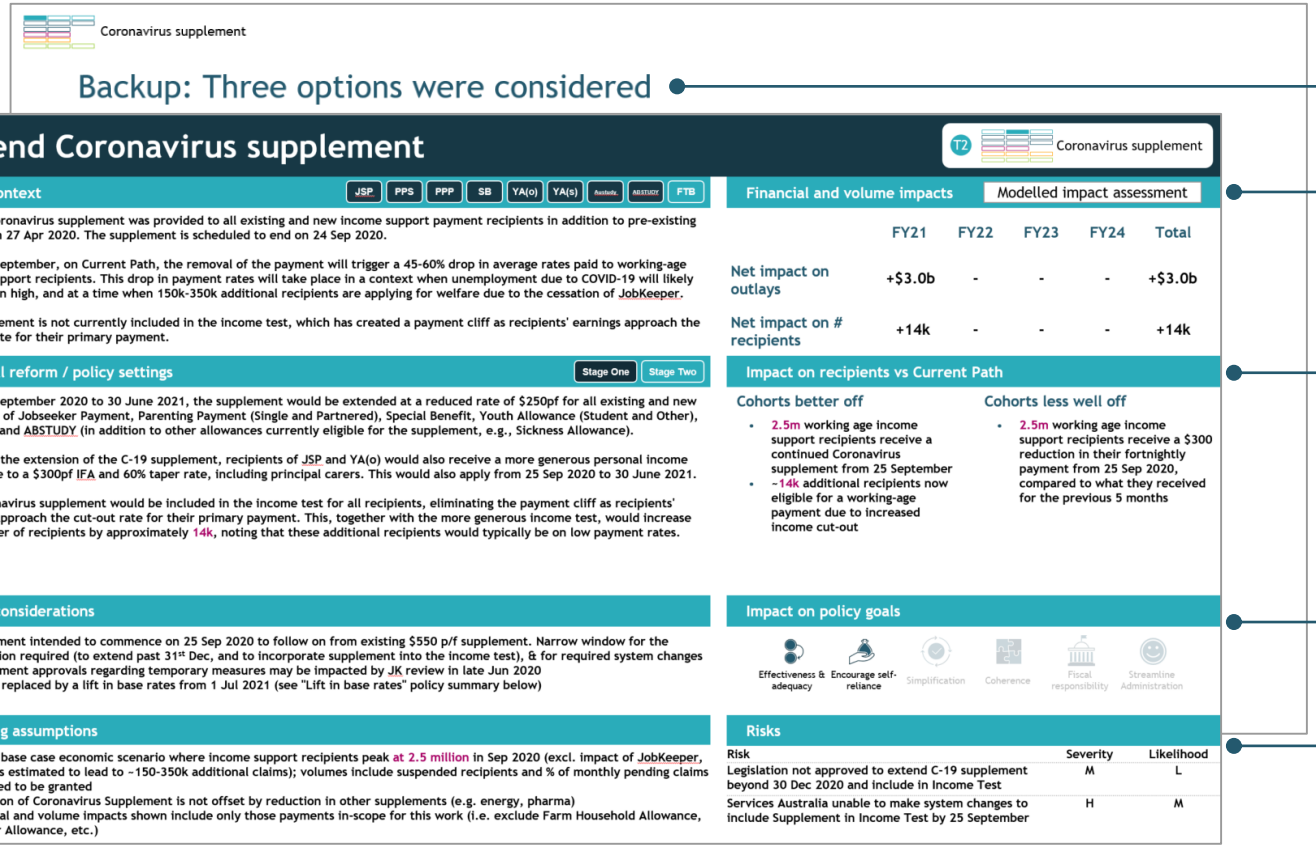
Policy Summaries used for each policy option explored

Context and key considerations for this policy topic

Key changes under this policy options

Issues to consider on implementation and timing

Assumptions underpinning the modelled impacts



Backup slides, laying out the options that were considered, and further analysis/detail

Impact of policy on Gov't outlays and recipient volumes

Impact of policy option on specific recipient sub-cohorts

High level assessment of which policy goals are supported by the option

Key risks to consider

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Recap: Menu of policy options

Note: Actual costs of each option vary based on combination selected

Temporary relief	T1 Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWP and SWPP, eligibility extension for sole traders — $50-$150m pm	T2 Extend C-19 supp. at $250 p/f until 30 June '21, include it in Income Test, move JSP & YA(o) IFA to $300 and taper to 60% — $1.0-$2.0b pm[1]	T3 Expand discretion able to be exercised around unrealisable assets — tbd
Payment types	P1 Merge into JobSeeker: Parenting Payment (Single and Partnered) — No outlay impact	P3 Merge YA(s) and Austudy into a new student payment — $0-($5)m pm[2]	P5 Merge into JobSeeker: Special Benefit TPV holder cohorts — $0-$2m pm
	P2 Merge into JobSeeker: Youth Allowance (o) — No outlay impact	P4 Merge into JobSeeker: Special Benefit >65s — $0-$2m pm	P6 Replace FTB parts A & B with a new single FTB payment, tiered by age of child — $0-($200)m pm
Rates	R1 Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN — $1.0-$1.5b pm	R2 Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week — $10-$50m pm	
Work incentives	I1 Align Income Free Areas with pensions, max 50% taper rates — $10-$50m pm	I2 Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 — $2.5-$10m pm	I3 Move allowance recipients onto a "household" income test, similar to pensions — tbd
Service delivery measures	S1 Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts — tbd	S2 Streamline waiting periods: Abolish SWPP — <$2m pm	S3 Double the nil rate period to 12 fortnights — tbd

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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Extend C-19 'access to payment' measures

T1 'Access to payment' measures

Policy context

JSP PPS PPP SB YA(o) YA(s) Austudy ABSTUDY FTB

Several initiatives were undertaken to streamline access to welfare payments in response to the employment impact of C-19 social distancing rules. These included expanded eligibility; temporary suspension of assets testing, certain waiting periods, and some verification requirements; and a more generous partner income test.

Pre-Coronavirus policy settings are scheduled to be re-instated from 25 September 2020, which will would see over 100k current recipients become instantly ineligible for welfare, require over 1200k to engage with Services Australia in coming months to provide various verification information, and remove the streamlined access to payments at the same time an estimated 150k-350k new claims are expected to be received as JobKeeper ends in late September 2020. This would place significant stress on existing and new recipients, and service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020, a "stepped down" set of access to payment measures would be provided:

- The **Assets Test** is reinstated for working-age welfare recipients - resulting in 35k+ recipients becoming ineligible
- The **Partner Income Test** moves from a 60% to 40% taper rate until 30 Jun 2021, instead of moving to 25% taper rate; income free area increases to $1,568 from $994pf. This would see ~15k recipients become ineligible, and ~35k recipients see a reduction in their payment rate
- Three **waiting periods** would continue to be waived until 19 Mar 2021: Ordinary Waiting Period, Seasonal Workers Preclusion Period, and the Newly Arrived Residents Waiting Period; the Liquid Assets Waiting Period would be reinstated from 25 September 2020
- Jobseeker **Payment eligibility** to stood down workers, sole traders, and carers of C-19 infected or isolated extended until 19 Mar 2021
- Provision of **verification/proof** on rental arrangements, employment separation certificates, and assets returns required, however to streamline service delivery, risk-based compliance would be adopted for a period, rather than universal manual reviews

These settings will provide a streamlined pathway for the anticipated 150k-350k new applicants to the working-age welfare system when JobKeeper comes to an end in September 2020. They also provide stability for potentially more vulnerable cohorts in the system, e.g. newly arrived residents who would otherwise be serving the NARWP.

Timing considerations

- Changes to the nature of these access to payment measures (such as the partner income taper moving to 40%) may require legislation (although many of these changes will be able to be completed by instrument)
- Given the required implementation date of 25 Sep 2020, only a narrow window of time exists for the required legislation to pass Parliament
- Government approvals for temporary measures may be impacted by JK review in late Jun 2020 and 23 July F&E statement

Modelling assumptions

- Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)
- Assumes that requirements to verify rental arrangements, and employment leads to no significant changes to recipient volumes

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	$0.5b	-	-	-	$0.5b
Net impact on # recipients	+60k	-	-	-	-

Impact on recipients vs Current Path

Cohorts better off

- ~14k recipients remain on payment who would be serving the NARWP
- ~4k recipients remain eligible for welfare under the 40% partner income taper
- 40k recipients continue to be eligible as sole traders or self-employed, and are not required to undertake job search
- 150k-350k new claimants receive a streamlined access to welfare post-JobKeeper

Cohorts less well off

- 35k+ ISP recipients above assets limit become ineligible
- ~3k recipients who were on welfare due to the 25% partner income test taper rate become ineligible from 25 Sep
- >1,200k recipients are now expected to provide new information to Services Australia on their rental arrangements and asset levels

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend access to payment measures beyond 30 Dec 2020	M	L
Services Australia unable to make required system changes by 25 September	H	M

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C-19 'Access to Payment' measures: Three options from 25 September

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020			2: Stepped down measures until 20 Mar 2021			3: Extend measures in full until 20 March 2021		
Assets Test	~38k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Partner Income Taper (for JSP only)	~80k[3]	60%	40%	25%	60%	40%	25%	60%	40%	25%
OWP, LAWP, SWPP[1]	~550-650k new claims[4]	Reinstated	Grandfather	Waived	Reinstated	Waive OWP & SWPP only	Waived	Reinstated	Grandfather	Waived
NARWP	~14k	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived	Reinstated	Grandfather	Waived
Eligibility: Sole traders	~40k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: Stood down	~75k	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Eligibility: C-19 carers	~0	Closed	Grandfather	Continues	Closed	Grandfather	Open	Closed	Grandfather	Open
Verifications[2]	~550-650k new claims[4]	Reinstated	Proof required	Self-verification	Proof assessed	Reinstate w/risk based compliance	Self-verification	Proof assessed	Proof required	Self-verification

Implications

- **1: Revert to pre-covid settings from 25 Sep 2020**
  - 100k+ recipients removed from payment from 25 September[5]
  - Regular claim process for anticipated wave of claimants when JobKeeper ends
  - Reduced cost for the welfare system in terms of outlays (not administration)
- **2: Stepped down measures until 20 Mar 2021**
  - 70k+ recipients removed from payment 25 September
  - Some streamlining for anticipated wave of claimants when JobKeeper ends
  - Reduced cost for welfare system vs current C-19 measures
- **3: Extend measures in full until 20 March 2021**
  - No recipients lose eligibility
  - Continue current levels of support for new claimants as JobKeeper ends
  - Cost to welfare system from these measures continues at current levels

Cost vs. Current Path

- **1: Revert to pre-covid settings from 25 Sep 2020**
  - No change from Current Path
- **2: Stepped down measures until 20 Mar 2021**
  - +$0.5b vs Current Path
- **3: Extend measures in full until 20 March 2021**
  - +$0.7b vs Current Path

Note: "Grandfather" means grandfathering current recipients already in income support system. Source: DSS data, Project analysis
1. Costing outlay impact not modelled. Included in backlog for future sprints. 2. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 3. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 4. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 5. Impact of permanent employees stood down not yet quantified

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Backup: Further detail on the options

40A power, tied to supplement period

Operational policy

Hypothesis

Measure	# impacted	1: Revert to pre-covid settings from 25 Sep 2020		2: Stepped down measures until 20 Mar 2021		3: Extend measures in full until 20 March 2021	
Assets Test	38k+	Reinstated	Asset testing resumes including reporting and compliance	Reinstated	Asset testing resumes including reporting and compliance	Waived	Asset test continues to not be applied
Partner Income Taper	~80k	60%	Partner cut-out is $1858.5 pf	40%	Partner cut-out is $2290.75	25%	Partner cut-out is $3068.8
OWP, LAWP, SWPP	~550-650k new claims[3]	Reinstated	New claims incl JobKeeper have waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods	Waived	JobKeepers and new entrants do not serve waiting periods
NARWP	~14k	Reinstated	Recipients serving NARWP are off payment	Waived	All recipients serving NARWP and on payment continue	Waived	All recipients serving NARWP and on payment continue
Eligibility: Sole traders	~40k	Closed	Sole-traders have mutual obligations or leave payment	Closed	Sole-traders have mutual obligations or leave payment	Open	Sole-traders serve mutual obs through continuing business
Eligibility: Stood down	~75k	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Closed	Eligibility shifts to "unemployed" category, requiring mutual obs	Open	Individuals retained but not receiving income eligible
Eligibility: C-19 carers	~0	Closed	Individuals caring for C-19 patients not eligible	Open	C-19 carers remain eligible	Open	C-19 carers remain eligible
Verifications[1]	~550-650k new claims[3]	Reinstated	Full verification reinstated, necessitates contact and processing	Reinstate w/risk based compliance	Full verification reinstated but risk based assessment and compliance	Self-verification	Retain self-assessment and no verification of rent, member of a couple etc.

Note: "Grandfather" means grandfathering current recipients already in income support system.
1. E.g. MOCA, proof of rental, provision of employment separation certificate. "Proof assessed" means that proof of these items must be provided and will be assessed by Services Australia. "Proof required" means that proof must be submitted but will not be assessed up-front. "Self-verification" means a continuance of the self-certification setting that are currently in placed under the COVID-19 measures 2. Includes recipients who will receive a lower rate or are ineligible due to 40% partner income taper rate 3. Assumes 225k JobKeeper recipients will transition onto welfare payments, and an average rate of 60-70k new applications granted per month as part of BAU with 2.3 m recipients now in the welfare system 4. Impact of permanent employees stood down not yet quantified Source: DSS data, Project analysis

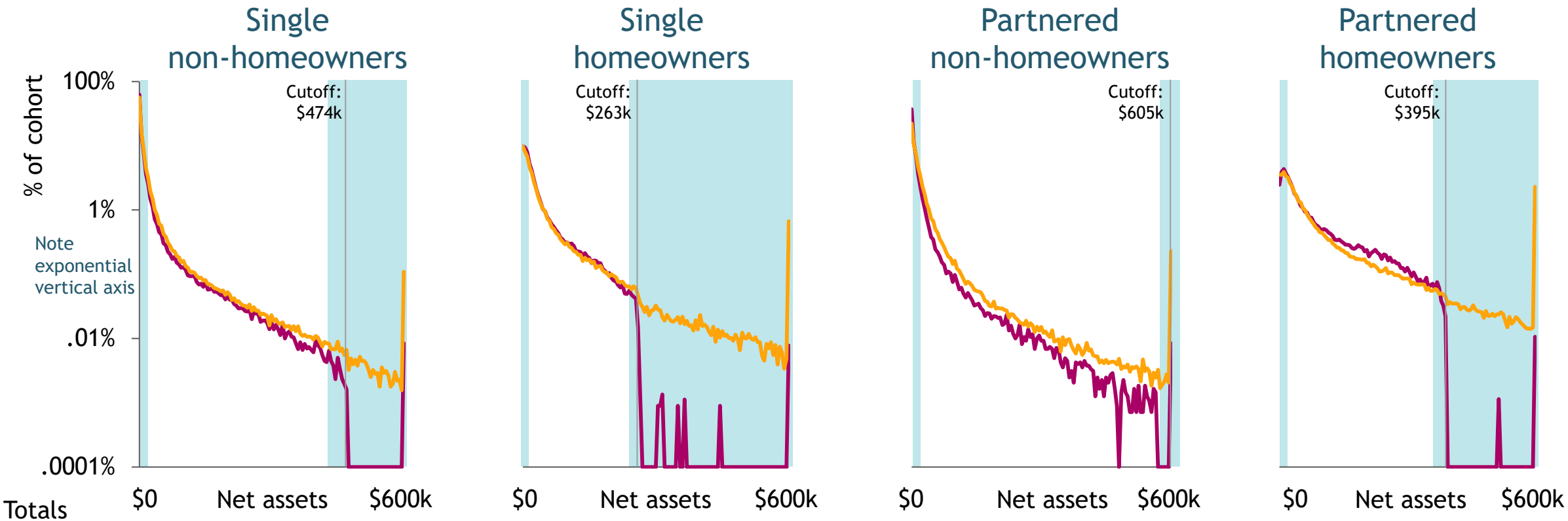
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Risk-based approach to assets verification is possible – could be a targeted first step ahead of a broader compliance effort

Net assets distributions across Jobseekers, Parents, & Students, as at Feb 2020 and May 2020

Suggested priority cohorts for review



	Single non-homeowners	Single homeowners	Partnered non-homeowners	Partnered homeowners
Totals				
384k	288k To be reviewed[1]	23k To be reviewed[1]	38k To be reviewed[1]	35k To be reviewed[1]
35k	2k Likely ineligible[2]	10k Likely ineligible[2]	2k Likely ineligible[2]	22k Likely ineligible[2]
	Should refine further by removing recipients with $2-5000 in assets		Should refine further by removing recipients with $2-5000 in assets	

Note: Should also consider reviewing recipients with high financial assets and limited/no non-financial assets, and vice versa

1. Suggested for review as per above graph. Does not include those with high financial assets and limited/no non-financial assets, which are also suggested for review 2. Appear to have assets in excess of the relevant cut-off, as per Blue Book data as at 20 May 2020 Source: DSS Blue Book data

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Extend Coronavirus supplement

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T2 Coronavirus supplement

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

$550pf Coronavirus supplement was provided to all existing and new income support payment recipients in addition to pre-existing rates from 27 Apr 2020. The supplement is scheduled to end on 24 Sep 2020.

From 25 September, on Current Path, the removal of the payment will trigger a 45-60% drop in average rates paid to working-age income support recipients. This drop in payment rates will take place in a context when unemployment due to COVID-19 will likely still remain high, and at a time when 150k-350k additional recipients are applying for welfare due to the cessation of JobKeeper.

The supplement is not currently included in the income test, which has created a payment cliff as recipients' earnings approach the cut-out rate for their primary payment.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020 to 30 June 2021, the supplement would be extended at a reduced rate of $250pf for all existing and new recipients of Jobseeker Payment, Parenting Payment (Single and Partnered), Special Benefit, Youth Allowance (Student and Other), AUSTUDY and ABSTUDY (in addition to other allowances currently eligible for the supplement, e.g., Sickness Allowance).

Alongside the extension of the C-19 supplement, recipients of JSP and YA(o) would also receive a more generous personal income test, move to a $300pf IFA and 60% taper rate, including principal carers. This would also apply from 25 Sep 2020 to 30 June 2021.

The Coronavirus supplement would be included in the income test for all recipients, eliminating the payment cliff as recipients' earnings approach the cut-out rate for their primary payment. This, together with the more generous income test, would increase the number of recipients by approximately 80k, noting that these additional recipients would typically be on low payment rates.

Timing considerations

- Supplement intended to commence on 25 Sep 2020 to follow on from existing $550 p/f supplement. Narrow window for the legislation required (to extend past 31st Dec, and to incorporate supplement into the income test), & for required system changes
- Government approvals regarding temporary measures may be impacted by JK review in late Jun 2020
- May be replaced by a lift in base rates from 1 Jul 2021 (see "Lift in base rates" policy summary below)

Modelling assumptions

- Adopts base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Extension of Coronavirus Supplement is not offset by reduction in other supplements (e.g. energy, pharma)
- Financial and volume impacts shown include only those payments in-scope for this work (i.e. exclude Farm Household Allowance, Partner Allowance, etc.)

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	+$14.0b	-	-	-	+$14.0b
Net impact on # recipients	+80k	-	-	-	n/a

Impact on recipients vs Current Path

Cohorts better off

- 2.5m working age income support recipients receive a continued Coronavirus supplement from 25 September
- ~80k additional recipients now eligible for a working-age payment due to increased income cut-out

Cohorts less well off

- 2.5m working age income support recipients receive a $300 reduction in their fortnightly payment from 25 Sep 2020, compared to what they received for the previous 5 months

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Legislation not approved to extend C-19 supplement beyond 30 Dec 2020 and include in Income Test	M	L
Services Australia unable to make system changes to include Supplement in Income Test by 25 September	H	M

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Extend C-19 supplement or lift basic rates – Three options to consider

Hypothesis

1: Extend supplement at $150 to 20 March, with max 50% tapers, then replace with lift in base rates

Description

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$150 C-19	$150 base rate lift	
Students	$150 C-19	$150 base rate lift	
PPS	$150 C-19	$25 base rate lift	
PPP	$150 C-19	$150 base rate lift	
SB	$150 C-19	$150 base rate lift	
Income Test	Align income test with pensions ($174 IFA, 50% taper)		
Energy, Pharma supplements	No change	Abolished for above recipients	

Implications

- Cut-out for single JSP at 25 Sep: $1,605
- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Only two points of change required, with the second point being a modest change for most recipients

Cost

FY21[1]	+$7.9b
FY22[1]	+$7.0b

2: Extend supplement at $250 to 30 June, increase IFA and taper for jobseekers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$250		-
Students	$250		-
PPS	$250		-
PPP	$250		-
SB	$250		-
Income Test	For JSP & YA(o): $300 IFA, 60% taper No change for others		
Energy, Pharma supplements	No change		

- Cut-out for single JSP at 25 Sep: $1,670
- Extra support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Only two points of change required, but both are substantial for recipients

FY21[1]	+$14.0b
FY22[1]	no change

2: Extend supplement at $350 to 20 March, then at $250 to 30 June, no change to IFAs or tapers

Payment type	25 Sep	20 Mar	30 Jun
JSP, YA(o)	$350	$250	-
Students	$350	$250	-
PPS	$350	$250	-
PPP	$350	$250	-
SB	$350	$250	-
Income Test	No change		
Energy, Pharma supplements	No change		

- Cut-out for single JSP at 25 Sep: $1,670
- Highest support in the short term
- No simplification achieved
- Higher EMTRs above IFA
- Three points of change where recipient payments reduce

FY21[1]	+$16.8b
FY22[1]	no change

Note: Analysis of cut-outs assumes only Energy Supplement is payable, no CRA or other supplements
1. Delta against Current Path: $57.9b for FY21 and $41.2b in FY22, assuming revert to pre-COVID settings from end of Sept '20. 2. Hold PPS increase constant at $25. 3. Both supplement and rate changed.
Source: DSS data, Project analysis

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Update required

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: Inclusion of supplement in the Income Test brings only a minor increase in outlays

	Included in income test	Excluded from income test
$200 p/f for 6 months	A Additional cost: ~$3-5b Additional recipients: TBC Implications: • **Highest cost,** gradual reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $400 p/f (50c taper)	B Additional cost: ~$3-5b (~$30m less than with income test) Additional recipients: N/A Implications: • **Higher cost**; gradual reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists
$100 p/f for 6 months	C Additional cost: ~$1-3b Additional recipients: TBC Implications: • **Lower cost**; sharp reduction for recipients • Requires **legislation** and a **system change** • **Supports incentives** to work, no EMTR cliff • **Increases cut-out** by $200 p/f (50c taper)	D Additional cost: ~$1-3b (~$10m less than with income test) Additional recipients: N/A Implications: • **Lowest cost**, sharp reduction for recipients • **Simple** to implement • **No additional incentive** to work, EMTR cliff persists

Source: Project analysis, DSS data

Hypothesis on preferred option

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Expand discretion exercised around unrealisable assets

T3 Unrealisable assets

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

JSP recipients commencing on payment since March 2020 include some who own significant assets. Approximately ~35k recipients are anticipated to have net assets beyond their relevant assets limit by 24 September 2020. The reinstatement of the Assets Test (whenever it occurs) risks creating instances of financial hardship where a recipient owns significant assets but is unable to realise (sell) those assets for a reasonable value, for instance due to the market impact of COVID-19, or the inability to travel as a result of COVID-19 restrictions.

Currently "unrealisable assets" are defined as assets that cannot be sold or realised, or cannot be used as a security for borrowing. Policy today allows for exclusion of certain assets from a recipient's asset test when the officer is satisfied that the asset is "unrealisable" and the recipient would suffer severe financial hardship without income support. Flexibility is required to prevent an increase in the instance of financial hardship among impacted recipients.

Potential reform / policy settings

Stage One | Stage Two

From 25 September 2020, the definition of "unrealisable asset" would be expanded to include assets which are unable to sold or realised for a fair value due to Coronavirus impacts on the relevant market, or due to Coronavirus-related travel restrictions required for the proper management of the sale.

Expanding the definition of unrealisable assets in this way would contribute to preventing a number of hardship cases once the assets test is reinstated.

This expanded definition would cease from a specified future date, for example 1 July 2021.

Timing considerations

- Expanded definition would need to be in place from the date when the Assets Test is reinstated (expected to be 25 September 2020)
- Sufficient lead-time would need to be provided to update the relevant manuals and operational blueprint

Modelling assumptions

- Impact of expanded discretion around unrealisable assets yet to be incorporated into the model
- Impact will be modest due to the small number of recipients that will be impacted

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- Recipients and claimants who have a high level of unrealisable assets otherwise ineligible under the assets test

Cohorts less well off

N/A

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Expanding the definition leads to new litigation / AAT appeals of Services Australia Decisions	L	M

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Assets Test: Transition pathway

Context

The asset test for Youth Allowance and JobSeeker was temporarily waived in response to COVID-19 from 23 March 2020

Asset testing is set to recommence on 24 September 2020

As part of the waiver of the assets test Services Australia removed a number of evidentiary requirements for claimants.

Available administrative data indicates that at least 35k individuals currently in receipt of JobSeeker have assets above the threshold - the true number may be substantially higher

There is no convincing rationale for increasing or reducing asset test levels after COVID-19

- Changing the tests would increase inconsistencies between payments, result in increased outlays or cancellations and likely encounter resistance from stakeholders
- The number of individuals likely to fail the assets test is not a large proportion of the overall cohort

Proposed approach to managing transition

1: Announce date of reintroduction well in advance

- To allow recipients to plan financial arrangements, contact Services Australia with any questions and provide documentation where required

2: Proactively contact impacted recipients

- Directly contact recipients known to have assets above their relevant threshold to advise them of their likely loss of eligibility from 24 September – to ensure no surprises

3: Ensure appropriate policy settings around unrealisable assets

- Existing rules around unrealisable assets and readily available funds will help to ensure recipients with assets above the threshold do not suffer financial hardship. For example, an investment property can be disregarded from the assets test for the period of time it is on the market for a reasonable price and unsold
- Consideration could be given to temporarily increasing the flexibility of the unrealisable asset policy to ensure that recipients with illiquid assets above the threshold do not find themselves in financial hardship after the asset test waiver expires

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Merge PPS and PPP into JSP

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P1 Merge PP into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Having distinct Parenting Payments alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- The requirement for PP recipients to transition to JSP once children turn 6 (if partnered), or 8 (if single), requiring additional administrative handling
- A perceived lack of clarity regarding the policy intent behind PP – when generally, all working age payments should be orienting recipients toward suitable work for their circumstances

Merging Parenting Payment into Jobseeker will simplify the welfare system, reduce administrative overhead, and better orient parents of young children toward seeking work and taking up employment opportunities

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, roll over PPS and PPP recipients onto JSP; retain existing rates and expand eligibility of JSP to include parents regardless of age, who are main carers of children aged 6 (if partnered), or 8 (if single). Retain mutual obligation exemptions for principal carers.

PPS recipients could retain their preferential Income Free Areas and Taper Rates, in the absence of the dedicated policy measure to align Allowance IFAs and taper rates to those used for pensions.

Provides an opportunity to also consider phasing in mutual obligations earlier for parents of young children; e.g., provide exemptions for very young children, followed by Parents Next, then part-time mutual obligations once children reach primary school age.

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	-	-	-	-
Net impact on # recipients	-	~330k moved from PPS/PPP into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **PPS and PPP recipients no longer required to transition to JSP once children turn 6/8 years old - reduced administrative burden**

Cohorts less well off

- **~7k PPS recipients who have earnings face lower IFA and higher taper rate (if no grandfathering, or other policy changes made)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	H

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Merge YA(o) into JSP

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Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, the distinction between JSP and YA(o) rests largely on age: JSP being for jobseekers >21 years old, and YA(o) being for jobseekers <22 years old. This distinction creates a number of friction points in the system, including:

- The requirement for YA(o) recipients to transition to JSP at the age of 22, requiring additional administrative handling
- The complexity for staff and recipients to understand, with different income tests, payment rates, exemptions and obligations
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Jobseeker Payment

Merging YA(o) into JSP would simplify the welfare system, increase the emphasis on job search for <22 year olds on welfare, and decrease administrative overhead

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, abolish lower age limit for JSP, and roll YA(o) recipients onto JSP at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into JSP	Old rate	Recommended rate	Notes
Single, at home, <18	$253.20	No change	
Single, at home, <22	$304.60	No change	
Single, away from home, <22	$462.50	No change	
Partnered, <22	$462.50	No change	
Partnered w child, <22	$507.90	$510.80	Aligns with >22 rate
Single w child 8+ years, <22	$606.00	$612.00	Aligns with >22 rate
Mutual obs exempt/single parent with child <8 years	$790.10	No change	

Note: Without other changes to income tests being made, YA(o) recipients would be shifted to a lower IFA from $143pf to $104pf

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	<$2m	<$2m	<$2m	<$5m
	Small outlay req. to align similar rates				
Net impact on # recipients	-	~165k moved from PPS/PPP into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~500 YA(o) recipients partnered with children receive higher rates**
- **YA(o) recipients single with children above 8 years old receive higher rates**

Cohorts less well off

- **~20k YA(o) recipients with earnings receive lower payment rates due to moving to a lower IFA**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Merge YA(s) into Austudy

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P3 Merge YA(s) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | **YA(s)** | **Austudy** | ABSTUDY | FTB

There is an opportunity to consolidate YA(s) and Austudy into a single student payment to simplify and improve student payment policy. ABSTUDY is not included as it offers highly targeted support, with complex and bespoke rules in place.

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would simplify the welfare system, reduce administrative overhead, and more clearly align payment types with policy intent

Potential reform / policy settings

Stage One | **Stage Two**

From 20 Mar 2021, abolish lower age limit for Austudy, and roll YA(s) recipients onto Austudy at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into Austudy	Old rate	Recommended rate
Single, under 18, at home	$253.20	No change
Single, over 18, at home	$304.60	No change
Single, away from home	$462.50	No change
Single, with children	$606.00	$612.00
Partnered	$462.50	No change
Partnered w child	$507.90	$510.80
Principal carer, Mutual obs exempt	$790.10	No change

Notes: Higher rates for long-term income support recipients would also be removed, with those current recipients paid out a lump sum commensurate with the value of the higher rate over their current course of study (<3,000 recipients). Non-age requirements between YA(s) and AUSTUDY would also be aligned, incl. "full-time study" requirement, allowable time requirements, and temporary incapacity exemptions. Existing recipients will be grandfathered for the duration of their current course.

Timing considerations

- **Changes to student payments typically best take place on 1 January. Therefore next opportunity to implement this change would be 1 January 2022**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020**
- **Grandfathered long-term income support recipients not included in modelling**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($25m)	($23m)	($20m)	($70m)
	Small saving from abolishing long-term rates				
Net impact on # recipients	-	~165k moved from YAS into Austudy			

Impact on recipients vs Current Path

Cohorts better off

- **~11k Students aged 25+ receiving YA(s)**
- **~580 YA(s) recipients partnered with children receive higher rates**
- **YA(s) recipients single with children above 8 years old receive higher rates**
- **Austudy students have access to temporary incapacity exemptions on Austudy, rather than needing to transition to and from JSP**

Cohorts less well off

- **~3.2k long-term income support recipients (if not grandfathered or compensated)**
- **Austudy students will no longer receive payments when allowable time limits are exceeded (several will be removed from payment if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Payment simplification: Many transitions between payment types today, bringing different rates, conditions, and incentives to work

Unemployment & Parenting transitions

Youth Allowance (other)
- Commence on Youth Allowance (other) at age 18 while living away from home
- Payment rate **$462.50** f/n plus supplements, with mutual obs
- **$143 IFA, 50-60%** income taper, working credit 3,500 limit

Jobseeker Payment
- Transition to Jobseeker at age 22
- Payment rate increases to $565.70 f/n plus supplements, mutual obs continue
- $104 IFA, 50-60% income taper, working credit 1,000 limit

Parenting Payment (single)
- Has a child, transitions to Parenting Payment (single) until child turns 8
- Payment rate increases to $790.10 f/n plus some additional supplements, no mutual obs
- $188.60 IFA 40% income taper, working credit 1,000 limit

Jobseeker Payment
- Child turns 8, transition to Jobseeker
- Payment rate decreases to $612.00 f/n plus some additional supplements, part time mutual obs
- $143 IFA, 40% income taper, working credit 1,000 limit

Unemployment and Student transitions

Youth Allowance (student)
- Commence on Youth Allowance (student), living away from home while studying Bachelor Communications
- Payment rate **$304.60** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseeker Payment
- Finish study and transition to Jobseeker
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit (transfer balance from income bank)

Austudy
- Returns to study to extend qualifications with Journalism course.
- Payment rate decreases to **$462.50** f/n, full-time study load, casual work
- **$437 IFA, 50-60%** income taper, income bank 10,900 limit

Jobseker Payment
- Finishes study, returns to Jobseeker.
- Payment rate increases to **$565.70** f/n, now has mutual obs
- **$104 IFA, 50-60%** income taper, working credit 1,000 limit

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Rolling PP (P&S) into Jobseeker

	From Jobseeker	From Parenting Payment	To Jobseeker
Eligibility	Unemployed Aged 22 to Age Pension age	Principal carer of qualifying child <6 if partnered or <8 if single	Unemployed Aged 22 to Age Pension age, or a parent of a qualifying child[1]
Mutual obligations	Enter into job plan and participate in job search/ activities, unless exempt Mutual obs dependent on age and capacity	May be required to participate in ParentsNext. If qualifying child aged six or over, must enter into a Job Plan	Enter into job plan and participate in job search/activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]
Rates	Single $565.70 Single w/children/ mature aged rate $612.00 Single, PCP, mutual obs exempt $790.10 Partnered $510.80	Single $790.10 Partnered $510.80	Single $565.70 Single w child >8/mature aged rate $612.00 Mutual obs exempt/single parent w. qualifying child[1] $790.10 Partnered $510.80
Supplements	Individual circumstances	As per JSP + Pension Supplement and Pensioner Education Supplement	Individual circumstances
Tapers & IFA	50% above $104 60% above $254 40% over $104 if PCP	As per JSP for Partnered 40% above $189 (plus $24.6 per extra child) if Single	Same as today if Partnered; 40% above $189 (plus $24.6 per extra child) if Single

1. A qualifying child is a child under 6 years old (or under 8 years old if the parent is single), and in the person's care at least 35% of the time

Rationale for change

Parenting Payment (single and partnered) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Simpler rate structure
- ✓ Eliminate requirement to transfer from PP to JSP when children reach 6 or 8 years old
- ✓ Creates opportunity to consider phasing in mutual obligations (e.g. a flexible approach, with exemptions for very young children, followed by Parents Next, followed by part-time mutual obligations at school age)

Cons:

- x Requires legislation
- x May be perceived as applying additional obligations to parents

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Rolling YA(o) into Jobseeker

	From Youth Allowance (Other)		To Jobseeker, Youth Rates	
Eligibility	Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study		Job seekers, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study	
Mutual obligations	Participate in job search or other approved activities Participate in part-time study or training, in combination with other approved activities		Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity Exemption if principal carer of qualifying child[1]	
Rates	Single, under 18 years, at home	$253.20	Youth Single, under 18, at home	$253.20
	Single, 18-21 years, at home	$304.60	Youth Single, 18-21, at home	$304.60
	Single, 18-21 years, away from home	$462.50	Youth Single, 18-21, away from home	$462.50
	Single, with dependent child	$606.00	All ages, single, with dependent child	$612.00
	Single, principal carer with exemption	$790.10	All ages, single, principal carer	$790.10
	Partnered, no child	$462.50	Youth Partnered, no child	$462.50
	Partnered, with dependent child	$507.90	Youth Partnered, with dependent child	$510.80
Supplements	Energy Supplement (various rates from $3.90 to $12.00), Youth Disability Supplement (if eligible), Pharmaceutical Allowance (if eligible)		Simplified Energy Supplement, other supplements remain the same	
Tapers & IFA	Parental Income test of 20c per $1 over $54,677 50% above $143 60% above $250		Same as today	

Rationale for change

Youth Allowance (other) could be combined with Jobseeker Payment and accommodated within the existing rate structure

Pros:

- ✓ Fewer overall payment types
- ✓ Eliminate requirement to transfer from YA(o) to JSP at the age of 22
- ✓ Greater alignment of payment type with focus on finding work ("Jobseeker" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(O) but not YA(S) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Jobseeker Payment
- x Lower Income Free Area for current Youth Allowance (other) recipients

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Rolling YA(s) into Austudy

	From		To
	Youth Allowance (S)	**Austudy**	**Austudy**
Eligibility	Full-time students and Australian Apprentices aged 16 – 24 Secondary students under 18 living away from home	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 25 years or over	Undertaking qualifying study or a full-time Australian Apprenticeship and be aged 16 years or over
Mutual obligations	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship	Must be studying full time or doing a full time apprenticeship
Rates	Single, under 18 years, at home $253.20 Single, over 18 years, at home $304.60 Single, away from home $462.50 Single, with child $606.00 Single, principal carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $507.90 **Three more special rates for long term income support*	Single, no dependent children $462.50 Single, with dependent children $606.00 Member of a couple, no dependent children $462.50 Member of a couple, with dependent children $507.90 **Two more special rates for long term income support recipients*	Single, under 18, at home $253.20 Single, 18-24, at home $304.60 Single, away from home or >24 $462.50 Single, with dependent child $612.00 Single, Principal Carer with exemption $790.10 Partnered, no child $462.50 Partnered, with child $510.80 **No special rates for long term income support recipients, with grandfathering of current cohort*
Supplements	Energy Supplement (from $3.90 to $12.00)	Energy Supplement (from $7.00 to $14.10) and Pharmaceutical Allowance if aged over 60 and on payment for 9 months	Individual circumstances
Tapers & IFA	50% above $437 60% above $524	50% above $437 60% above $524	50% above $437 60% above $524

Rationale for change

Youth Allowance (Student) could be combined with Austudy to simplify the different categories of student payments. This would create a consistent set of adult and youth rates in both unemployment and student payments.

Pros:

- ✓ Fewer overall payment types
- ✓ Greater alignment of payment type with policy intent ("Austudy" rather than "Youth Allowance")

Cons:

- x Requires legislation
- x Changes to YA(S) but not YA(O) would appear inconsistent
- x Requirements for independence and parental means tests less clear for youth recipients
- x Brings greater complexity into Austudy

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New JobSeeker Rate Mapping – Tiers One and Two

From			To	
JobSeeker Single principal carer with exemption (4,000 recipients)	$790.10			
Parenting Payment Single (234,000 recipients)	$790.10	→	**Tier One rate** Single	$790.10
Youth Allowance (Other) Single principal carer with exemption (4 recipients)	$790.10			
JobSeeker Single, with dependent child (134,000 recipients)	$612.00			
JobSeeker Single, aged 60 or over, after 9 months (66,000 recipients)	$612.00	→	**Tier Two rate** Single	$612.00
Youth Allowance (Other) Single with child (500 recipients)	$606.00			

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New JobSeeker Rate Mapping – Tier Three

From		To	
JobSeeker Single, no children (714,000 recipients)	$565.70	**Basic Rate, Single**	$565.70
JobSeeker Partnered (300,000 recipients)	$510.80	**Basic Rate, Partnered**	$510.80
Parenting Payment **Parenting Payment Partnered** (71,000 recipients)	$510.80		
Youth Allowance (Other) Partnered, with child (1,000 recipients)	$507.90		
Youth Allowance (Other) Single, under 18 years, at home (5,000 recipients)	$253.20	**Basic Rate, Youth Single, under 18 years, at home**	$253.20
Youth Allowance (Other) Single, over 18 years, at home (65,000 recipients)	$304.60	**Basic Rate, Youth Single, 18-21 years, at home**	$304.60
Youth Allowance (Other) Single, over 18 years, away from home (4,000 recipients)	$462.50	**Basic Rate, Youth Single, away from home**	$462.50
Youth Allowance (Other) Single, over 18 years, away from home (42,000 recipients)	$462.50		
Youth Allowance (Other) Partnered, no children (4,000 recipients)	$462.50	**Basic Rate, Youth Partnered**	$462.50

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New Austudy Rate Mapping

From		To	
Youth Allowance (Student) Principal carer of a dependent child (0 recipients)	$790.10	**Higher Rate, Single**	$790.10
Youth Allowance (Student) Single, with children (200 recipients) **Austudy** Single, with children (3,000 recipients)	$606.00 $606.00	**Higher Rate, Single**	$612.00
Youth Allowance (Student) Single, under 18 years, at home (3,000 recipients)	$253.20	**Basic Rate, Single, under 18, at home**	$253.20
Youth Allowance (Student) Single, over 18 years, at home (99,000 recipients)	$304.60	**Basic Rate, Single, 18-24, at home**	$304.60
Youth Allowance (Student) Single, under 18 years, away from home (4,000 recipients) **Youth Allowance (Student)** Single, over 18 years, away from home (71,000 recipients) **Austudy** Single, no child (20,000 recipients)	$462.50 $462.50 $462.50	**Basic Rate, Single, away from home**	$462.50
Youth Allowance (Student) Partnered, no child (4,000 recipients) **Austudy** Partnered, no child (2,000 recipients)	$462.50 $462.50	**Basic Rate, Partnered**	$462.50
Youth Allowance (Student) Partnered, with children (2,000 recipients) **Austudy** Partnered, with children	$507.90 $507.90	**Basic Rate, Partnered with children**	$510.80

Grandfathered Rates

Youth Allowance and Austudy currently have five rates for long-term income support recipients.

These rates are for recipients who either commence full-time study of an apprenticeship, having been in receipt of an income support payment for at least 6 out of the last 9 months since turning 22.

It is proposed that these rates be grandfathered for those eligible for this payment (less than 3,000 recipients). Once these recipients finish their current course of study they will move to a standard rate.

Current rates (Youth Allowance):

Single, living at home - $373.70

Single, living away from home - $561.90

Member of a couple, no dependent children - $507.90

Austudy

Single, no dependent children - $561.90

Member of a couple, no dependent children - $507.90

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Backup: Key policy objectives for youth payments to consider when designing three-tier working age payment

Policy objectives for youth and student payments to uphold

Designed to provide means-tested income support for youths and students based on parental and personal income

- Aligns with societal expectation for parents to provide support for young adults where they have the means to do so

Incentivise work for adults aged 22+ by keeping student payment rates below unemployment rates

- Same level of support for work and study is provided for adults aged 18-21 (with preference towards study)

Implied expectation through policy settings that students will supplement their own income through work when possible

- Youth disability supplement intended to support those with PCW

Targeted support provided to Aboriginal and Torres Strait Islanders students through ABSTUDY, recognising unique circumstances, e.g., targeted support provided to teenagers, Masters and Doctorate students

Key issues to address if new three-tier working age payment is created

Payment rates for recipients of different ages in different circumstance (dependent, away from home etc)

Ongoing inconsistencies between YA(o) and YA(s), e.g., age eligibilities, availability of long-term income support rates

Two separate student payments, YA(s) and AUSTUDY, adds complexity in systems build and customer/staff understanding

- Inconsistent payment rates for 25+ aged students
- AUSTUDY satisfactory progress requirements allows allowable time to be exceeded before payment will cease; YA payments will cease once allowable time is exceeded

- "Full-time study" requirement for YA(s) vs. "qualifying study" for AUSTUDY despite full-time study load requirement in practice

Ongoing transitions from YA to JS produces additional admin costs and workload

Large scale loss of part-time/casual work; reducing youths' ability to self-support

- 75% YA(s) received no earnings in Apr 2020 – an increase of 15 ppts from 60% in Sep 2020

1. Sep 2019 figures used as a proxy to Pre-COVID
Source: DSS Data (2019), Department of Jobs and Small Business Australian Jobs Report (2019)

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Merge Special Benefit (>65s) into JSP

P4 Merge SpB(>65) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are over the Age Pension age and are not qualified for the age pension due to residential requirements. These recipients are subject to quarterly activity reviews, despite a low likelihood that employment circumstances will change, which generates costly administrative outlays.

To simplify payments and retain Special Benefit as the 'payment of last resort', JSP may be a more relevant payment for recipients over the Age Pension age.

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021, the upper age limit on JSP would be removed, with exemptions from mutual obligations provided to recipients aged over Age Pension age. Special Benefit recipients over the Age Pension age would then be rolled over onto JSP (~3k current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB mature aged recipients	Old rate	New rate	Notes
Single, no children, 22 or older	$565.70	No change	
Single, aged 60 or older, on payment for at least 9 months	$612.00	No change	
Member of a couple, aged 60 or older	$612.00	$510.80	Existing recipients on this rate would be grandfathered

Recipients aged above 65 who are partnered would be grandfathered on their current rate ($612 pf, vs the $510.80 pf they would receive under normal circumstances on JSP).

Special Benefit recipients who are above the age pension age will be subject to the same JSP IFA and income tapers.

Timing considerations

- **Merging Special Benefit (>65s) into JSP ideally finalised when temporary measures expected to cease and Stage Two is expected to commence - 1 Jul 2021**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims Grandfathering of partnered recipients aged 65+ modelled; recipients continue to receive $510.80 pf**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	+$3m	+$3m	+3m	-$9m
	Small outlay due to income test alignment				
Net impact on # recipients	-	~3k moved from SpB into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~3k Special Benefit recipients aged 65+ shift onto JSP and receive a standard income test, IFA and taper rather than the 100% taper rate on SB**

Cohorts less well off

- **~2k Special Benefit partnered recipients aged 65+ receive lower rate (if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes to legislation and systems; implementation by Mar 2021 may not be possible	M	M

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Merge Special Benefit (TPVs) into JSP

Policy context

JSP | PPS | PPP | **SB** | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The policy intent of Special Benefit was to act as a 'payment of last resort' for recipients who are ineligible for any other income support payment, and are in serious financial hardship. It includes a 100% taper rate with $0 IFA.

Currently, ~30% of Special Benefit recipients are of working age and deemed appropriate for JobSearch but do not residentially qualify for JobSeeker Payment; the majority of this cohort are Temporary Protection Visa holders. Recipients do not have access to an income free area and a 100% taper rate applies, disincentivising the uptake of work. Only ~1% of Special Benefit recipients report income each fortnight.

To incentivise employment and simplify payments, JSP may be a more relevant payment for recipients holding TPVs.

Potential reform / policy settings

Stage One | **Stage Two**

From 1 July 2021, extend eligible visas for JobSeeker Payment to include Temporary Protection Visas, and rollover existing Special Benefit recipients who are deemed appropriate for JobSearch but do not residentially qualify to JSP (~2,400 current recipients). Special Benefit recipients will receive current JSP rates.

Main JSP rates applied to SpB TPV recipients	Old rate	New rate
Single, no children, 22 or older	$565.70	No change
Single, w children	$606.00	No change
Member of a couple, no children	$462.50	$510.80

Recipients will be subject to the JSP income free area (from $0 to $104pf) and income tapers (from 100% to 50-60% depending on income).

Given likely sensitivity of providing JSP access to TPVs, an alternative is to amend the Special Benefit income free area and taper to incentive employment.

Timing considerations

- **Merging Special Benefit (TPVs) into JSP ideally finalised when temporary measures expected to cease and Stage Two is expected to commence - 1 Jul 2021**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$9m	$8m	$7m	$24m
	Small outlay due to income test alignment				
Net impact on # recipients	-	~4k moved from SpB into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **~4k recipients holding TPVs moved onto JSP IFA and lower taper**
- **~1k partnered recipients with no children holding TPVs receive higher payment rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding merging of cohort may extend timelines to implement changes to legislation; implementation by 20 Mar 2021 may not be possible	M	M

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Key decision: Rolling Special Benefit into Jobseeker

From: 3 key cohorts on Special Benefit

Special benefit

Recipients over Age Pension Age (2,659 people):

- Are all not activity tested
- Are on payment because they are not residentially qualified for age pension because they have been in Australia more than 2 years but less than 10 (93%) or on an Assurance of Support/Temp Visa (4%)

Recipients of working age and deemed appropriate for a Jobsearch (2,380 ppl):

- Do not residentially qualify for JobSeeker because they are on a temporary protection 785 or 790
- The majority of this cohort of people have a Safe Haven Enterprise Visa (50%) who have worked in Australia for 42 months (3-and-half years).

Remainder of Special Benefit recipients (3,621 people)

Those remaining on SpB have exemptions from the activity test (1,778), are under 18 and on student rates (388), complete alternate activities (Adult migrant education, Quarterly interview PCW, incapacitated). They are on a variety of visa types and special circumstances, closer to the intended target group of the payment.

To: Special Benefit a genuine "last resort"

Jobseeker/new 3-tier payment

Recipients over Age Pension Age:

- Requires removing upper age limit on Jobseeker
- Requires an exemption from mutual obligations for people over Age Pension age

Special Benefit on JobSearch: Likely to be sensitive

- Requires expanding eligible visa types to include TPVs
- Supports greater incentives to work - only ~1% of all Special Benefit recipients report income each f/n

Note: Alternative to migrating this cohort to Jobseeker could be to simply amend Special Benefit IFA & tapers

Special benefit

Remainder of Special Benefit recipients

No changes for this cohort

Rationale for change

JobSeeker may be a more relevant payment for some cohorts on Special Benefit:

1. Recipients over Age Pension age who haven't met residency requirements;

2. Recipients with Temporary Protection or Partner Visas who are subject to full Job Search obligations

Pros:

- ✓ Greater incentive for employment through free areas and tapers
- ✓ Aligns with original policy intent as payment of last resort
- ✓ Cheaper to administer mainstream payment without regular reviews

Cons:

- x Requires legislation (removal of upper age limit and extension of residency requirements to certain visa categories)
- x Small fiscal outlays (for individuals who undertake work)

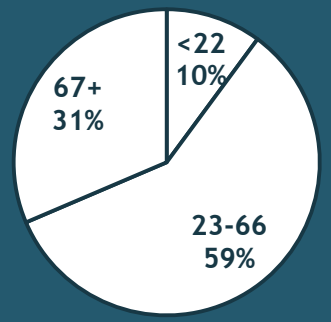
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Appendix – Cohort analysis of working age Special Benefit recipients

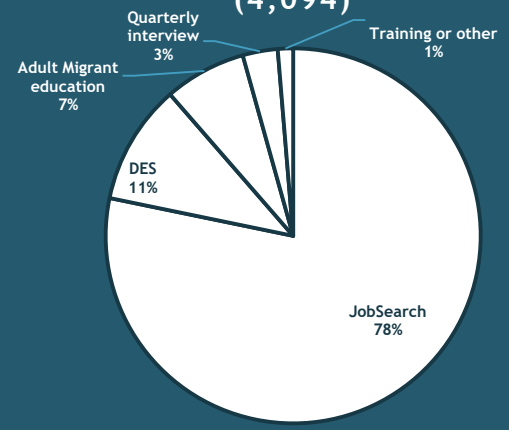
AGE



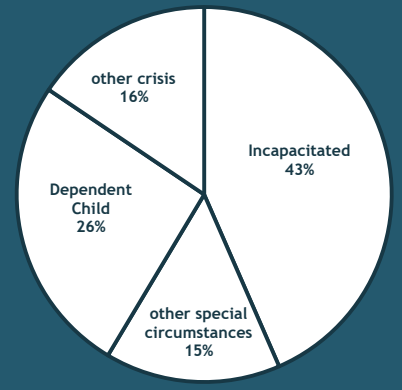
Working Age Recipients

Individuals of working age represent 59% (4,947) of the special benefit cohort (8,600). The majority are on protection visas (3,500)

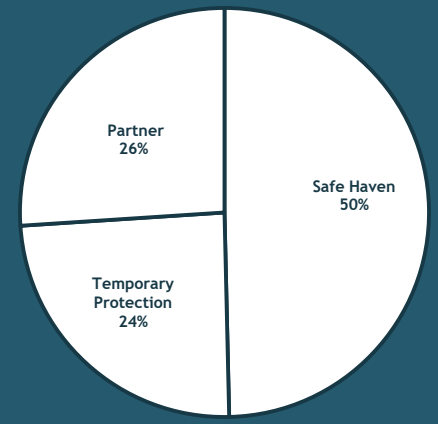
MUTUAL OBLIGATIONS - WAP (4,094)



MUTUAL OBLIGATION EXEMPTIONS - WAP (853)



VISA TYPES - WAP (4,947)



Visa Categories

Safe Haven Visa (790) is for people who arrived in Australia illegally and want to apply for protection, intend to work or study in regional Australia. A permanent visa pathway exists for individuals who have worked in regional areas and NOT received SpB. It allows a five year stay.
Temporary Protection Visa (866) is for refugees who arrived in Australia without a valid visa, and want to apply for protection. It allows a three year stay.
Partner Visas include temporary, migrant and permanent partner visas.

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Streamlining FTB

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P6 FTB

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | **FTB**

Family Tax Benefit is designed to support low and low-middle income families with a contribution towards the cost of raising children. Current policy settings have given rise to several challenges:

1. Current settings provide incentives/support for single-earner households relative to dual-earner households – whereas post-COVID, good policy suggests encouraging all working-age adults to engage in the labour force and take a job where one is available
2. FTB payment rates do not reflect the increasing costs of raising children as children grow older
3. FTB payment rates do not reflect economies of scale in family budgets as family sizes grow
4. Separation of Part A and Part B, and the relevant supplements, drives complexity unnecessarily – especially given vast majority of FTB cohort receive both FTB-A and FTB-B concurrently
5. FTB policy settings currently results in several payment cliffs for recipients receiving both payments (at FTB-B cut-out ($100,000 for primary income earner), and at cut-out of FTB-A Supplement ($80,000))

Potential reform / policy settings

Stage One | **Stage Two**

From Jul 2021, merge FTB-A and FTB-B to form a single FTB payment tiered by age of child and the number of children:

- First child receives rate equivalent to FTB-A and FTB-B incl. supplements
- 2nd and 3rd child receives rate equivalent to FTB-A without $766.50 supplement
- Subsequent children receive half of 2nd and 3rd child rates

Update taper rates to cut-in at $38,520, tapering at 20% for income up to $90,000 (or 15% for single parents), then at 30% for income over $90,000

Retain FTB base rates for those who fail the Maintenance Action test only

Age	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate – 2nd and 3rd child	$4,855	$5,858	$6,315
Rate – Subsequent children	$2427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 – cut in	$90,000	Taper rate	30%

Timing considerations

- **Measure should be implemented on 1 July 2021, to align with the start of a new financial year**

Modelling assumptions

- **Assumes FTB population does not change as a result of changes to the taper rates and cut-outs (this should be refined/updated in future iterations of the model)**
- **Does not include impact on tax revenues via the ATO**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($1.3b)	($1.3b)	($1.3b)	($3.9)
	Small savings due to changes in rates and tapers				
Net impact on # recipients	-	~1.4m moved onto new single FTB payment			

Impact on recipients vs Current Path

Cohorts better off

- **Dual-earner households, except 1-child households earnings $86k-$106k**
- **Single-earner households with 2+ children earning >100k**
- **Single parents with 2+ children earning >$100k**

Cohorts less well off

- **Single-earner families with 1 child, earning >$38.5k**
- **Single-earner families with 2+ children earning <$100k**
- **Dual-earner families with 1 child earning $86k-$106k**
- **Single parents with 1 child earning >$38.5k**
- **Single parents with 2+ children earning <$80k**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding cohorts less well-off may lead to extended timeframes to implement changes to legislation	M	H

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FTB A & B: Policy goals and key issues to address

Policy goal of FTB

Support low and low-middle income families with a contribution toward the cost of raising children

Note: FTB has historically had the effect of reducing overall income inequality in Australia – however this effect has been declining for over a decade

Key current issues to address

FTB not aligned the increasing costs of raising children as they get older

- FTB-A only steps up once at 13yo, and FTB-B steps down at 5yo

Separate A and B payment types creates complexity

- Only 12,000 (0.9%) of FTB recipients receive only FTB-B
- The rest receive either FTB-A (20%), or both A & B (79%)

Payments don't reflect economies of scale in family budget

- FTB-A provides a consistent amount per child, rather than decreasing as the family grows

Delivery via Services Australia brings >750,000 additional people into the welfare system – with ~57% of FTB recipients not on an income support payment

Several payment cliffs:

- At $80,000 income due to FTB-A supplement cut-out
- At $100k for the primary income earner for FTB-B
- At the base-rate of FTB-A for private renters, due to rent assistance ceasing

Note: Figures exclude FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients)
Source: DSS data as at 27 December 2019, McClure Review

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FTB: Example reform options

Update: Now includes a lower taper rate for single parent households

Hypothesis

	1: Single FTB payment, with decreasing rates per child as family grows	2: As per Example 1, but with earlier taper cut-in, and lower taper rate	3: As per Example 2, but with lower rate for 0-4s, and expanded Newborn Supplement
Description	First Child: Equivalent to FTB A & B incl. supplements rolled together, except 5-12 children take average of 0-4 and 13-18 rates 2nd & 3rd children: Equiv. to FTB A, but without the $766.50 supplement 4th & subsequent: Half of 2nd/3rd rate Tapers: Cut-in as per FTB A, at 30%, or 25% for single parents Base rates: Retained for those who fail the Maintenance Action Test, and as a reference point for FTB-rent assistance payability	First Child: As per Example 1 2nd & 3rd children: As per Example 1 4th & subsequent: As per Example 1 Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1	First Child: As per Example 2, but 0-4 rate 30% reduced, and 5-12 rate 15% reduced 2nd & 3rd children: Same % reductions as for 1st 4th & subsequent: Half of 2nd/3rd rate For newborns: Expand Newborn Supplement to $3,696. Would remove multiple birth allowance Tapers: Cut-in at $38,520, 20% up to $90,000 (or 15% for single parents), then 30% Base rates: Retained as per Example 1
Winners	✓ Almost all dual-earner households ✓ Families with 6-12 aged children ✓ Single-earner households with 2+ children and >$100k income	✓ Dual-earner households, except 1-child households earning $86k-$106k ✓ Single-earner households with 2+ children earning >$100k	✓ Families with newborns (0-1 yo) ✓ Dual-earner households, except those with children aged 1-4 ✓ Single-earner households with 2+ older children, earning >$100k
Losers	x Single-earner families with 1 child, and income >$56k x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement)	x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction, due to removal of $766.50 supplement) x Dual-earner families with 1 child earning $86k-$106k	x Almost all families with 1-4 year olds x Single-earner families with 1 child earning >$38,500 (moderate reduction) x Single-earner families with 2+ children and <$100k income (modest reduction x Dual-earner families with 1 child earning $86k-$106k

Note: Excludes FTB recipients who elect to receive their FTB in annual lump sums (7% of all FTB recipients) Source: DSS data as at 27 December 2019, McClure Review

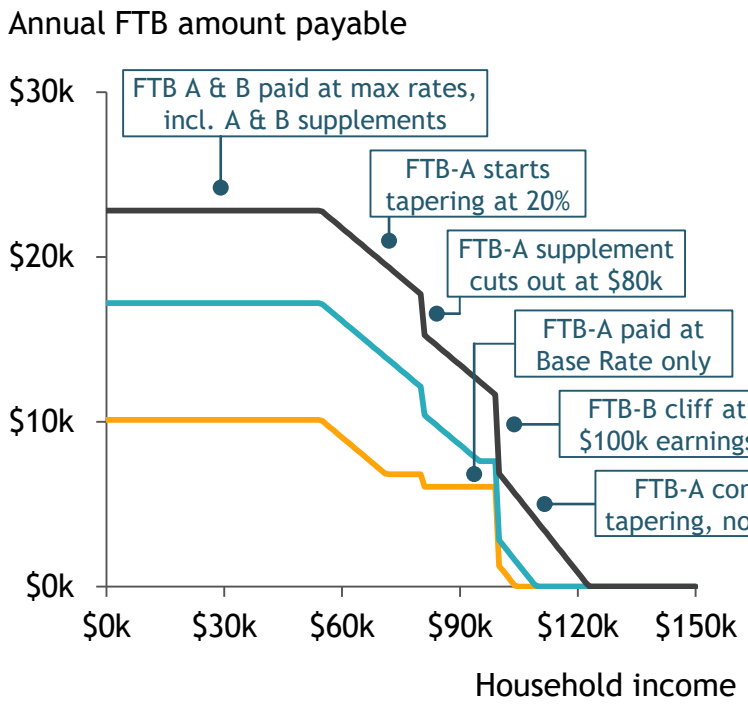
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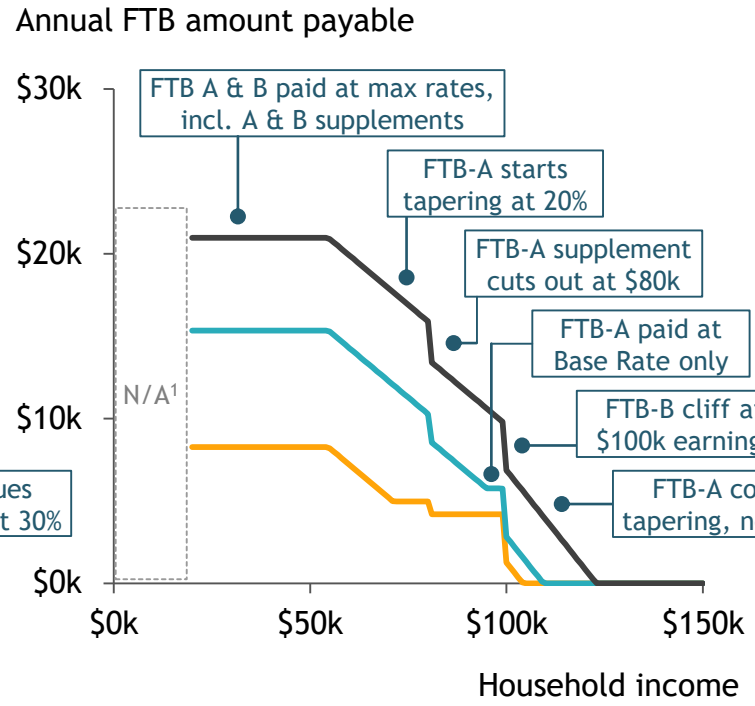
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FTB: Current income tests for varying family circumstances

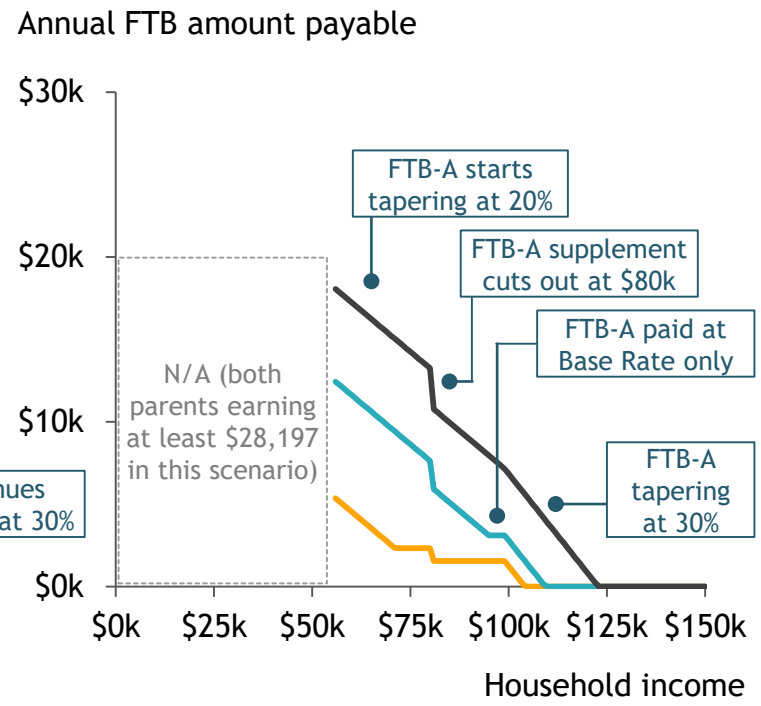
Current: One earning parent



Current: Two earning parents, with $15k income for secondary earner



Current: Two earning parents, with >$28,197 income for secondary earner



Family with 1 child <5, — Family with 2 children, 1x<5, 1x16 — Family with 3 children, 1x<5, 1x10,1x16

1. Both parents earning at least $10,000 in this scenario

Source: Project analysis; Services Australia Guide to welfare payments

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FTB: Example income tests for the three reform options

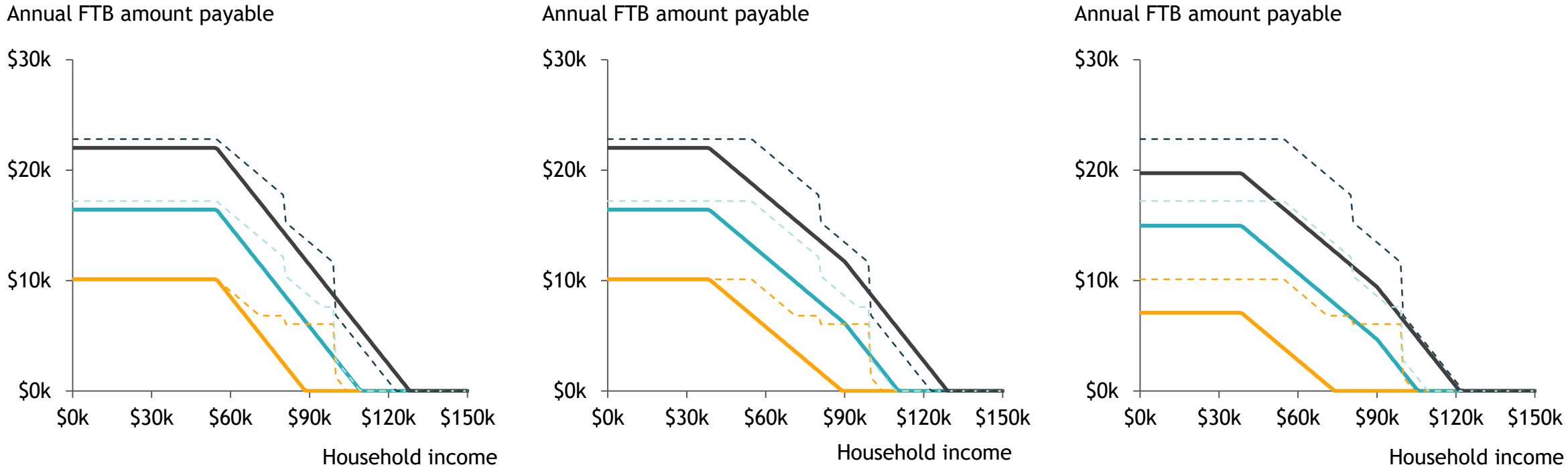
Comparison vs Two-parent single-earner households

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2, but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Source: Project analysis

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FTB: Example income tests for the three reform options

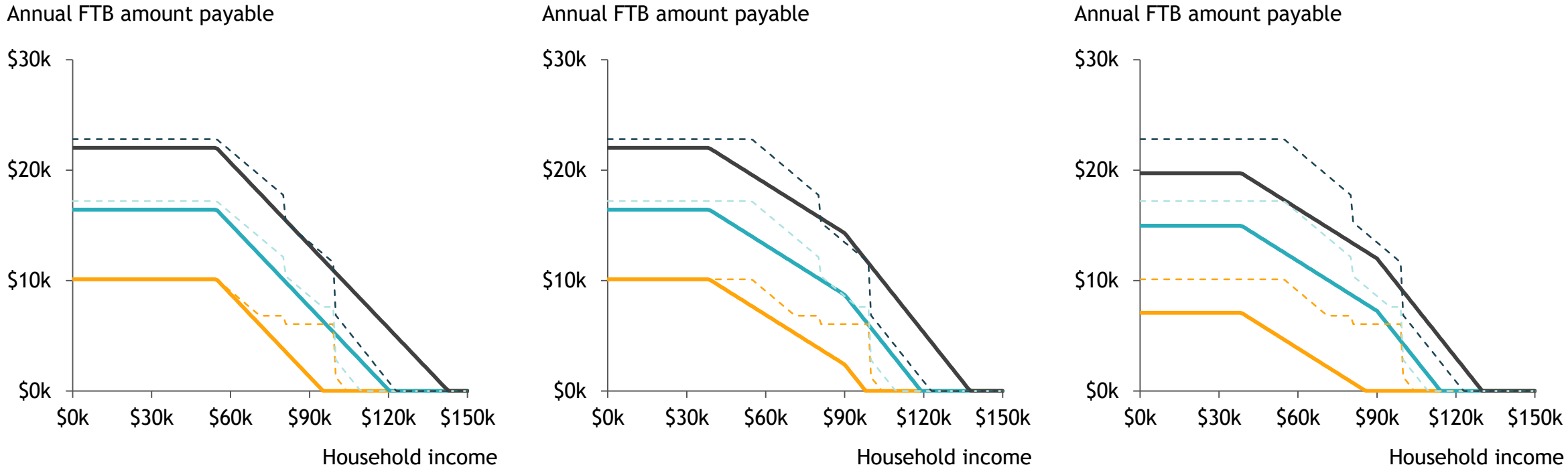
Comparison vs Single parent households

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2,
but with lower rate for 0-5s and 6-12s, and expanded Newborn Supplement



Source: Project analysis

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FTB: Example income tests for the three reform options

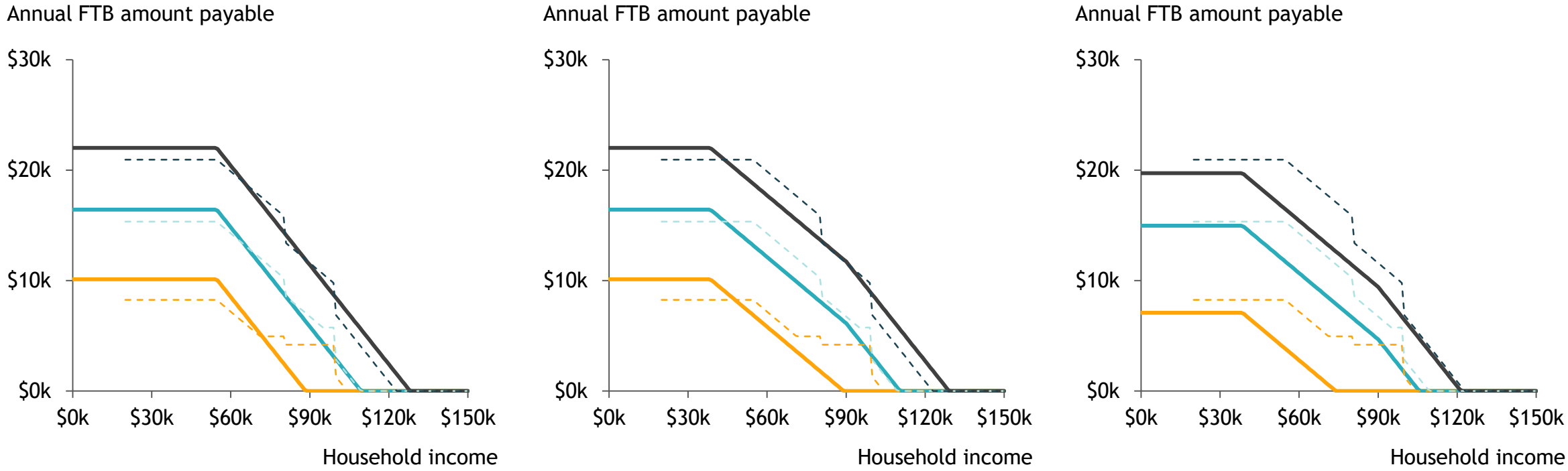
Comparison vs Two earning parents, with $15k income for secondary earner

Hypothesis

Example 1:
Single FTB payment, with decreasing rates per child as family grows

Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate

Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



Source: Project analysis

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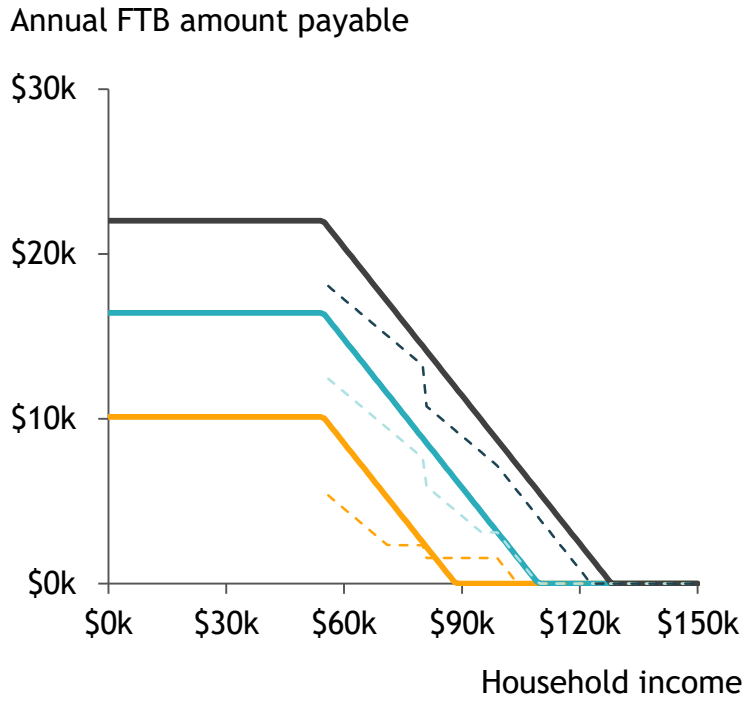
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

FTB: Example income tests for the three reform options

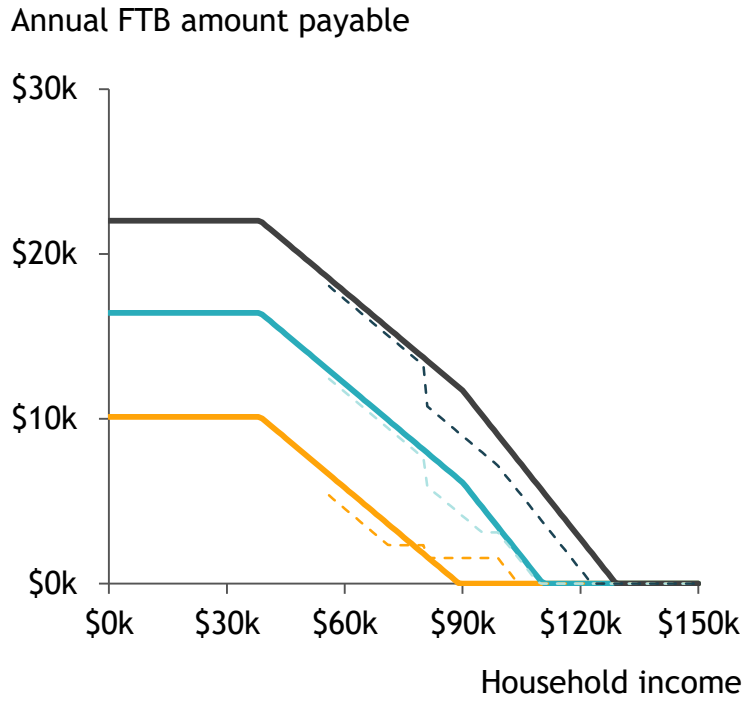
Comparison vs Two earning parents, with >$28,197k income for secondary earner

Hypothesis

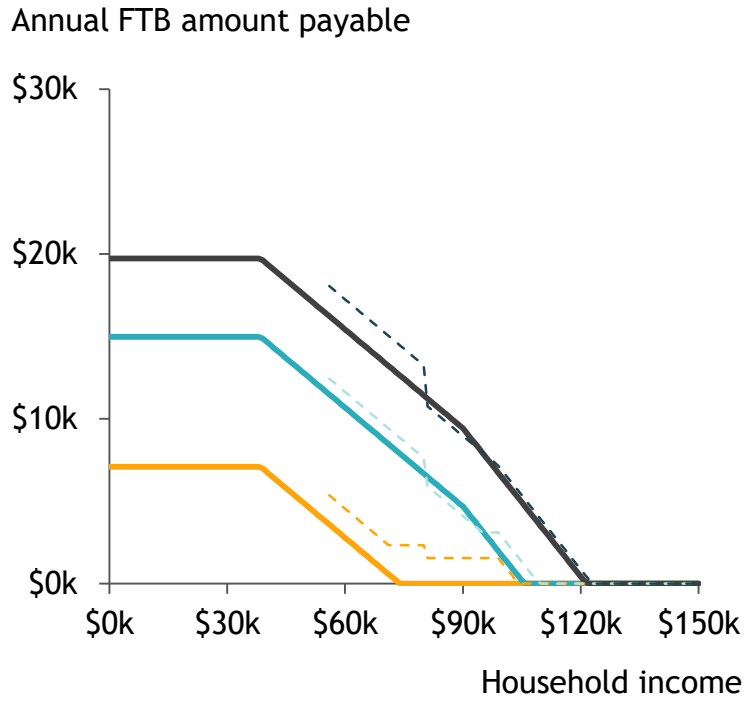
Example 1:
Single FTB payment, with decreasing rates per child as family grows



Example 2:
As per Example 1, but with earlier taper cut-in, and lower taper rate



Example 3: As per Example 2, but with lower rate for 0-5s, and expanded Newborn Supplement



Example: Family with 1 child <5,
Example: Family with 2 children, 1x<5, 1x16
Example: Family with 3 children, 1x<5, 1x10,1x16
Current: Family with 1 child <5 (single income)
Current: Family with 2 children, 1x<5, 1x16 (single income)
Current: Family with 3 children, 1x<5, 1x10,1x16 (single income)

Source: Project analysis

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Backup: FTB example rate tables

Current rates

FTB-A

	0-12	13-19	
Standard rate	$4,855	$6,315	
Taper 1 - cut in	$54,677	Taper rate	20%
Taper 2 - cut in	$98,988	Taper rate	30%
Base rate	$1,559		
Base rate taper – cut in	$98,988	Taper rate	30%
Supplement	$766.50	Cut-out	$80,000

FTB-B

	0-4	5-18	
Standard rate incl. supplement	$4,500	$3,256	
Secondary earner taper – cut in	$5,694	Taper rate	20%
Primary income earner cut-out	$100,000		

Example options for rates

1

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate – Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$54,677	Taper rate	30% (25% for single parents)
Taper 2 - cut in	N/A	Taper rate	N/A

2

	0-4	5-12	13-18
Rate – First child	$10,121	$10,851	$11,581
Rate - 2nd & 3rd child	$4,855	$5,585	$6,315
Rate - Subsequent children	$2,427	$2,792	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

3

	0-4	5-12	13-18
Rate – First child	$7,085	$9,224	$11,581
Rate - 2nd & 3rd child	$3,398	$4,747	$6,315
Rate - Subsequent children	$1,699	$2,373	$3,157
Taper 1 - cut in	$38,520	Taper rate	20% (15% for single parents)
Taper 2 - cut in	$90,000	Taper rate	30%

Note: Does not include consideration of: Rent Assistance payable with FTB-A, Multiple Birth Allowance, Newborn Supplement, Newborn Upfront Payment, Family Tax Bereavement Benefit, Still Born Baby Payment, Energy Supplement, Single Income Family Supplement

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Lift in base rates

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R2 Mature age / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

As a result of the C-19 supplement and temporary measures, recipients received a $550+ lift in payments from 27 April to 24 September 2020. This supplement may be extended in some form through to March 2021, likely at a lower rate.

At the cessation of the C-19 supplement, a decision to raise base rates for lower and mid-tier welfare payments would reduce the "shock" of the C-19 supplement cessation, help address adequacy concerns about the lower-tier payment rates, and also creates an opportunity to consolidate or abolish several small supplements currently paid to working-age recipients, including Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, and Telephone Allowance. This would result in a substantial simplification of the working age welfare system.

Potential reform / policy settings

Stage One | Stage Two

When the C-19 supplement ceases (likely 30 June 2021), lift the payment rates for working age & student payments:

- For recipients currently receiving the $790.10 basic rate (i.e. PPS and JSP Principal Carers), by $25 pf
- For all other allowance recipients, by $150 pf

In parallel, abolish for JSP, PPS, PPP, SB, YA(o), YA(s), Austudy, and ABSTUDY recipients: Energy Supplement, Pharmaceutical Allowance, Approved Program of Work Supplement, Language Literacy and Numeracy Supplement, Telephone Allowance, Essential Medical Equipment Payment, Remote Allowance, Training Allowance, Fares Allowance, and Education Entry Payment.

Note that approximately 1% of PPS recipients (~3k) receive sufficient supplements to mean they would not be fully compensated by the $25 pf increase. To avoid them being worse off, they could receive a lump sum payment equivalent to the forward value of the relevant supplements.

Timing considerations

- Recognising tight timeframes to implement changes to legislation and systems by 25 September 2020, changes can be implemented from 1 Jul 2021 when C-19 supplement is expected to end

Modelling assumptions

- Volume impact of increase in base rates (will be modest, <1% increase in recipient numbers, <0.3% impact on outlays)
- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients, and a % of monthly pending claims
- Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$6.7b	$5.1b	$4.6b	$16.4b
Net impact on # recipients	-	+35k	+25k	+20k	n/a

Currently only accounts for absorption of Energy Supplement and Pharma Allowance. Inclusion of other supplements requires further data extract

Impact on recipients vs Current Path

Cohorts better off

- Allowance recipients on lower and mid-tier rates typically $110-$140 better off per fortnight
- Allowance recipients on the higher tier ($790.10) rate, typically $1-$5 better off

Cohorts less well off

- Small cohort of ~3k PPS recipients who receive APW/LLN supplement may be worse off as their payment rise of $25 p/f is insufficient to compensate for loss of all the relevant supplements. May require a lump sum payment to compensate

Impact on policy goals



Risks

Risk	Severity	Likelihood
Abolition of supplements may be controversial as it reduces targeting of welfare, may lead to leg. delays	M	L
The quantum of rate increase may be controversial with some seeing it as insufficient, leading to leg. delays	M	H

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Two example options for an increase to base rates: Increase by $100 across all, or increase to $150 and absorb supplements

1: Increase base rates by $100 p/f from 30 June, with no change to supplements

Description

Payment type	1 July 2021
JSP, YA(o)[1]	$100 base rate lift
Students	$100 base rate lift
PPS	$25 base rate lift
PPP	$100 base rate lift
SB	$100 base rate lift
Supplements	No change

Implications

- Addresses longer term adequacy concerns
- No progress toward simplification
- More equal treatment of recipients across welfare system – e.g. everyone on JSP receives the same $100 p/f increase

Cost

FY21[1]	+X.Xb
FY22[1]	+X.Xb

Hypothesis

2: Increase base rates by $150 p/f from 30 June, and abolish 10+ supplements

Payment type	1 July 2021
JSP, YA(o)[1]	$150 base rate lift
Students	$150 base rate lift
PPS	$25 base rate lift
PPP	$150 base rate lift
SB	$150 base rate lift
Supplements	Abolish for Allowance and PPS recipients: Energy Supplement, Pharma Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Allowance, Remote Area Allowance, Education Entry Payment, Fares Allowance, and Training Allowance

- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Different recipients in welfare system will benefit from this change to differing extents – e.g. a recipient receiving many supplements today will receive less of an overall increase than others

FY21[1]	+X.Xb
FY22[1]	+X.Xb

1. JSP PCP recipients would also receive just a $25 base rate increase
Source: DSS data; Project analysis

Note: Modelled costs only currently include energy and pharma allowance

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Raising base rates by $150 would create potential to abolish 10+ supplements for allowance recipients, with no net losers

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

To: Potential end-state

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supplem	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

1. Pensioner Education Supplement also able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

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Backup: 10 supplements could be absorbed into the $100 base rate rise

Mobility allowance provides up to $139.10 p/f – would need to be grandfathered or paid out separately

Shows circumstances with broad eligibility for supplements. FTB not shown. Fares Allowance not shown since eligibility is confined to students

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612.0	790.1	612.0	510.8	510.8
	Energy supplement	8.8	9.5	12.0	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.7	4.7	4.7	4.7	4.7	4.7
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Essential Medical Equip.	6.2	6.2	6.2	6.2	6.2	6.2
	Remote Area Allowance	18.2	18.2		18.2	15.6	15.6
	Pensioner Edu. Supplement			62.4			
	Education Entry Payment[1]	8.0	8.0		8.0	8.0	8.0
	Rent assistance cap[2]	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**771.9**	**849.6**	**1066.4**	**825.1**	**705.5**	**738.0**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**805.3**	**876.1**	**979.2**	**851.6**	**742.4**	**774.9**
	Increase vs current	**33.4**	**26.5**	**-87.2**	**26.5**	**36.9**	**36.9**

Note: Fares Allowance applies primarily for Youth Allowance Student and Austudy recipients and is not shown here

1. One-off payment of $208 per year, shown here as a fortnightly amount 2. Assumes not sharing a dwelling, and max family size of two children

Source: Services Australia Guide to welfare payments; Project analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort), and TBC were receiving PES. May need to compensate these recipients with a lump sum or grandfathering as they are not fully compensated by the $25 lift

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New Mature Aged / PCW rate

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R2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial capacity to work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income support payment rate: $612 pf
- Roll over existing 60+ long-term income support recipients to new payment category

Update mutual obligations requirements to allow jobseekers aged 50+ (previously 55+) to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study. Retain mutual obligation requirements for jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 – may lead to delays	L	M

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Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	**JSP 60+ on payment for 9 months**	**JobSeeker Payment Higher Rate**
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 55+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $104 60% above $254

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

Hypothesis

1 All >50s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 215,000 recipients would receive a higher rate

Additional outlays: ~$260m p.a.

2 All >55s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 137,000 recipients would receive a higher rate

Additional outlays: ~$170m p.a.

3 All >60s, plus <15 hr PCWs

Age	# Recipients <15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 59,000 recipients would receive a higher rate

Additional outlays: ~$70m p.a.

Included in new rate

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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Backup: Age / PCW recipient number breakdown

Age	<7 hours	8 to 14 hours	15 to 22 hours	23 to 29 hours	>30 hours (No PCW)
<50	1,037	2,809	100,604	52,856	290,282
50 – 54	281	888	30,184	10,181	36,929
55 – 59	280	1,023	36,232	8,881	32,914
60+	398	1,915	54,114	8,115	54,705
Total	**1,996**	**6,635**	**221,134**	**80,033**	**414,830**

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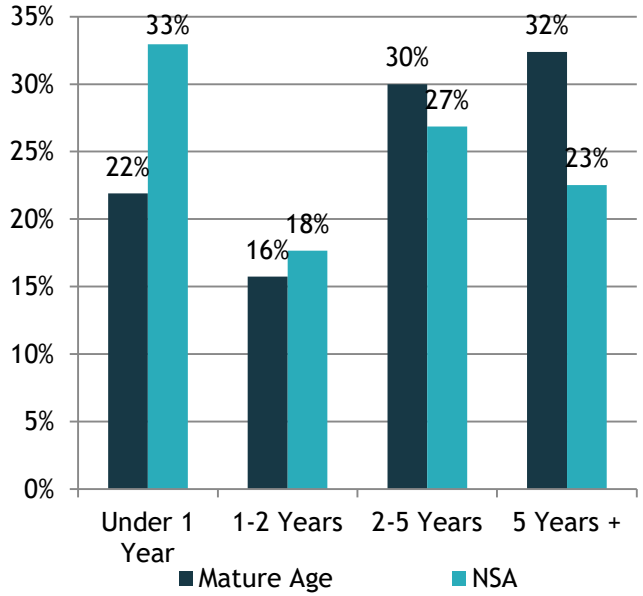
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Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

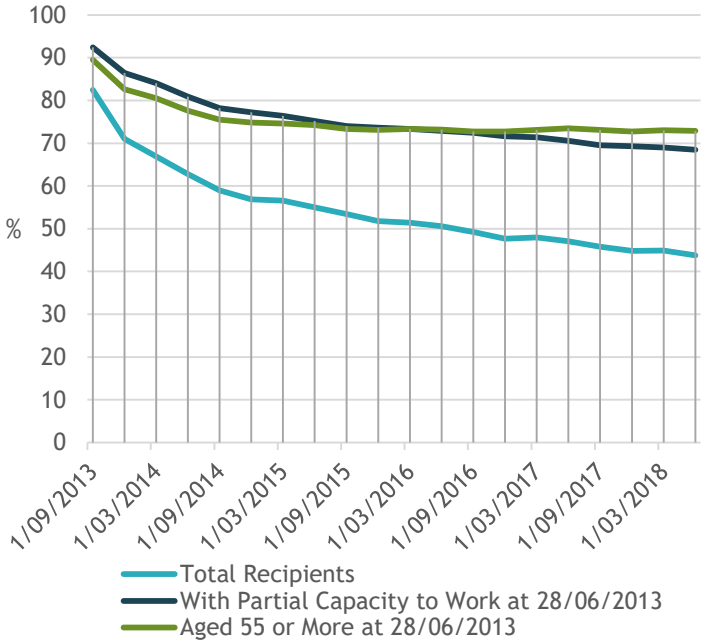
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



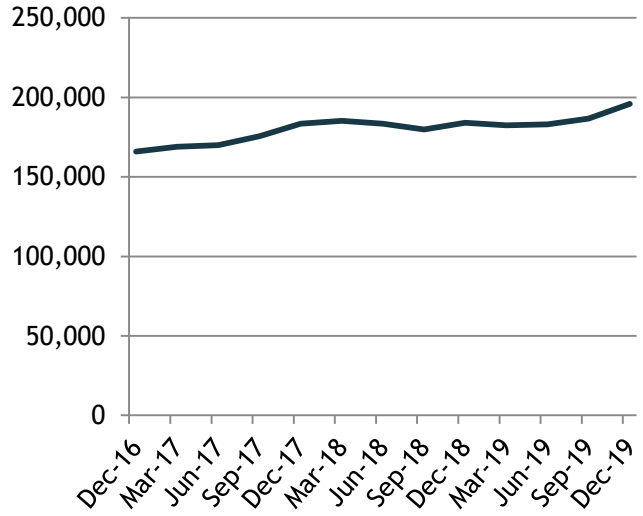
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Align Income Free Areas with pensions, max 50% taper rates

I1 IFAs and taper rates

Policy context

Update required

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Income free areas and low taper rates are currently used to incentivise the uptake of employment, with higher income free areas for student payments recognising higher levels of seasonal, and part-time/casual work amongst students.

There are three key issues with the current working-age payment income tests:

1. Income tests are complex and varied; each typically apply two different taper rates at different income levels. This can make it challenging for recipients to have confidence they will always be better off for every dollar earned
2. High taper rates of 60% are common, which may reduce the incentive to work at these income levels
3. High taper rate of 60% for partners stacks with tax rates, producing high EMTRs at the household level for low-middle income families

Streamlining IFAs and taper rates can simplify the welfare system, improve incentives for work and engagement in the labour force.

Potential reform / policy settings

Stage One | Stage Two

From 1 Jul 2021, recipients of JSP, PP(s), PP(p), YA(o), and Special Benefit would move to a consistent individual income test and partner income test, aligned to Pension income tests:

- Individual income test: Income Free Area of $174pf, a single taper rate of 50% (vs $104 and 50-60% for most recipients today)
- Partner income test: Income Free Area of $1212pf, a single taper rate of 50% (vs $994 and 60% for most recipients today)

From 1 Jul 2021, recipients of YA(s), Austudy, and ABSTUDY would move to a consistent income test and a higher partner income test:

- Individual income test: Income Free Area of $437pf, a single taper rate of 50% (vs $437 and 50-60% for most recipients today)
- Partner income test: $1,212pf for partnered recipients; a single taper rate of 50% (vs $944 or $994 and 50-60% for most recips today)

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Permanent changes for all ISPs to be in place from 1 Jul 2021, alongside other changes to payment types and payment rates**
- **As a result, tight timeframes are imposed to pass legislation and implement the required system changes**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **Apr 2020 income and partner income distributions used to model impact during COVID period (Apr-Sep 2020)**
- **Mar/adjusted May 2020 income and partner income distributions used to model impact from Oct 2020 onwards**
- **Grandfathering of PP(s) recipients not modelled**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.1b	$0.0b	$0.4b
Net impact on # recipients	-	+15k	+5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **180k+ ISP recipients with individual earnings benefit from more generous individual income test**
- **~6k ISP recipients with partners who benefit from more generous Partner Income Test**
- **~15k ISP recipients become eligible for welfare who were previously ineligible as a result of changes to individual and partner income tests**

Cohorts less well off

- **245k PP(s) recipients face reduced IFA and higher taper rate - suggest compensating via a lump sum or grandfathering**
- **~90k JS (Prin. Carer) face higher taper rate (from 40% to 50%) - suggest compensating via a lump sum or grandfathering**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding tighter income test for PP(p) and JS (Prin. Carer) recips may affect legislative timeframe	L	L
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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Potential interim-states being considered from 25-Sep-2020 to 30-Jun-2021

Before and after examples, for three types of households



Note: All scenarios assume no supplements being received

- Pre-COVID payment rate and income test
- During COVID-19 payment rate and income test
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper
- Post 25-September, $350 supplement, Income Test same as pre-COVID, Partner IFA $1564 & 40% taper

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Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	70,880 (10.6%[1])	6,331 (10.6%[1])	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

1. Same income distribution used for all Job Seeker cohorts. To be updated. Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices**: $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

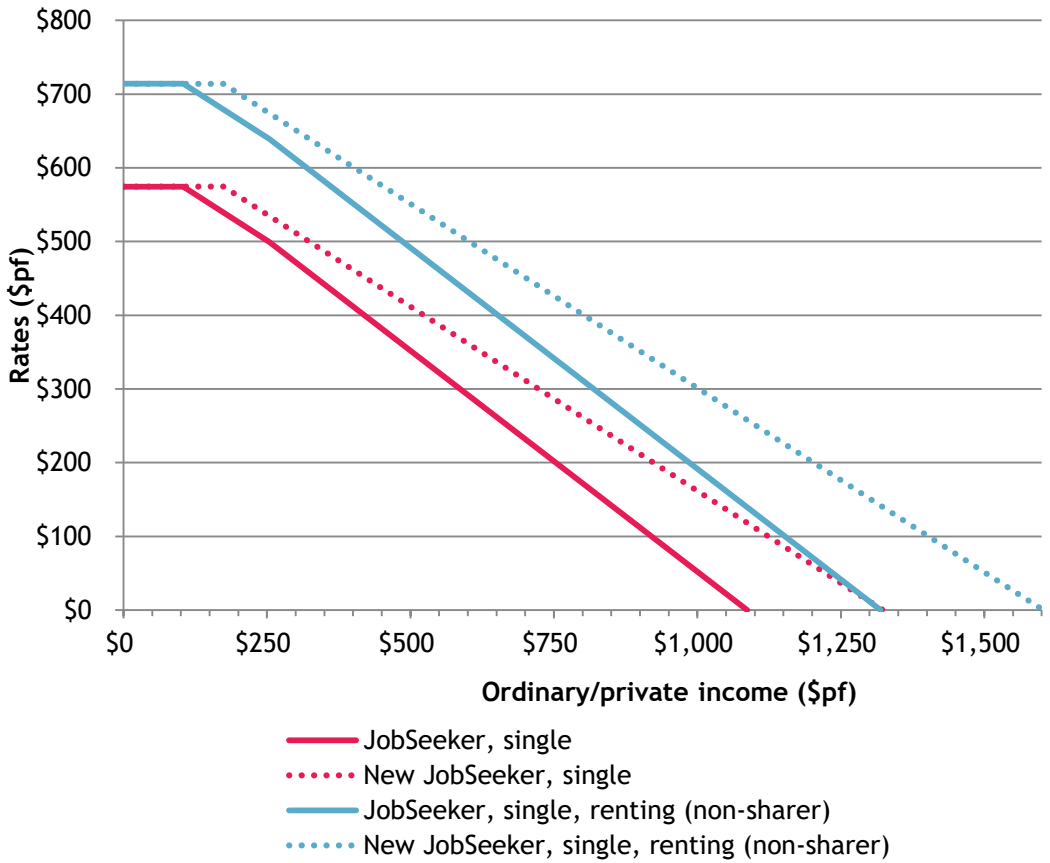
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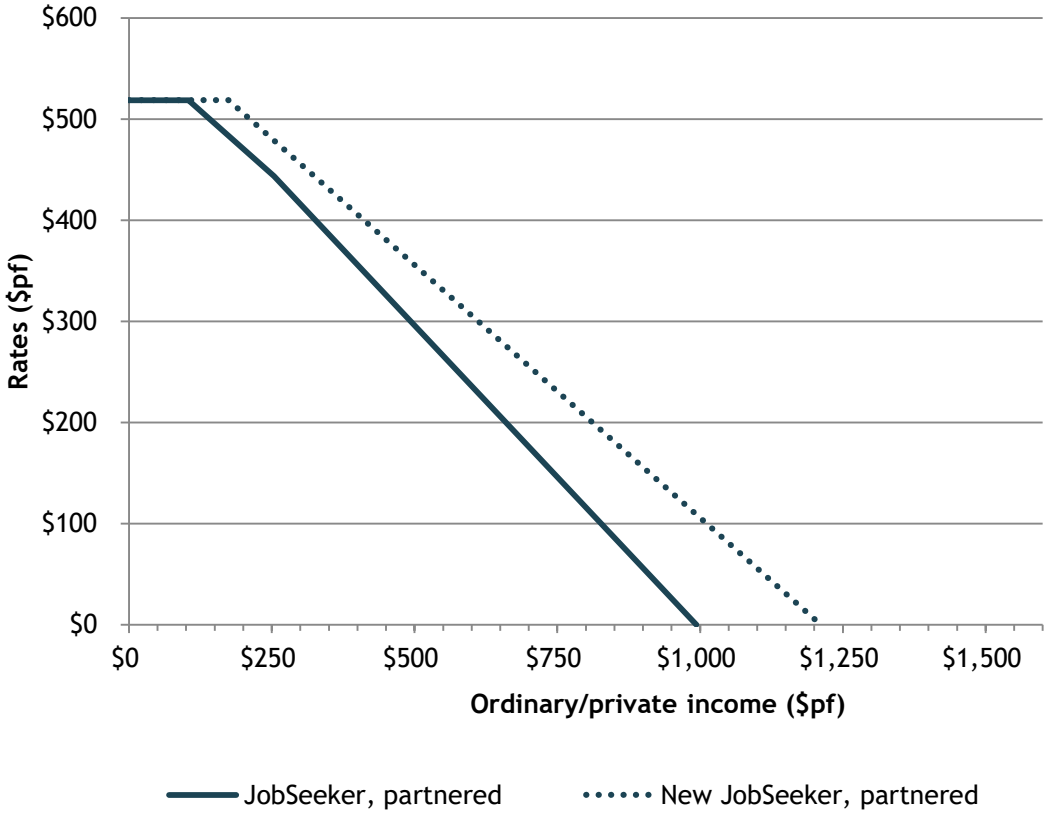
Backup: Income test charts (Jobseeker)

Increasing the free area to $174 and reducing the taper to a single taper rate of 50c for every $1 of private income earnt would extend the income test cut-out by more than $200 for both single and partnered recipients and would bring the withdrawal of income support for recipients who are renting closer to the minimum wage. Single recipients who are renting would be able to earn an extra $280 before their income is reduced to zero.

JobSeeker Payment Single - with and without Rent Assistance



JobSeeker Payment Partnered

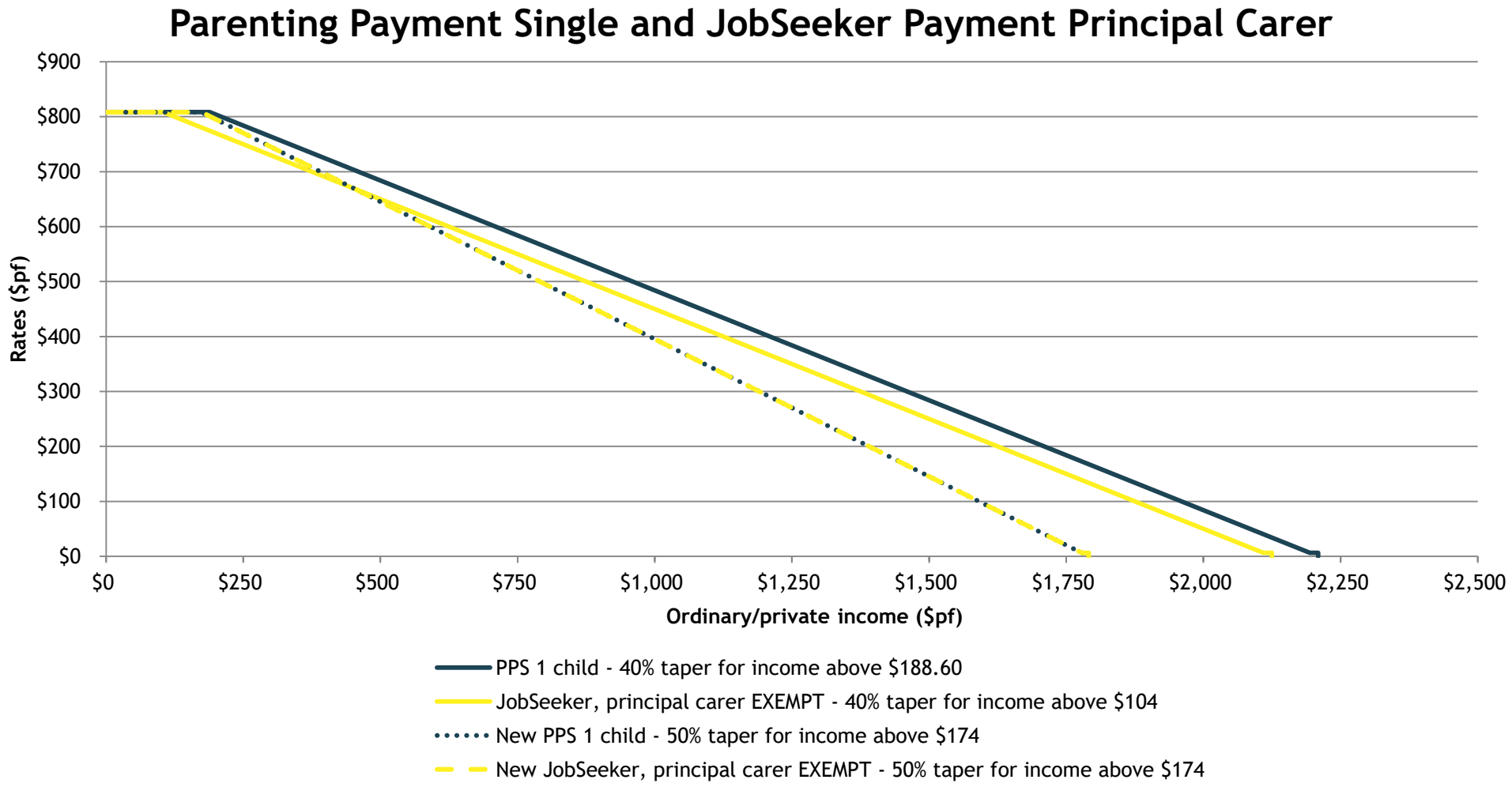


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Backup: Income test charts (Parenting Payment & Principal Carer)

Aligning the free area to $174 for both PPS and Principal Carer and reducing the taper rate from 40c to 50c would result in an earlier income cut out for both payments. The Principal Carer cohort would have a more generous income free area but due to the harsher taper rate the point at which income support payments are withdrawn would be reduced by approximately $330. The Parenting Payment Single cohort would receive a reduction in both the income free area and a harsher taper rate resulting in the income cut out point reducing by just under $420.

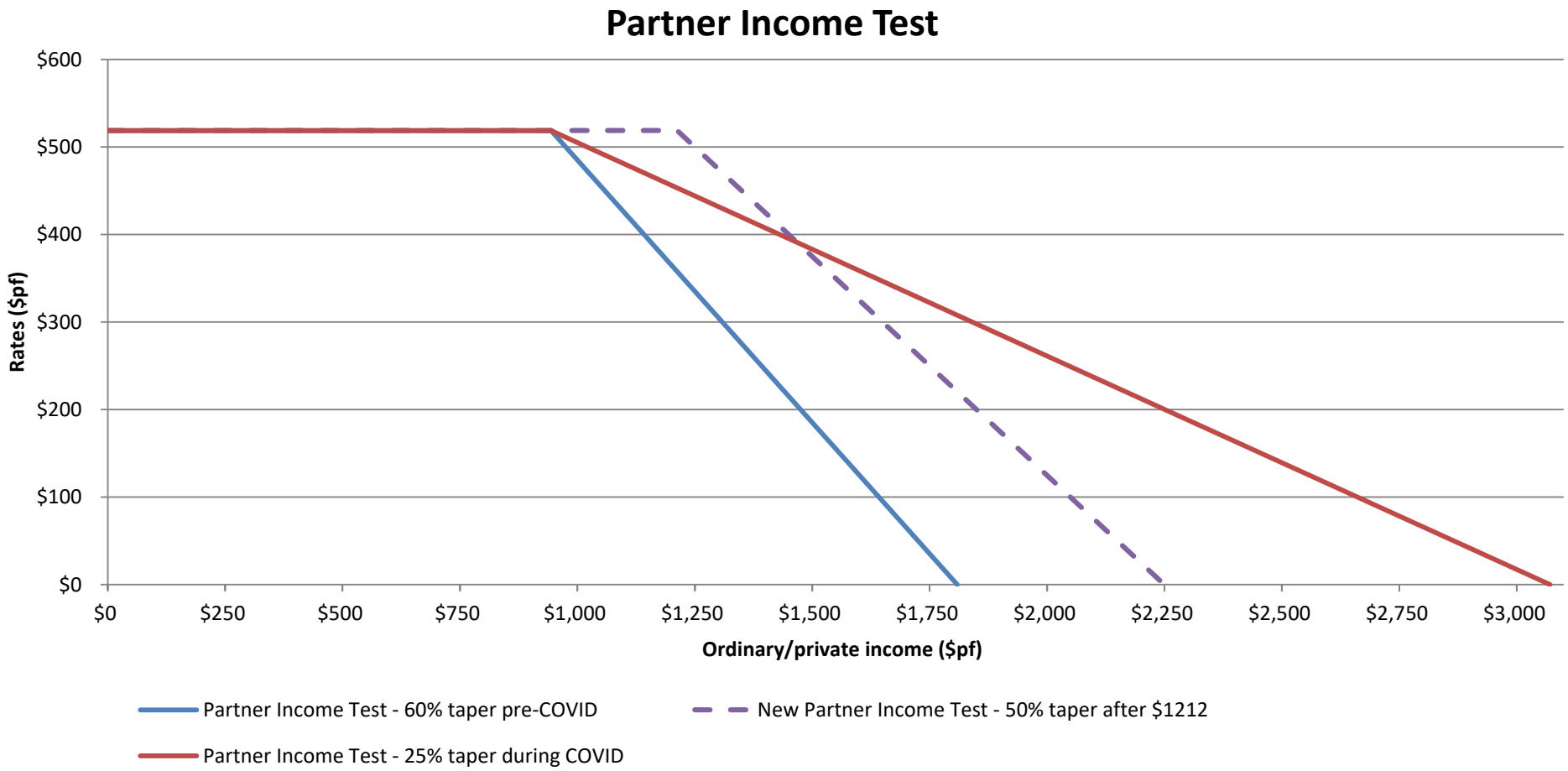


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Backup: Income test charts (Partner Income Test)

Increasing the free area to the new partner income cut out of $1,212 per fortnight would keep the rationale of the free area consistent with previous settings. This in combination of reducing the taper from 60c to 50c for every $1 of private income earnt by the partner would extend the income limit from $1,858.50 to $2,249.40.



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Expand and simplify working credit

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

While job losses during COVID-19 have been well publicised, underemployment has also risen; the ABS reported a rise in underemployment from 8.8% in mid-March 2020 to 13.7% in mid Apr 2020.

The Working Credits scheme rewards recipients for testing themselves in the labour market by helping recipients keep more of their initial payments in a new job. This is important to encourage self-reliance, particularly during a period where employment levels are lower than normal. However today the working credit scheme is not seen as particularly effective:

- Credits accrue slowly (just 48 per fortnight for JobSeeker recipients), and have a low cap of $1,000 for most recipients
- The scheme is complex and therefore poorly understood, which directly limits its effectiveness
- Working Credit differs to Income Banks for students on an ISP, and Work Bonus available to pensioners – creating complexity

Potential reform / policy settings

Stage One | Stage Two

From 1 Jul 2020, Working Credit would be expanded, and more closely aligned to the student payment Income Bank to better incentivise employment and assist in broader economic recovery:

- Rate of accrual would increase from $48 p/f to be the entire Income Free Area each fortnight
- The cap on the maximum number of accrued Working Credits would be expanded to $2,000
- Working Credits would continue to apply only to employment income (as opposed to unearned income)
- For Apprentices on YA(S), their Income Bank arrangements would remain the same, but with an increase in the accrual cap to $2,000
- Students Income Bank policy settings would remain unchanged (accrue all of $437 IFA, max credit balance of 10,900)

Note that YA(o) recipients today have a Working Credit cap of $3,500. These recipients would also have a cap of $2,000 credits moving forward, but with a much faster rate of accrual (maximum credit limit reached after 12 fortnights instead of 21).

To improve recipients' understanding of Working Credits, front-end system changes are recommended to allow recipients to see in their reporting tools how Working Credits will improve their total earnings + income support payment.

Timing considerations

- **Changes to working credit ideally in place by 1 Jul 2021 when temporary changes to IFAs and taper rates cease**
- **Longer implementation timeframe is required due to the complexity of the system and operational changes required. This is particularly so for the front-end system changes to provide new digital tools for recipients to see how Working Credit could impact their payments**

Modelling assumptions

- **Internal DSS costing of this measure**

Financial and volume impacts

Preliminary impact assessment

Estimated FY21-24 net outlays: approx. +385m

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **JSP, PP(p), PP(s) recipients experiencing intermittent employment, due to faster accrual and higher maximum cap**
- **Some YA(o) recipients, due to faster accrual of working credits**
- **YA(s) Apprentices, due to higher Income Bank cap**

Cohorts less well off

- **Some YA(o) recipients who would have accrued working credits up to their previously higher 3,500 cap (but they do receive a faster accrual instead)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk that the additional outlays have minimal impact on recipient behaviours in seeking employment	L	L
Risk that new digital tools for recipients to assess impact on their payments are not well used	L	M

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Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Household (couple) income test

I3 Household income test

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, there are currently different income testing arrangements for Pension recipients and Allowance recipients. Pension recipients have a income test at the "couple" level, while allowance recipients have a sequential individual income test and partner income test. Arguably the use of a couple income test for pensions aligns with their greater reliance on asset-generated income as opposed to employment income. However the use of a different, sequential income test for allowance recipients bring several challenges:

- The sequential individual + partner income test is inherently more complex to understand and administer than the couple income test;
- The sequential individual + partnered income tests means that households with the same overall income can be treated very differently depending on the distribution of that income between partners
- The sequential individual + partnered income test is less effective at targeting welfare support to the lowest income households, who are at the greatest risk during the COVID-19 period

Potential reform / policy settings

Stage One | Stage Two

From 1 Jul 2021, allowance and PPS recipients would be transitioned to a "couple" or "household" income test, with the same policy settings as pensions:

- For singles: An income free area of $174 per fortnight, and a taper rate of 50%
- For couples where only one person is an ISP recipient: An income free are of $308 per fortnight, and a taper of 50%
- For couples where both people are ISP recipients: A shared income free area of $308 per fortnight and a taper rate of 25% each

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Household income test ideally in place by 1 Jul 2021, when most temporary changes are expected to end and Stage Two commences**

Modelling assumptions

- **Impact of household income test yet to be incorporated into the model**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Single recipients, who receive a higher IFA and lower taper rate**
- **Partnered ISP recipients**
- **Recipients with partner earning $0 p/f and not receiving ISP**

Cohorts less well off

- **ISP recipients who are partnered, and their partner earns income, and is not receiving an ISP**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding implications around household income testing may extend implementation timeframes to pass legislation	M	H

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Potential to move to a Combined Couple Income Test

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases

There are currently different income testing arrangements between Pension and Allowance recipients

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source

From: Sequential Income Testing for Allowances and PPS

1. Apply the personal income test to the earned income of the recipient
2. Apply the partner income test to the residual entitlement once the personal income test has been applied
3. The remaining entitlement from both tests is the recipient's entitlement

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests
- × For recipients receiving Rent Assistance or other supplements, individual and partnered income tests can "stack" at various points, creating a 100%+ taper

To: Combined couple income testing for Allowances and PPS

1. Combine the income of the couple
2. Apply the combined income test to the earned income of the couple
3. Where both people receive an ISP, the IFA is shared equally between them

Pros:

- ✓ Simpler: One income test, same as pensions
- ✓ Eliminates "stacking" of individual and partner income test (e.g. when supplements or CRA are payable)
- ✓ Fairer: Achieves same payment regardless of income distribution within household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Couples with just one ISP recipient, and a primary income earner working will typically be worse off
- × Increases financial dependence on the primary income earner

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Backup: Example specific policy settings

For reference

Current policy settings: Sequential

Single Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper
(exceptions for Principal Carer and Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper

$994 income free area for Partner Income
60c taper

More generous sequential test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$174 income free area (each member of a couple)
50c taper

$1,214 income free area for Partner Income (so that Partner Income Test cut-in occurs after JSP cuts out on the Individual Income Test)
50c taper

Combined couple income test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$308 income free area for a couple combined
50c taper maximum for the couple (I.e one recipient on ISP has a 50c taper, both recipients on ISP have a 25c taper each)

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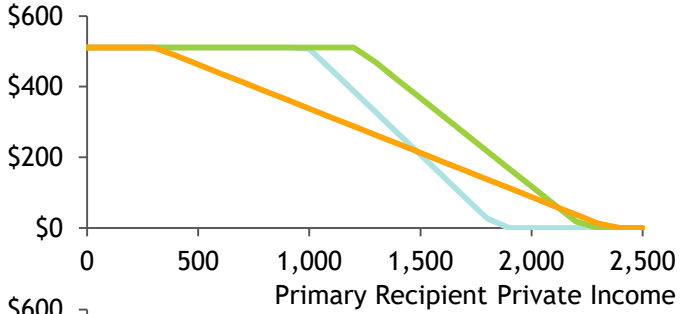
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Example households to consider impact of combined income test

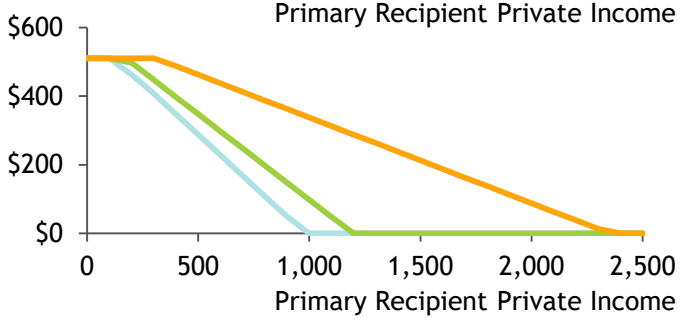
Two partnered Jobseeker recipients: The "Partner" consistently earning $0 p/f, the "Recipient's" earnings variable

Partner Private Income set at $0 p/f

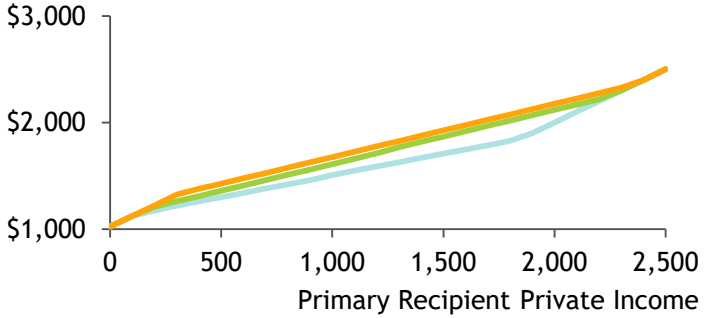
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1800 p/f

Situation under combined test

- Partner's ISP falls earlier, once Primary Recipient earns >$308 p/f
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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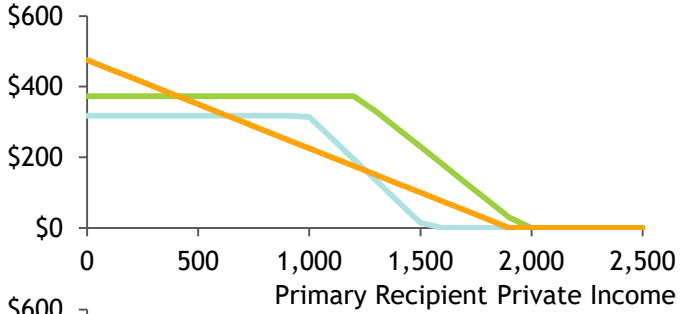
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Example households to consider impact of combined income test

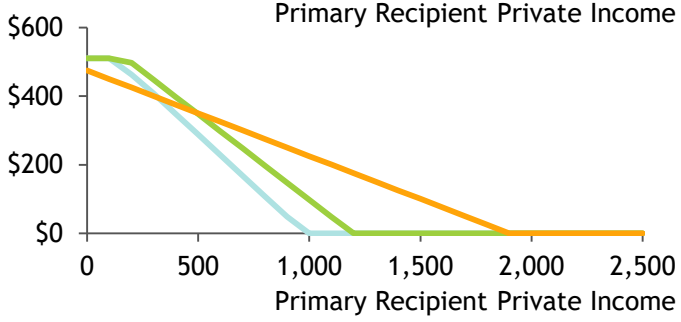
Two partnered Jobseeker recipients: The "Partner" consistently earning $450 p/f, the "Recipient's" earnings variable

Partner Private Income set at $450 p/f

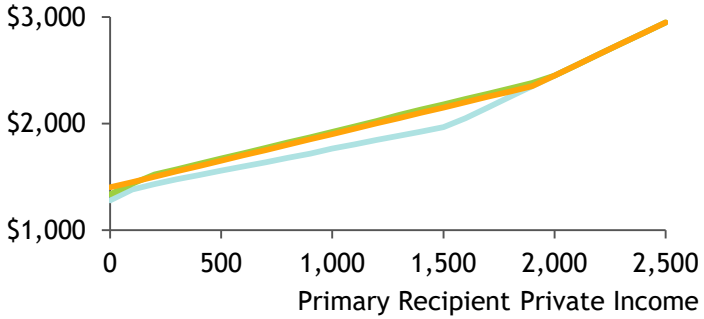
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1500 p/f

Situation under combined test

- Partner's ISP tapers with every dollar earned by Primary Recipient, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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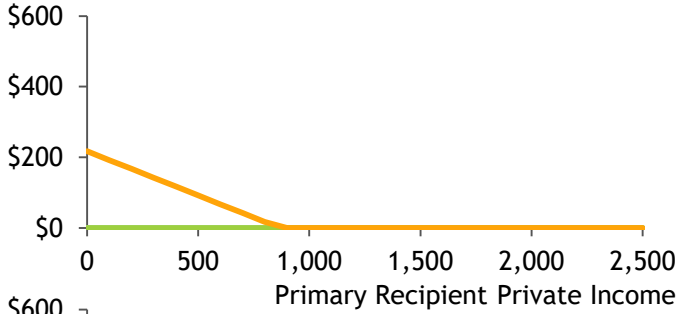
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Example households to consider impact of combined income test

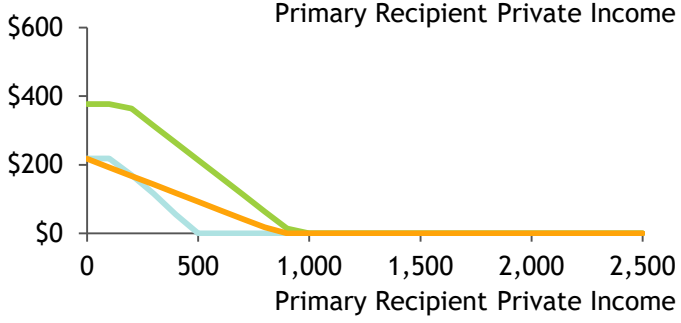
Two partnered Jobseeker recipients: The "Partner" consistently earning $1482 p/f, the "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

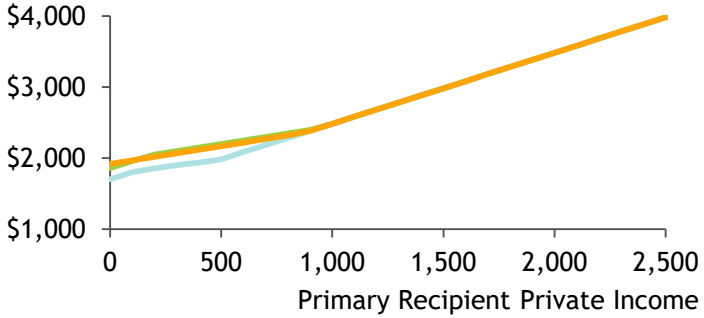
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner is not eligible for ISP as income is too high
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- Partner becomes eligible for an ISP as long as Primary Recipient's private income remains <$850 p/f
- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Primary Recipient better off at most income levels under combined test
- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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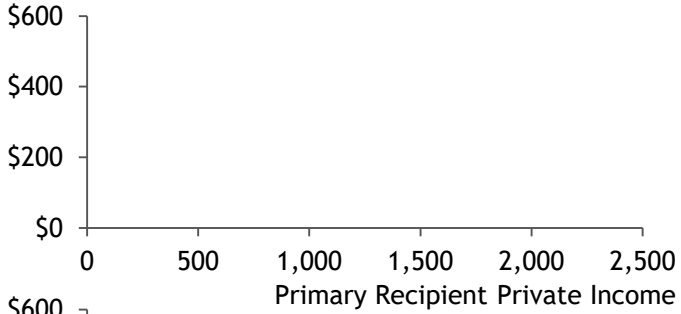
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Example households to consider impact of combined income test

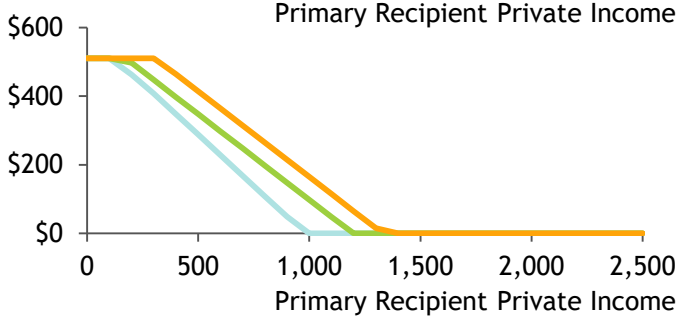
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $0 p/f, "Recipient's" earnings variable

Partner Private Income set at $0 p/f

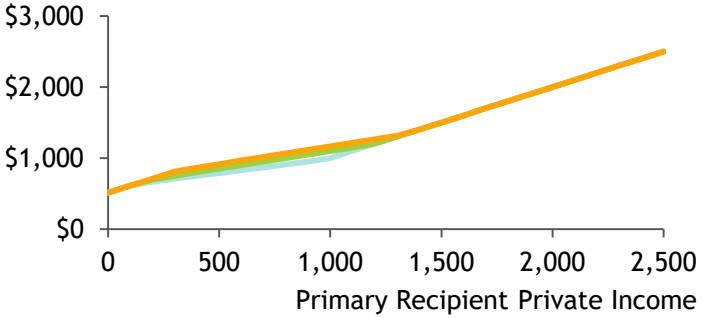
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 50% rather than up to 60%; cut-out increases slightly

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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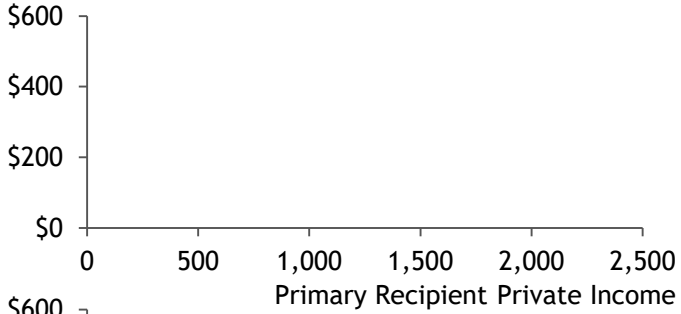
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Example households to consider impact of combined income test

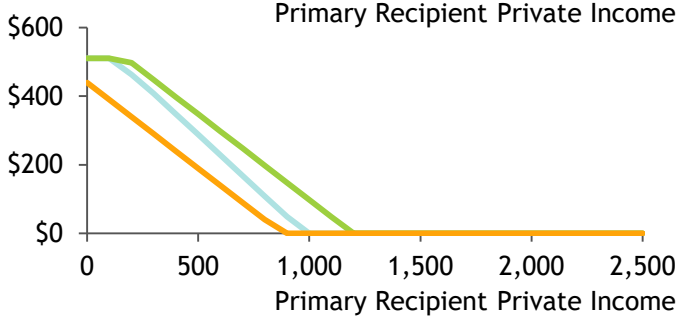
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $450 p/f, "Recipient's" earnings variable

Partner Private Income set at $450 p/f

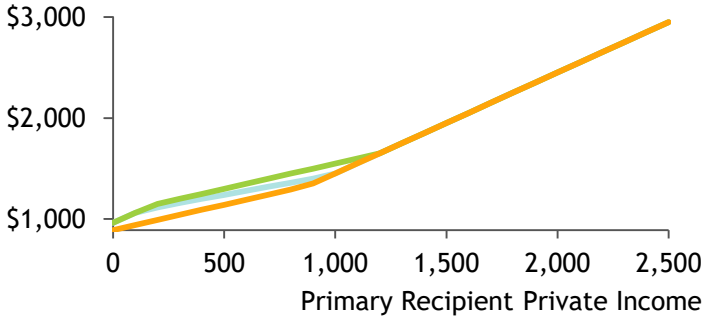
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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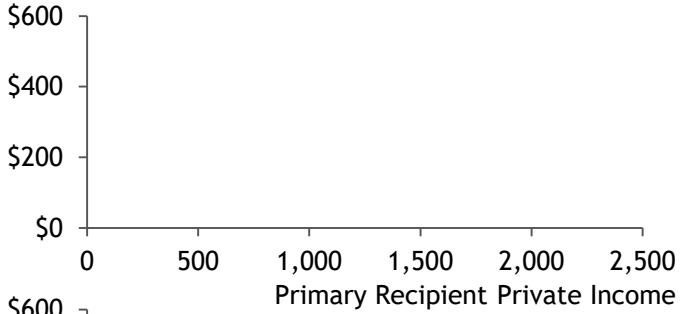
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Example households to consider impact of combined income test

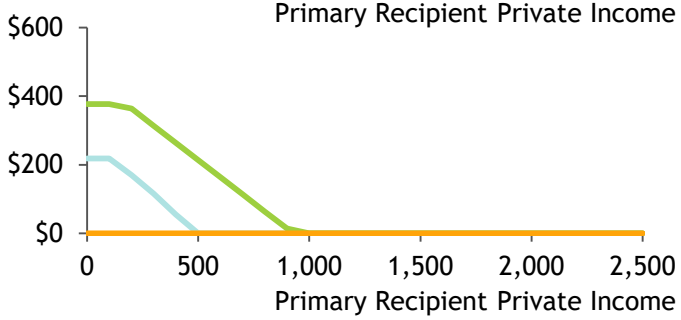
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $1,482 p/f, "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

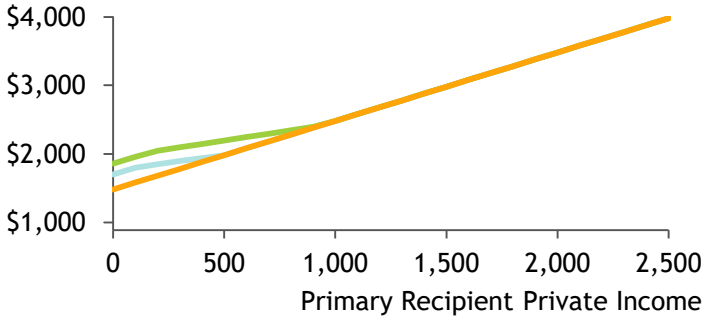
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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Shift MOCA effort towards compliance

S1 MOCA

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

To remove back-end compliance in anticipation of higher claim volumes during C-19, MOCA assessments were self-determined by recipients. The definition of MOCA was also simplified to align de-facto relationships to physical locations ("living together on a genuine domestic basis").

Under the current pathway, MOCA assessments will return in full, under the historical definition, from 25 September 2020 - while recipient volumes are still high, and 150k-350k new claims are anticipated to be received through October/November.

While the definition of MOCA should return to previous, more nuanced settings in order to maintain the integrity of welfare payments, a streamlined approach to assessing and monitoring relationship status offers the opportunity to reduce administrative overhead, improve the citizen experience at the point of claim, and reduce outlays

Potential reform / policy settings

Stage One | Stage Two

Introduce Accuracy Prompts requesting single recipients to update details at point of claim and other touch points with Services Australia. To alleviate strain after 24 September 2020, accuracy prompts can be applied to C-19 recipients and new claims before integrating into business as usual business processes.

Redirect resources allocated to upfront complex MOCA and SUOR assessments to targeted compliance reviews, enabled by predictive analytics. Move towards observable compliance measurements, assed through a predictive analytics model, including markers of financial independence and compliance risk, e.g., tenancy applications, joint ownership of major assets and liabilities. Cross-reference with other datasets where possible, e.g., the ATO and other government payments.

Introduce broad-based periodic self-assessments for all singles on student and working-age payments to allow people to volunteer for their relationship to be reviewed. This will help to decrease strain on MOCA compliance efforts by commencing reviews only in very high-risk and fraudulent scenarios.

Revert to pre-COVID MOCA definition. Retaining simplified definition would have outlay implications, amongst other complications.

Timing considerations

- **Changes to MOCA ideally in place by 25 Sep 2020 to prevent increase in outlays**

Modelling assumptions

- **Internal DSS costing**
- **No changes to partner income distributions and partnered recipient volumes as a result of changes to MOCA compliance**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Streamlined experience for new and existing recipients**

Cohorts less well off

- **Some recipients will continue to be required to respond to targeted compliance interventions**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to deliver accuracy prompts; timeframe may be extended	L	L

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Member of a Couple – Three potential changes from today

Next step: Dig deeper into data on compliance action outcomes on MOCA, cost the potential operational change outlined here

1: Introduce Accuracy Prompts during key interactions

- Accuracy prompts (e.g. while reporting income, updating rental details) could promote accurate self-reporting by broad cohorts of recipients
- Could start with targeted prompts for recipients who have commenced since March 2020, then include prompts in BAU

Key Decision:
Provide better prompts for single recipients to update details at **point of claim and at other touch points**

Apply to new claims and *COVID recipients in the first instance*, then integrate into business as usual business processes

2: Shift to predictive, risk-based interventions

- Use readily available information to target accuracy and/or compliance measures
- Move towards observable compliance measurements, including markers of financial independence & compliance risk[1]
- Cross reference with other data sets where possible, such as the ATO and other government payments

Key Decision:
Re-direct current resources allocated to up-front complex MOCA and SUOR assessments to targeted compliance reviews

Build/enhance predictive risk analytics capability to improve targeting of reviews, and lift % of reviews that result in a reduction of outlays

3: Introduce broad-based periodic and self assessments

- Periodic (6/12 month) requests for self-assessment and verification of relationship status (similar to income estimates for FTB)
- Introduce the ability for people to volunteer for their relationship to be reviewed
- Focus commencement of reviews in high-risk and fraud scenarios

Key Decision:
Incorporate periodic requests for self-assessment and verification of relationship status for all singles on student and working-age payments

Incorporate submitted self-assessments into predictive risk analytics model

1. E.g. Tenancy applications, lease agreements, or mortgage applications; Multiple children born to the same parents; Joint ownership of major assets, joint liabilities, joint mortgage or loans / joint bank accounts; Defacto for taxation, health, insurance, other welfare; Will beneficiaries, life insurance policy, superannuation payment etc; Partner visas

Note: Propose not to retain the simplified COVID-19 definition of a couple ("living together on a genuine domestic basis"). Retaining the simplified definition would have outlay implications, among other things

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Streamline waiting periods: Abolish SWPP

S2 SWPP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support.

Key areas of friction associated with the SWPP today include:

1. The SWPP may act as a disincentive for income support recipients and lower income earners to take up periodic/seasonal work, in high-priority industries such as agriculture, fishing, and construction
2. The SWPP is rarely applied in practice; in FY2018/19, a total of 521 SWPPs were applied. Removing the waiting period would contribute to simplifying the welfare system and save administrative effort during the claims process

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, the SWPP would be abolished for all income support recipients and future claimants. The Liquid Assets Waiting Period would remain in place to provide a waiting period for recipients that have significant liquid assets from recent seasonal work.

This would remove the disincentive for ISP recipients and lower income earners to take up periodic/seasonal work. This would be a modest assistance for the industries which rely on a seasonal workforce: agriculture, fishing, arts, entertainment, and construction.

Note that today a small number of the applied SWPPs are long in duration - e.g. some instances of SWPPs of 2 years for claimants of Carer Payment.

Timing considerations

- **Preferred path would be to abolish the SWPP when extended Coronavirus temporary measures cease - expected to be at 1 July 2021**

Modelling assumptions

- **Internal DSS costing of this measure using administrative data for 2018/19**

Financial and volume impacts

Preliminary impact assessment

Estimated FY21-14 net outlays: approx. +17m

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **~500 recipients per year that currently have the SWPP applied when they apply for an income support payment**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 - may lead to delays	L	M

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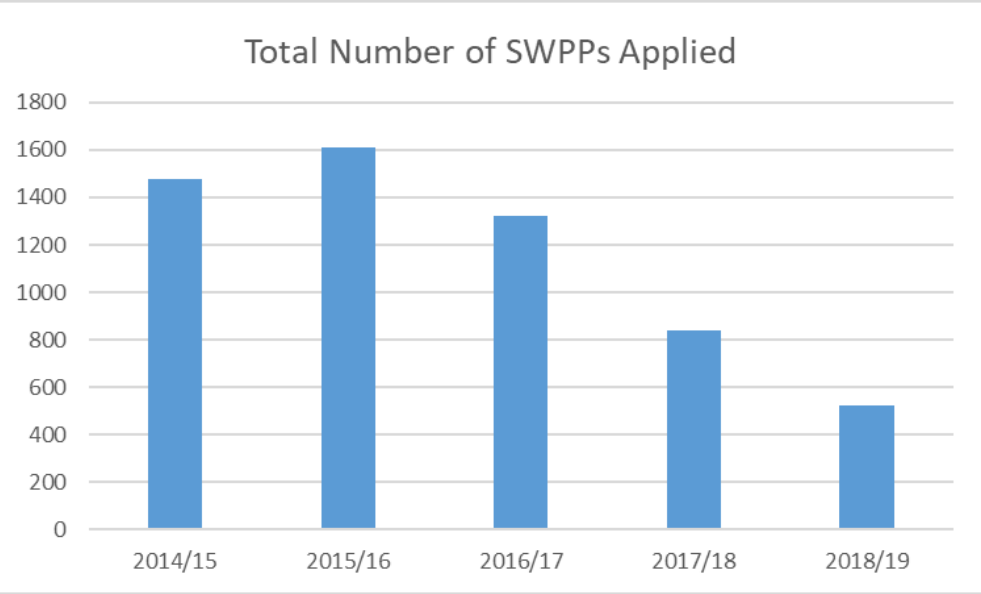
Streamline waiting periods: Abolishing the SWPP

Description:

- The Seasonal Work Preclusion Period (SWPP) is intended to ensure that individuals employed on a periodic/seasonal basis in the previous six months are not able to immediately claim income support
- The SWPP is calculated on the average weekly earnings of the individual & the length of time that has elapsed since work ceased. There is no upper limit on the SWPP
- The SWPP applies to all payments except age pension and disability support pension

Rationale for change:

- The SWPP is in practice rarely applied- in 2018/19 a total of 521 SWPPs were applied



Potential changes

Proposal:

- Abolish the SWPP and instead rely on the LAWP to target support

Rationale for proposal:

- Abolishing the SWPP would remove a disincentive for individuals to take up contract work, and work in the arts and agricultural sector
- The SWPP does not consider whether an individual's remuneration actually incorporates the periodic/seasonal nature of the work- i.e. could unfairly undermine incentives to undertake short-term or seasonal agricultural work
- The LAWP is based on an individual's present financial means and arguably better reflects community expectations regarding the use of personal resources before calling on taxpayer-funded support

Costs and Outcomes

- Approximately $17 million over four years based on administrative data for 2018/19
- The removal of the SWPP would simplify administration and significantly benefit a small cohort of individuals

Additional Considerations

- Although rarely applied, SWPPs are often applied for long periods. For example, in 2018/19 the ten SWPPs applied to Carer Payment recipients had an average duration of 581 days (i.e. over $32,000 in income support)
- Consideration could be given to including a seasonal work component in the Income Maintenance Period calculation, however this would risk shifting, rather than reducing, complexity

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Double the nil rate period to 12 fortnights

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

The nil rate period incentivises the uptake of work, particularly part-time and irregular casual work, and reduces administrative effort in ceasing and reinstating recipients on welfare as their income fluctuates. The nil rate period acknowledges that recipient incomes may increase and decrease over different fortnights for example through casual or shift work, and enables recipients come back onto payment easily after a period of higher earnings.

The increase in part-time/casual employment, and threat of job insecurity, is increasingly relevant given the current C-19 environment as restrictions ease. An increase in the number of recipients flowing to and from payment within a 6+ fortnightly period is likely, which brings added stress on service delivery.

Potential reform / policy settings

Stage One | Stage Two

From 25 Sep 2020, the nil rate period would be doubled to 12 fortnights (from 6 fortnights) for all existing and new recipients. Existing conditions applied to the nil rate period remain.

The nil rate period would also be extended to Special Benefit recipients, who currently are not eligible for a nil rate period.

This will provide existing recipients with the assurance that they can easily get back onto payment if their income falls, and provides greater continuity of access to health care and concession cards - further encouraging recipients to accept work when it is available

Timing considerations

- Extended nil rate period to be in place from 25 Sep 2020 onwards to incentivise uptake of paid employment when temporary measures are scheduled to end

Modelling assumptions

- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 ((excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted
- Changes to nil rate periods will not incentivise greater uptake of paid temporary work; currently observed income distributions apply

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- All recipients

Cohorts less well off

- None

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

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Suggested next steps

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Suggested next steps, for those leading this work

In the next two weeks

1. **Rapidly iterate Stage One costings and policy detail based on feedback from Ministers/Cabinet**

2. **Rapidly detail out implementation activities required from DSS in relation to the 25 September changes, including:**
   - Legislative, regulatory, and policy instrument changes
   - Developing risk-based approaches to required verifications (e.g. Assets Test, rental, and MOCA assessments), to reduce transaction volumes required from Services Australia

3. **Progress policy design for Stage Two, including lift to base rates, changes to income tests, working credit, FTB, consolidating payment types and supplements, mature aged / PCW rate in JSP**

4. **Decide how the model should be taken forward - suggest that an expert modeller be tasked to upkeep the model, and provide it as a service for policy teams to draw on**

5. **That expert modeller to progress the model and interactive dashboard in line with the detailed 'model backlog':**
   - Further integrating unit level analyses (picking up items not possible due to timing of data clearance processes)
   - Building out additional features required for analysis of Stage Two and future policy options (incl. supplement consolidation beyond energy supplement & pharma, FTB changes, couple combined income test, eligibility parameters, sharer rate, indexation changes)
   - Build model feature for claim volumes and waiting periods

In the following two weeks

1. **Commence critical implementation activities for 25 September changes (other than those led by Services Australia), including:**
   - Build predictive model to target initial round of Asset Test compliance interventions
   - Build predictive model and new compliance approach for MOCA, and process for MOCA periodic self-assessments
   - Commission work on improved digital tools for working credit

2. **Rapidly iterate Stage Two costings and policy detail based on feedback from Secretary/Minister**
   - Add new features to model if new policy design ideas requested
   - Round out remaining issues requiring further work (likely to include sharer rate, indexation, MOCA, among others)
   - Engage Services Australia on possible implementation timing & constraints
   - Ministerial Briefing and Cabinet Submission development

3. **Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:**
   - Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
   - Ability to adjust indexation rules and see cost & volume impacts

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Modelling backlog

No.	Category	Task	Blockers	Effort	Status
1	New feature	Household income test – ability to switch on new income test construct that treats household as single unit	• Policy options to be defined	0.5-1 days	Not started
2	New feature	Member of Couple Assessment – enable [xx]% shift of single claimants to couple rates from Oct ’20 onwards	• Policy options to be defined	0.5-1 days	Not started
3	New feature	Waiting period – ability to implement or waive waiting periods (e.g. extend OWP, LAWP, SWPP waivers and abolish SWPP)	• Bluebook extract: new claims	1-2 days	Work in progress (top-down estimate)
4	New Feature	Working credit – ability to model impact of working credit simplification (e.g. align with income banks)	• Bluebook extract: usage of working credit scheme	1-2 days	Work in progress (top-down estimate)
5	New Feature	Interactions between payments – estimate flow on volume impacts of policy setting changes to any given payment (e.g. JSP to PPP)	• Bluebook extract: historical flows	2-3 days	Not started
6	Update	Family Tax Benefit – refine existing FTB payment feature to handle more detailed policy setting adjustments (e.g. differentiate single parents)	• Policy options to be defined	1-2 days	Not started
7	Update	Income distributions - refresh distributions used to reflect pre-COVID and COVID periods for recipients, partners, parents, families, etc.	• Data clearance process	<0.5 days	Work in progress (request submitted)
8	Update	Supplements – add Program of Work, Telephone Allowance, etc. to existing supplement consolidation feature	• Bluebook extract: supplement volumes	0.5-1 days	Not started
9	Update	Indexation – ability to switch on/off different indices (e.g. align allowances to pension indexation)	• Policy options to be defined	<0.5 days	Not started
10	Update	Independence – add test for Youth Allowance payments (live away from home, partnered currently used as proxy)	• Data on split by YA cohort	0.5-1 days	Not started
11	Update	Pharma Allowance – refine assumptions for fraction of payment cohorts receiving Pharma Allowance with partial capacity to work	• Data on fraction by cohort	0.5-1 days	Not started

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Thank you

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s 22

From: s 22 @bcg.com>
Sent: Friday, 10 July 2020 6:12 PM
To: s 22
Cc: Clancy, Trish; s 22
Subject: End of week 2 update - draft deliverables
Attachments: Sprint6-Stage1-Analyses-v5.pdf; Sprint6-Stage2-Options-v8.pdf

Team,

As promised, see attached (very early) draft deliverables for both Stage 1 (cohort analysis) and Stage 2 (reform options) workstreams.

Suggested topics to test with Mary and Nathan next week:

- Comparing proposed rate tables to equiv. pension rates – currently youth rates end up above equiv. DSP youth rates; options to mitigate: either bump up youth pension rates, or adjust prosed ISP rate increases to $150 for adult and $100 for youth
- Income test standardisation options – $150 base rate increase with pensions aligned income test takes cut-out ~$100 above min wage; three options to pull this back: 0 IFA with 50% taper, 178 IFA with 60% taper, 106 IFA (no change) with 50% taper
- Refreshed asset test waiver analysis – 35-50k people estimated to be kicked off payment in Sept if test reinstated (consistent with earlier back-of-envelope figures shared with Secretary previously)
- Interactions with mutual obs and ESPs – early qualitative view of changes by cohort; seek guidance for where we need to get to given estimating volume impacts may not be feasible
- Nil rates cohort breakdown – earnings distribution, age distribution, estimated ISP to JobKeeper transfers

Pending updates to incorporate Monday:

- Nil rates – estimated ISP to Job Keeper transfers s 22
- Sharer rate – draft policy options slide s 22
- Indexation – draft policy options slide s 22

Happy Friday!! See you all next week.

Cheers,
s 22

s 22

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Project Canoe

Sprint 6 – Stage 1 Working Materials

JULY 2020

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Calendar and key deliverables for coming 6 weeks

	Monday	Tuesday	Wednesday	Thursday	Friday
S6	29 June Daily check-in (9:30)	30 Daily check-in (9:30)	1 July Working session (10:30-11:30pm)	2 Daily check-in (9:30) Briefing on Canoe work-to-date	3 Daily check-in (9:30) Align on topics for MYEFO ★ Check-point with Mary & Kath
	6 Daily check-in (9:30)	7 Daily check-in (9:30) Working session w. Mary & Kath	8 Bringing the options together (10:30-12pm)	9 Daily check-in (9:30)	10 Daily check-in (9:30)
S7	13 Daily check-in (9:30)	14 Daily check-in (9:30) Working session w. Mary & Kath	15 Bringing the options together (10:30-12pm) ★ Check-point with Nathan (TBC)	16 Daily check-in (9:30)	17 Daily check-in (9:30)
	20 Daily check-in (9:30)	21 Daily check-in (9:30) Working session w. Mary & Kath	22 Bringing the options together (10:30-12pm)	23 Daily check-in (9:30)	24 Daily check-in (9:30) ★ End of sprint read-out
S8	27 Daily check-in (9:30)	28 Daily check-in (9:30) Working session w. Mary & Kath	29 Bringing the options together (10:30-12pm)	30 Daily check-in (9:30)	31 Daily check-in (9:30) ★ Mid-sprint read out
	3 August Daily check-in (9:30)	4 Daily check-in (9:30) Working session w. Mary & Kath	5 Bringing the options together (10:30-12pm)	6 Daily check-in (9:30)	7 Daily check-in (9:30) ★ End of sprint read-out

Deliverables

- **MYEFO:** Align on topics to cover
- **Stage Two:** Initial view of high level options
- **Modelling:** Progress updates on data & features, and update cohort analysis and volume forecasts

- **Stage Two:** Initial costing of Stage Two options
- **Modelling:** Model updated with fresh data and new features required for Stage Two options

- **MYEFO:** First draft of analysis on all topics
- **Stage Two:** Iterated options, with costings
- **Modelling:** Draft analysis available, covering all items requested by KC, NW, SB

- **Stage Two:** Commence costings with POEM team, iterate policy options as required
- **Modelling:** Next stage of handover of model to appointed DSS modeller

- **MYEFO:** Final draft analysis on all topics
- **Stage Two:** Materials required for input into submissions and briefing materials

- **MYEFO:** Finalised analysis on all topics
- **Stage Two:** Final read out of costed policy options; Complete input into submissions and briefing materials
- **Modelling:** Complete handover of model

Offline | Daily check-in | Internal meeting | External meeting | Public holiday | ◆ Deliverable due | ★ Key meeting

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Data extract tracker

Stage 2 (reform) data requests:

No.	Data requested	How we will use	Status
1	Supplement recipients and entitlements	Want to model outlay and volume impact of removing different supplements	Complete (Craig's team)
2	Working Credit usage and depletions by cohort	Want to model outlay and volume impact of changing the accrual rate and cap	Work in progress (Craig's team)
3	Waiting period recipients and avg duration by cohort	Want to model outlay and volume impact of removing or changing duration of different waiting periods	Work in progress (Craig's team)
4	1990-1995 recipient volumes by payment, by month	Want to understand volume impacts during recovery of '91 recession to inform forecasts	Request sent (Alex to follow up)
5	2008-2010 recipient volumes by payment, by month	Want to understand lagged student impacts from recession-driven changes to job seeker volumes	Request sent (Alex to follow up)
6	Claims received, granted, rejected by payment, by month	Want to refine claims forecast	Request sent (Alex to follow up)
7	FTB volume impacts from changes to taxable payments	Want to estimate rate and volume impacts to FTB-A/B as a result of changes to taxable payments (e.g. JSP, PP)	Request sent (Alex to follow up)

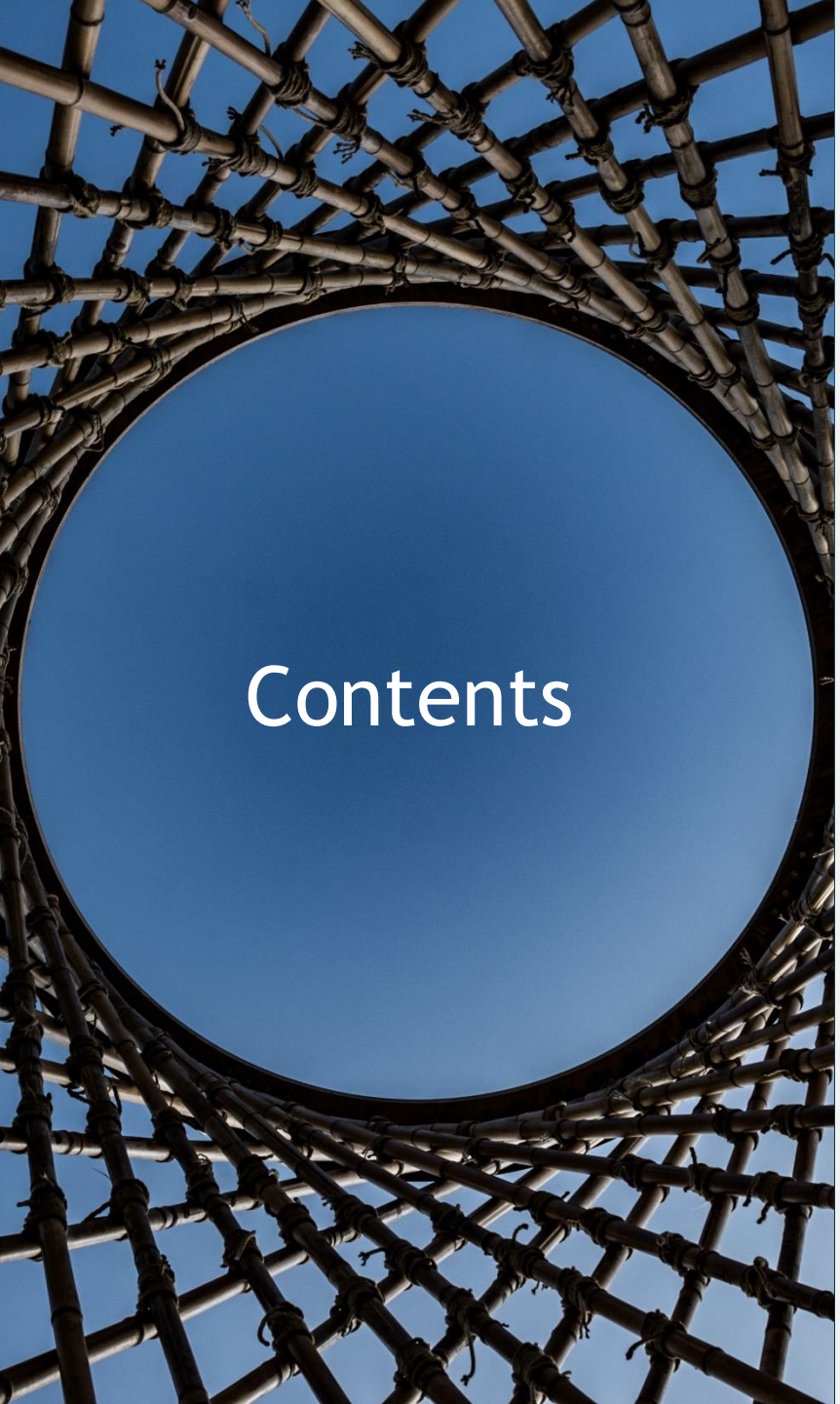
Stage 1 (comeback) data requests:

No.	Data requested	How we will use	Status
1	COVID entrants and exits by: • Age • Gender • Partner income • Geography • Assets • Single v partnered • # Children	Want to understand characteristics of recent entrants and exits to the working age welfare population	Complete (BCG team)
2	Pre-COVID vs COVID income distribution by: • Age • Gender • Partner income • Geography • Assets • Single v partnered • # Children	Want to understand how income and asset tests will treat different cohorts within new working age welfare population	Complete (BCG team)
3	Nil rates breakdown by income and age	Want to understand nil rate cohort in more detail; also estimate ISP -> JK transfers	Complete (BCG team)
4	Pre-COVID vs COVID Financial and non-financial asset distributions	Want to estimate number of welfare recipients that will be kicked off payment when asset test reinstated	Complete (BCG team)

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Contents

Scope of analysis required xx

1. Movements of people on and off payment xx

2. Changes in work arrangements (income dist., etc.) xx

3. Interactions with other policies (mutual obs., ESP, etc.) xx

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Scope of analysis required

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Stage One: Initial view of analysis required

1 Movements of people on and off payment

Working age entries and exits since February 2020, by:

- Payment type
- Partnered vs single
- Partner income level
- Age distribution
- Asset distribution
- Geography (metro, regional, remote) - heatmap by SA3, with deep dives on hard-hit SA2s
- Number of dependent children
- Transfers between payments

s 22

Number of entries due to COVID temporary measures:

- Assets test exemption
- Partner income test taper @ 25%
- Eligibility extensions (sole traders/stood down/self employed)

s 22

Breakdown of COVID nil rate population

- Income distribution
- Age distribution

s 22

2 Changes in work arrangements (income distribution, consistency, balance within the household)

Earned income distribution by

- Payment type
- Partnered vs single
- Partner income level
- Age distribution
- Asset distribution
- Geography (metro, regional, remote), heatmap by SA3, with deep dives on hard-hit SA2s
- Number of dependent children

s 22

s 22

Consistency of the above over time (volatility from fortnight to fortnight)

s 22

[For later] Churn of welfare recipients engaged in casual employment pre/post-COVID

3 Interaction with other policies (e.g. changes to mutual obligations, ESP requirements)

Textual summary of key changes in other relevant policies (e.g. mutua and ESP requirements)

s 22

Qualitative assessment of impact of these changes on the working age i support system

s 22

[For later] Some quant pieces the qualitative findings, e.g.:

- E.g. for those with jobsearch, X exit, Y remain
- [Mutual obligations coming back on should have an impact on recipient numbers]
- [Even more likely to come off when required to do Work For the Dole activities]

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Movements of people on and off payment

- Characteristics of working age entrants since Feb ’20
- New entrants due to temporary eligibility measures
- Breakdown of nil rate population

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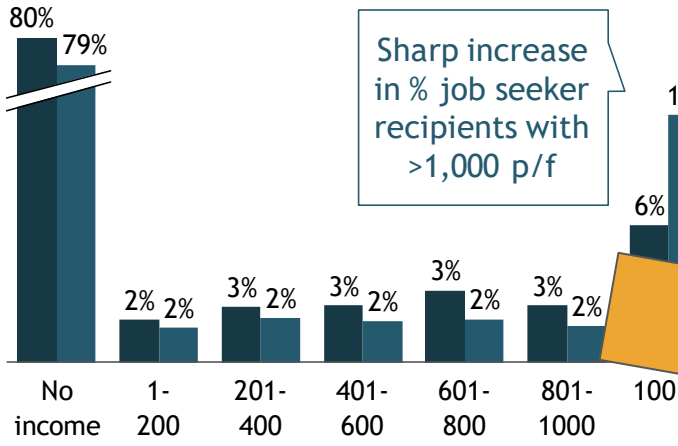
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Placeholder top-level entries and exits demographic data

Income distribution shifts by payment from Feb to May

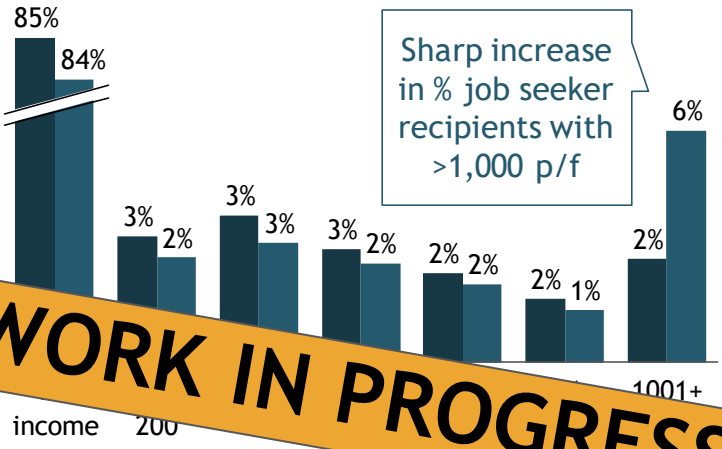
Job seekers

Job Seeker (% of recipients)



Sharp increase in % job seeker recipients with >1,000 p/f

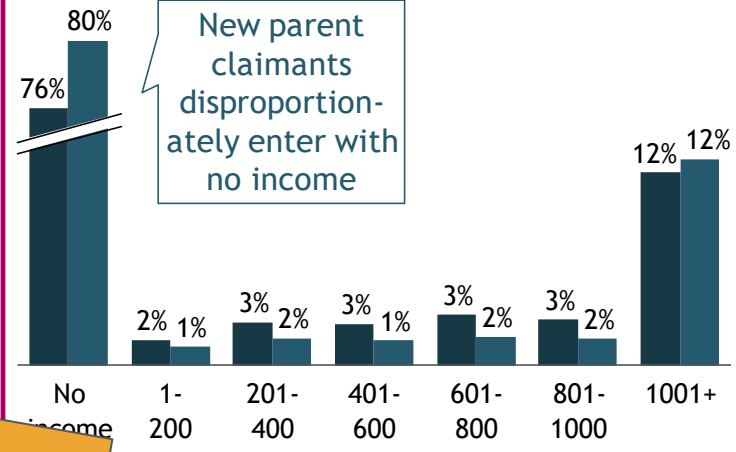
Youth Allowance, Job Seeker (% of recipients)



Sharp increase in % job seeker recipients with >1,000 p/f

Parents

Parenting Payment (% of recipients)

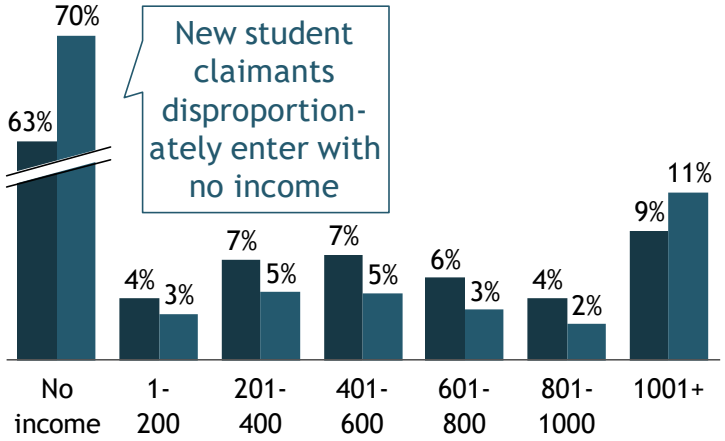


New parent claimants disproportion-ately enter with no income

WORK IN PROGRESS

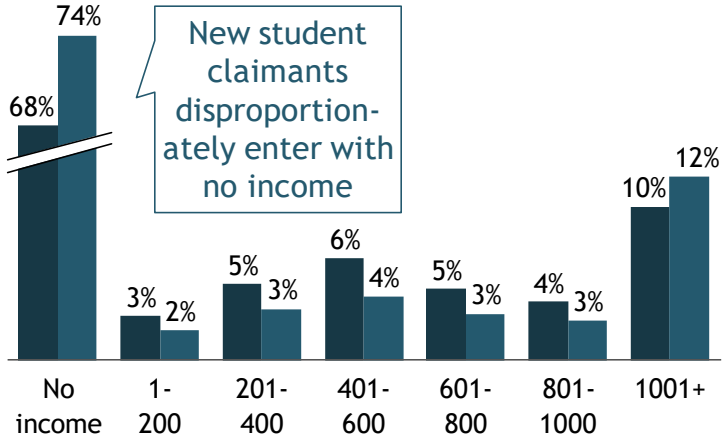
Students

Youth Allowance, Student (% of recipients)



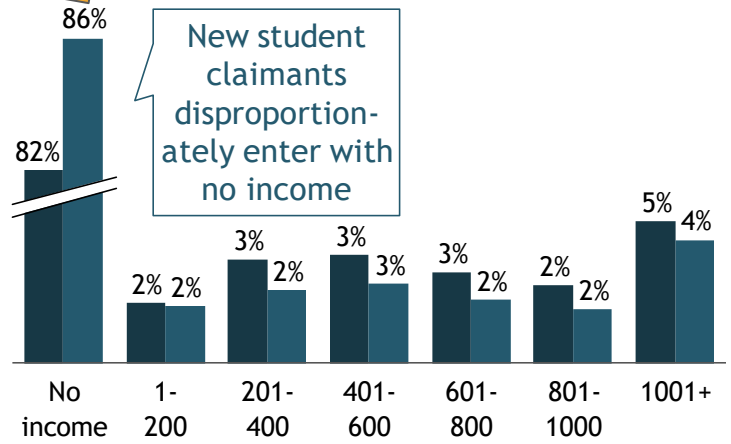
New student claimants disproportion-ately enter with no income

Austudy (% of recipients)



New student claimants disproportion-ately enter with no income

udy (% of recipients)



New student claimants disproportion-ately enter with no income

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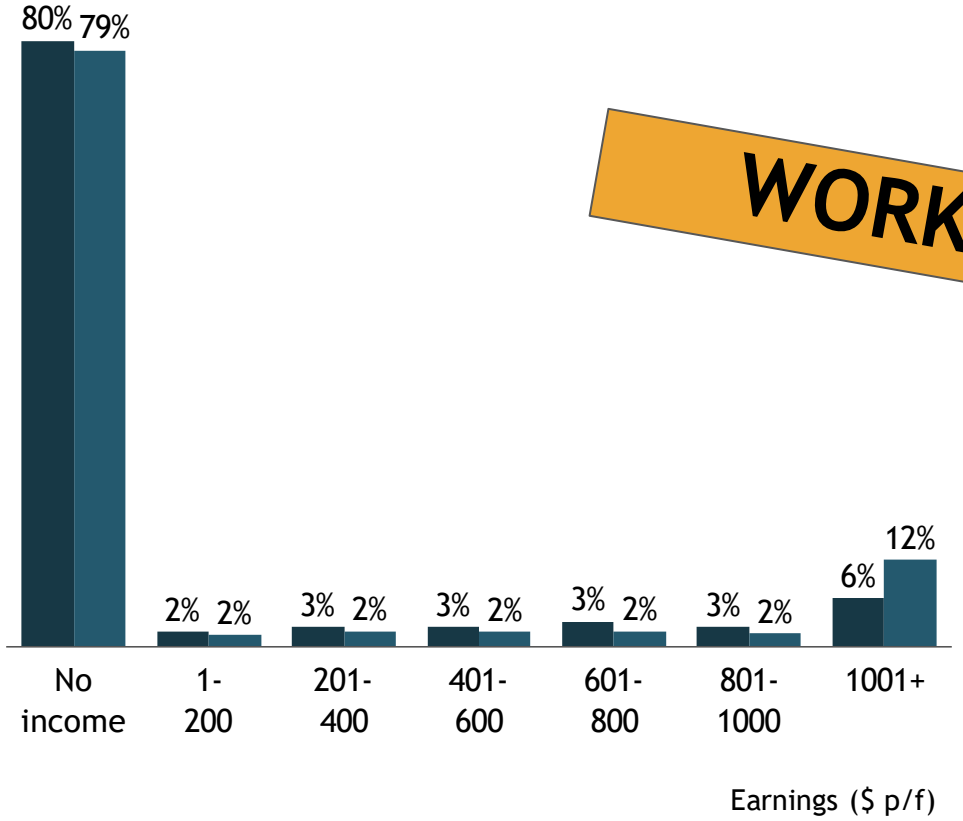
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Placeholder for deep dive slides that split entrants and exits by:

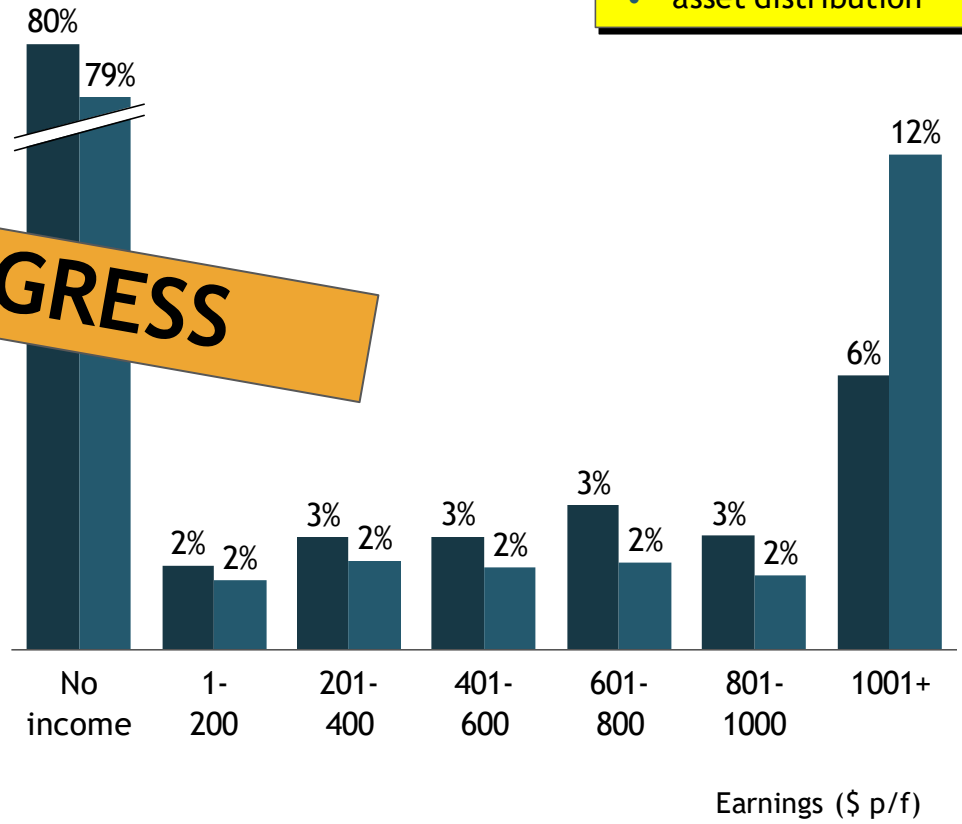
- single v partnered
- indigenous
- capacity to work
- age distribution
- geography
- gender
- partner income
- principal carer
- dependent children #
- asset distribution

Job seekers: single vs partnered

Single job seekers



Partnered job seekers



WORK IN PROGRESS

February May

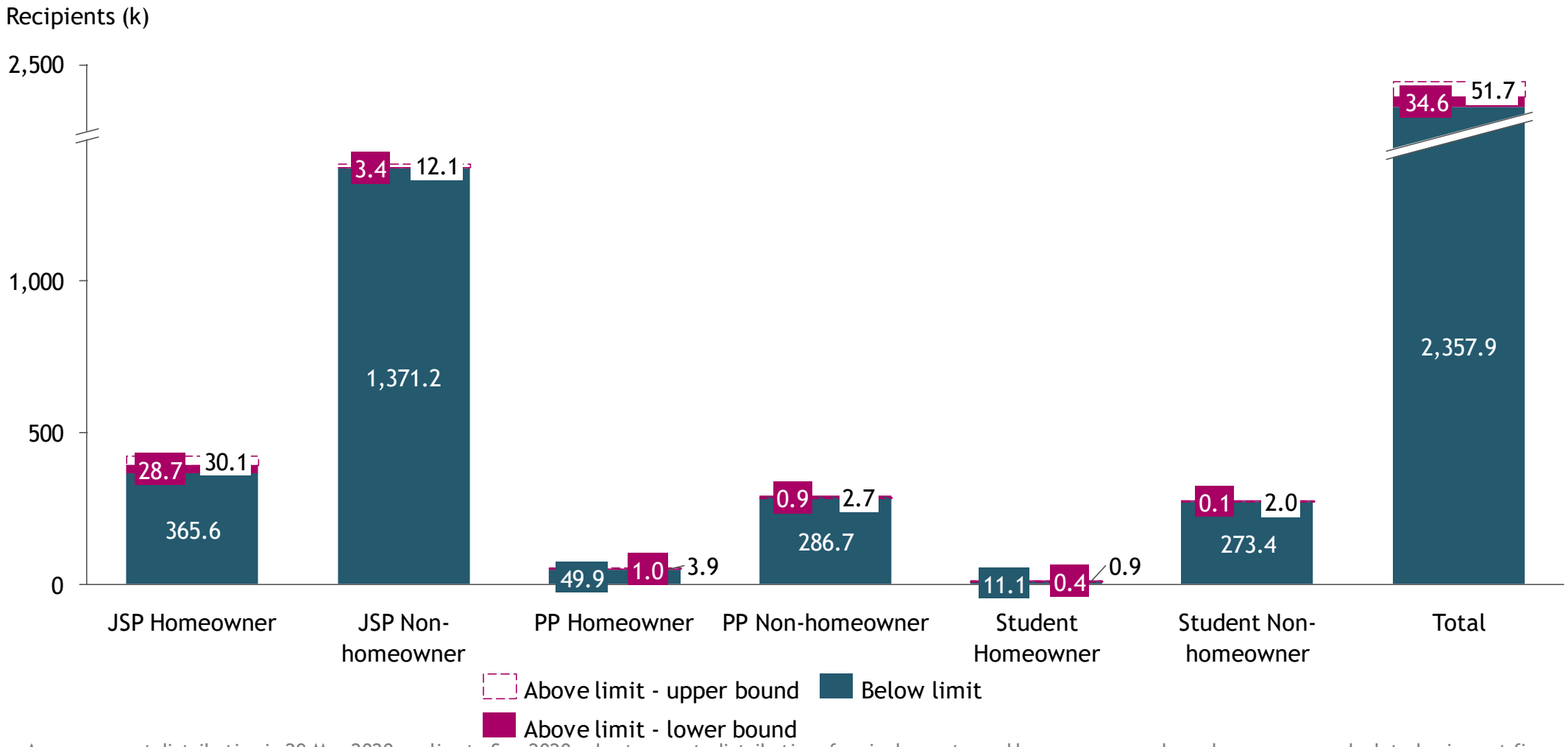
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~35 to 50k recipients expected to be ineligible under assets test

As at 24 Sep



Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

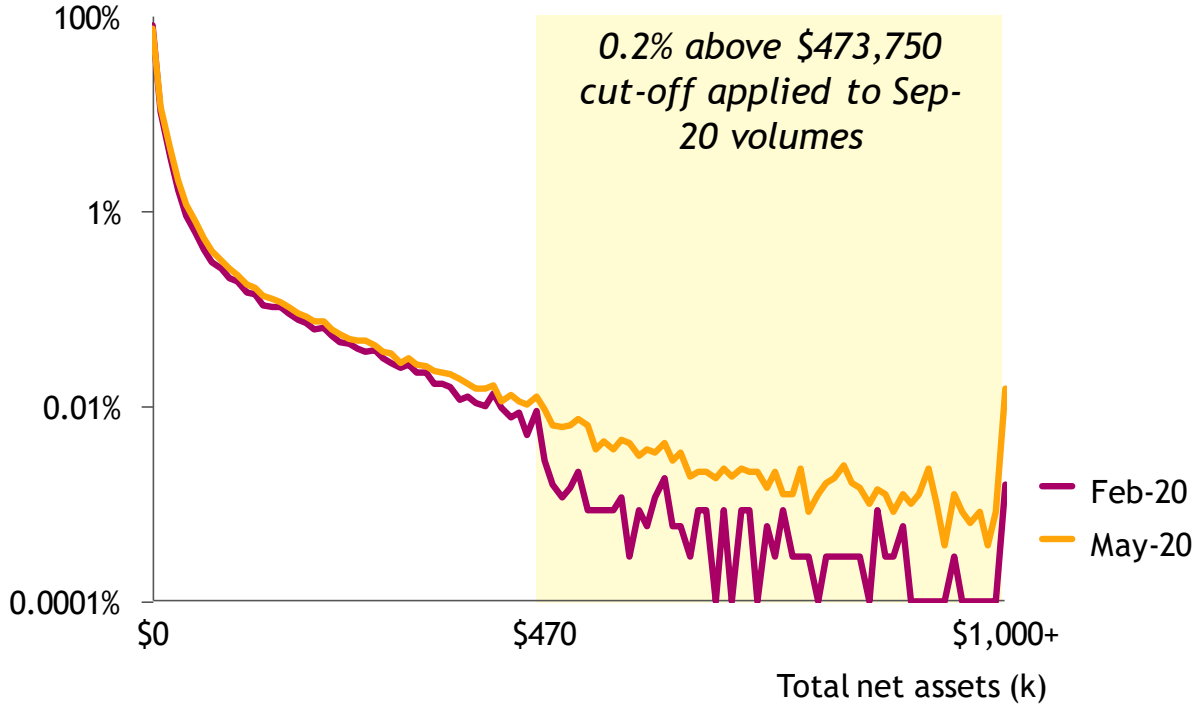
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Backup: Two methods used to estimate # ineligible due to assets test reinstatement

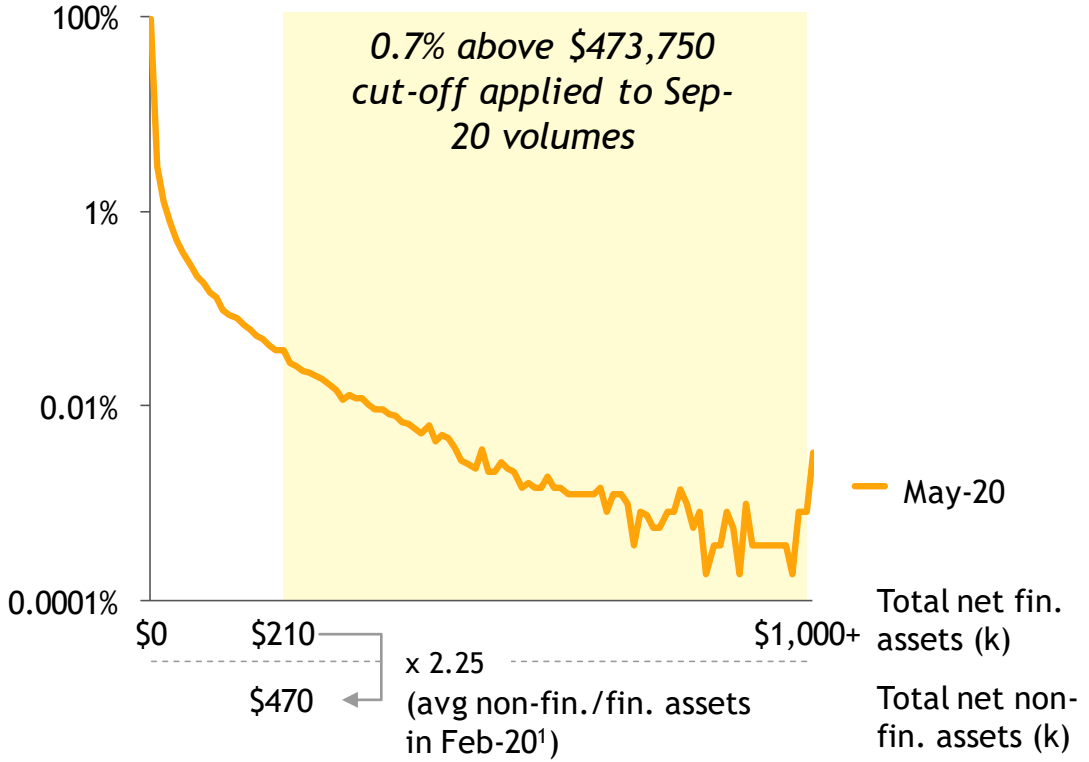
M1: Implied % of recipients over assets limits in May 2020 applied to September 2020 forecasted volumes

E.g. Single non-homeowners



M2: Estimating non-financial assets using Feb 2020 financial and non-financial asset data

E.g. Single non-homeowners



1. Average multiplier calculated using NSA, YA, PP, Austudy, ABSTUDY

Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted

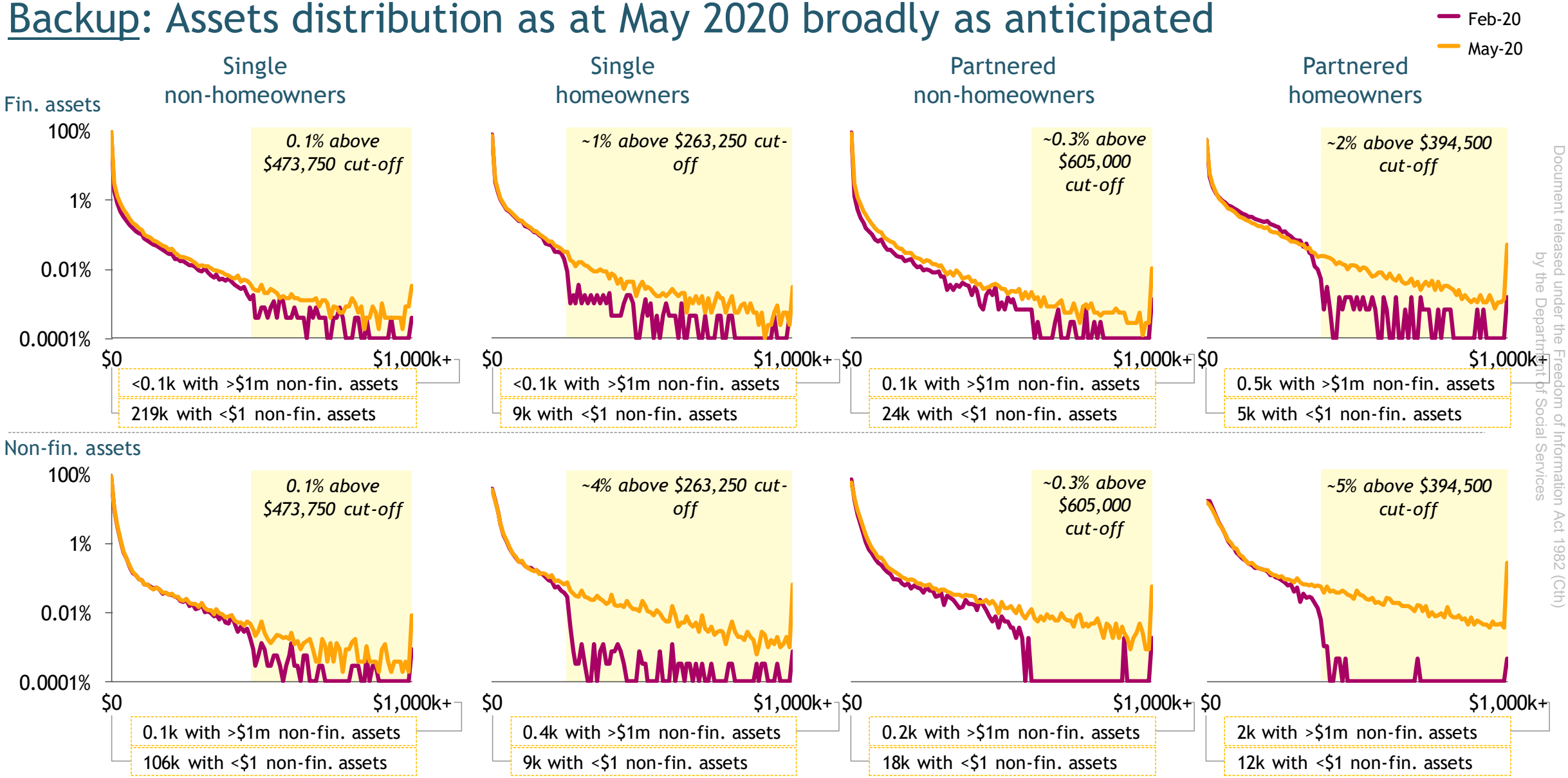
Source: DSS Data, Project analysis

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Backup: Assets distribution as at May 2020 broadly as anticipated



Note: Assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted

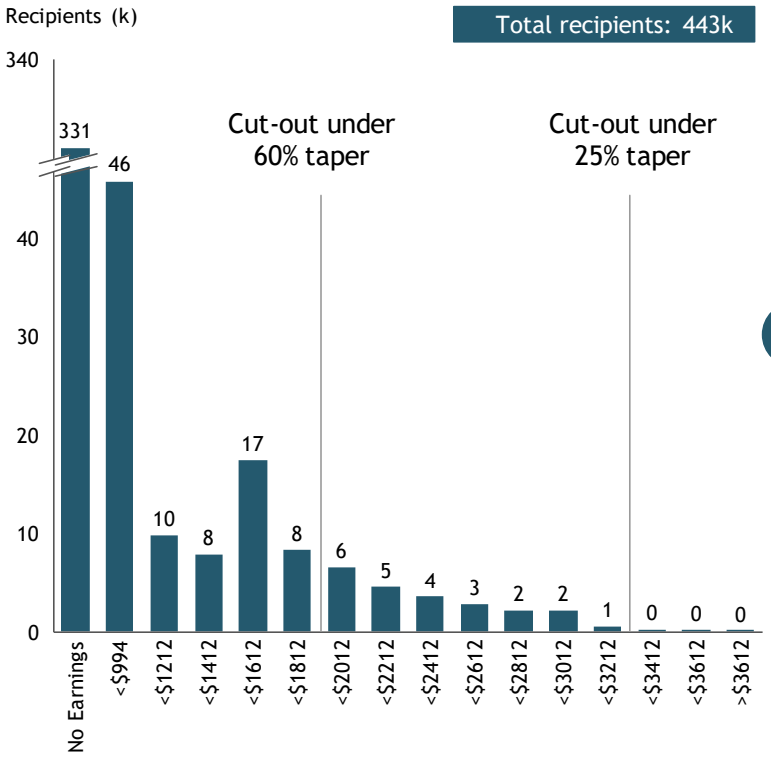
Source: DSS Data, Project analysis

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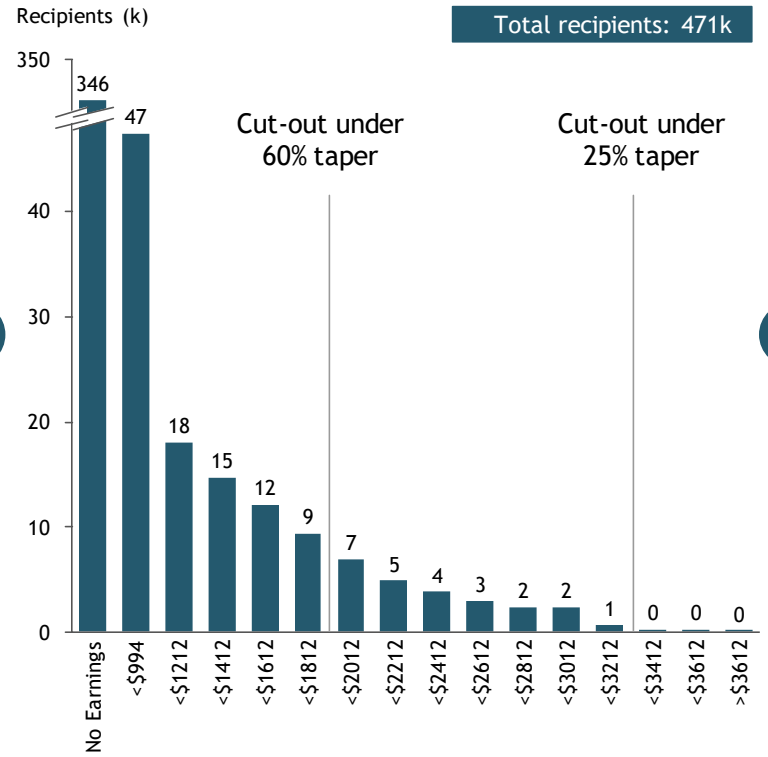
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~20k JS recipients likely to be removed from payment when Partner Income Test reverts to 60% taper

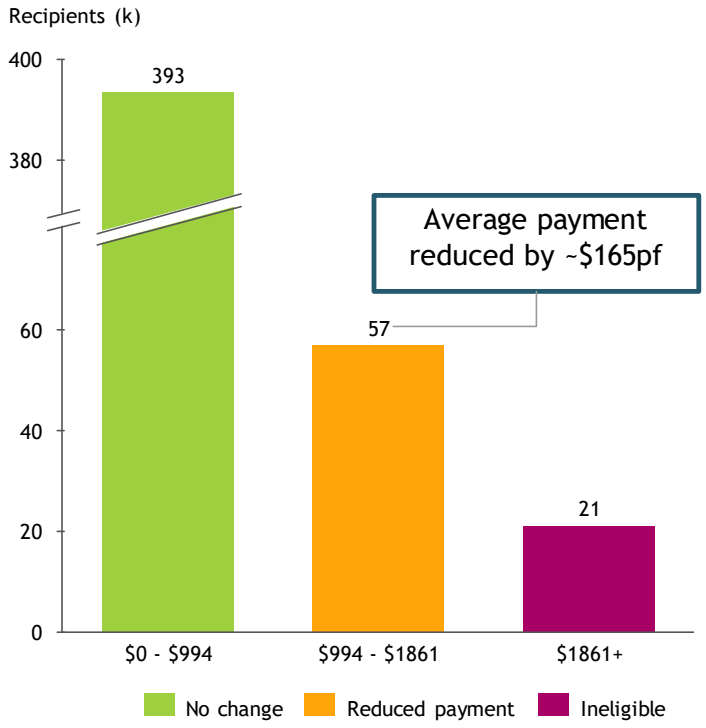
Current partner income distribution for JSP recipients as at May 2020



Expected partner income distribution for JSP recipients as at Sep 2020 (post-JK)



Likely impact on JSP cohort as at 25 September 2020



Note: Assumes partner income distribution in 8 May 2020 applies to September 2020
Source: DSS Data, Project analysis

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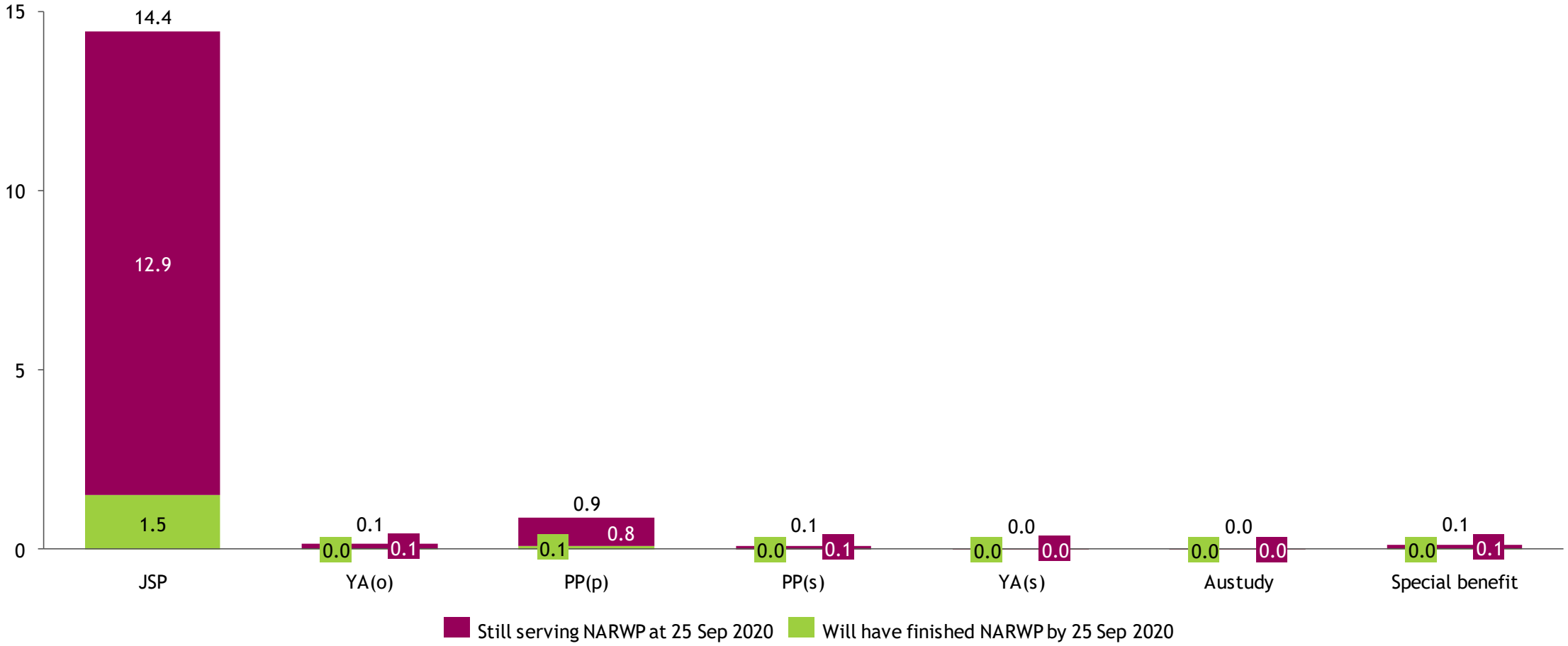
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~14k recipients removed from payment if NARWP reinstated in Sep '20

As at 25 Sep

Recipients (k) currently receiving an ISP who would be serving a NARWP



Note: Recently arrived migrants who continue on payment include automatic exemptions (e.g., refugees), recipients who served the NAWRP; preliminary 30 April 2020 figures used for forecasts; recipients on nil rates excluded
Source: DSS Data, Project analysis

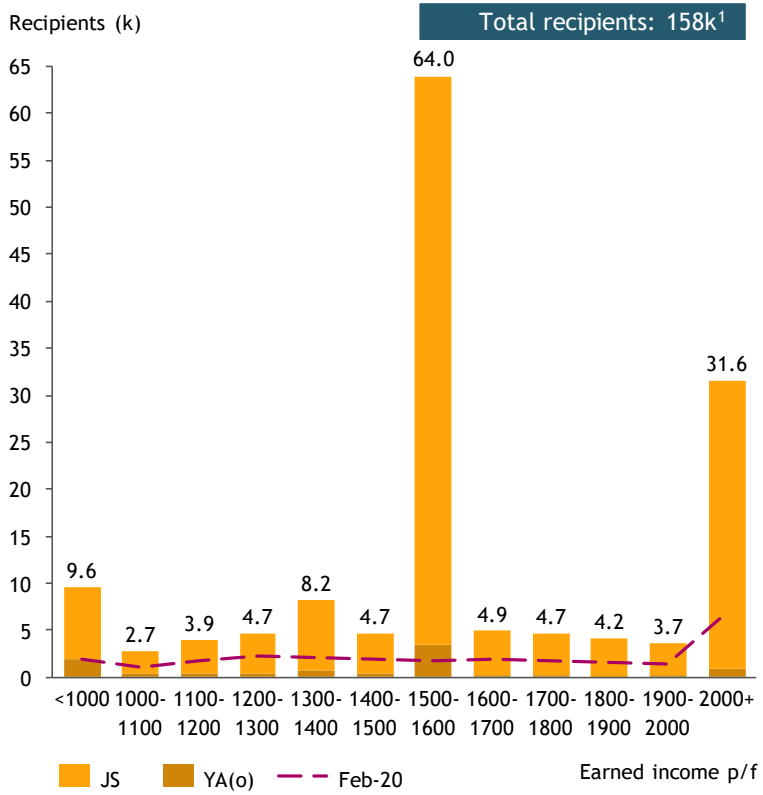
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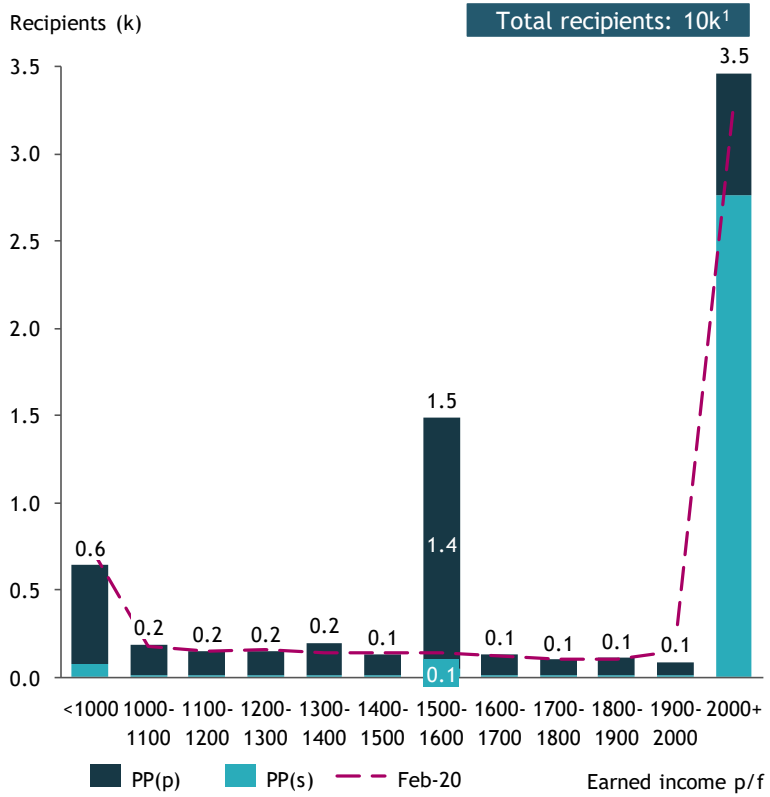
Spike in recipients on nil rates in May 2020 likely a result of JobKeeper; anticipate 75k+ recipients to return to income support payments

Jobseekers



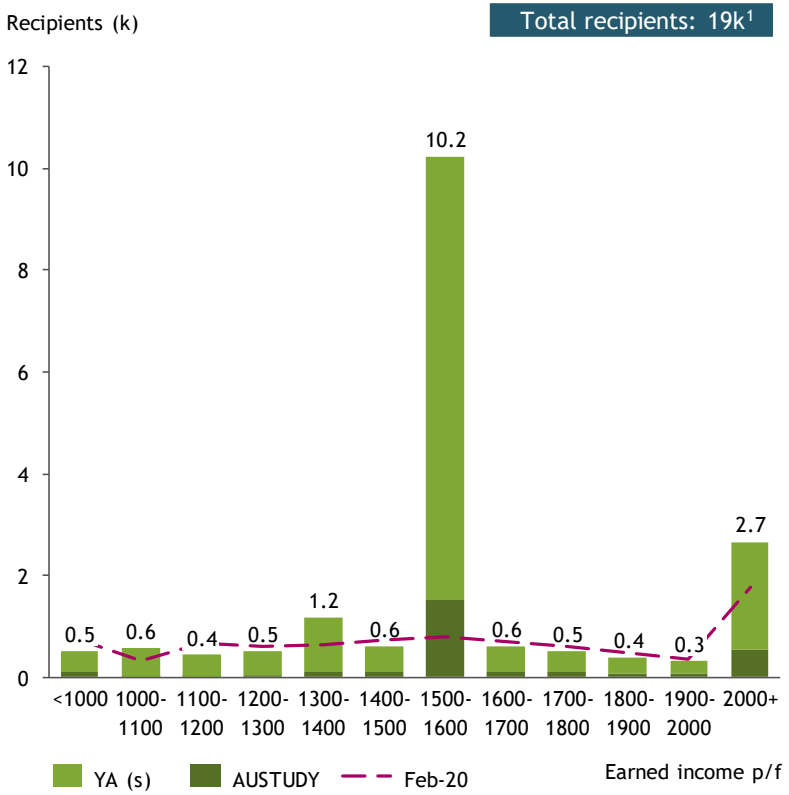
~64k recipients earning $1500-1600 on nil rates for <2 fortnights

Parents of young children



~1.4k recipients earning $1500-1600 on nil rates for <2 fortnights

Students[2]



~10k recipients earning $1500-1600 on nil rates for <2 fortnights

1. Total recipients includes those who did not report income 2. Less than 5 ABSTUDY recipients on nil rates as at 29 May 2020
Note: Figures rounded to nearest 10
Source: DSS Data, Project analysis

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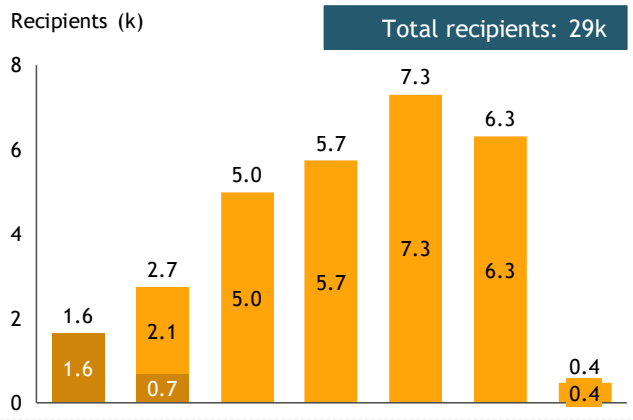
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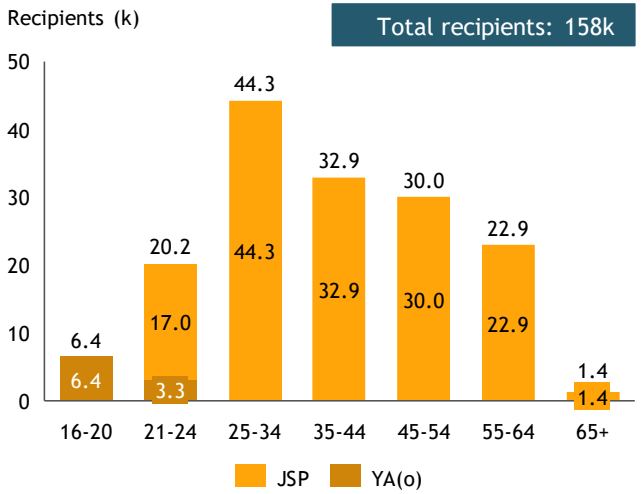
Age distribution of nil rate recipients shows similar trends to overall welfare system; influx of younger jobseekers present

Jobseekers

Pre-COVID (as at 28 Feb 2020)

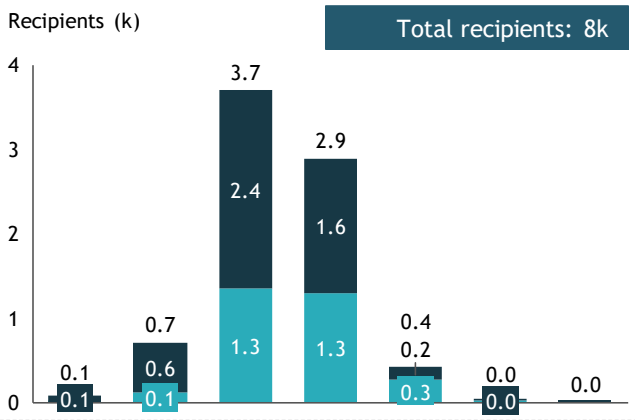


Current (as at 29 May 2020)

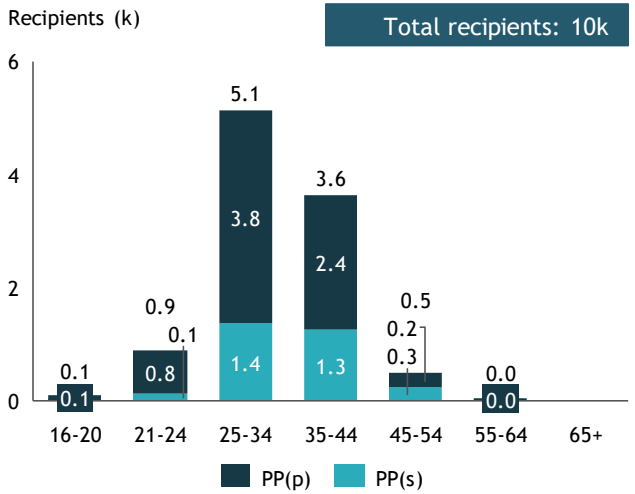


Parents of young children

Pre-COVID (as at 28 Feb 2020)

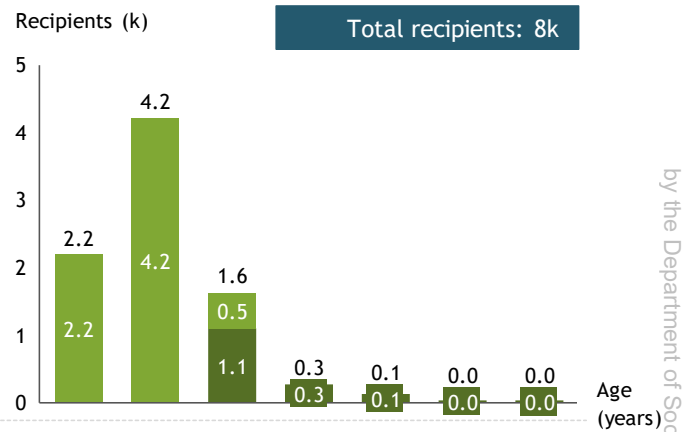


Current (as at 29 May 2020)

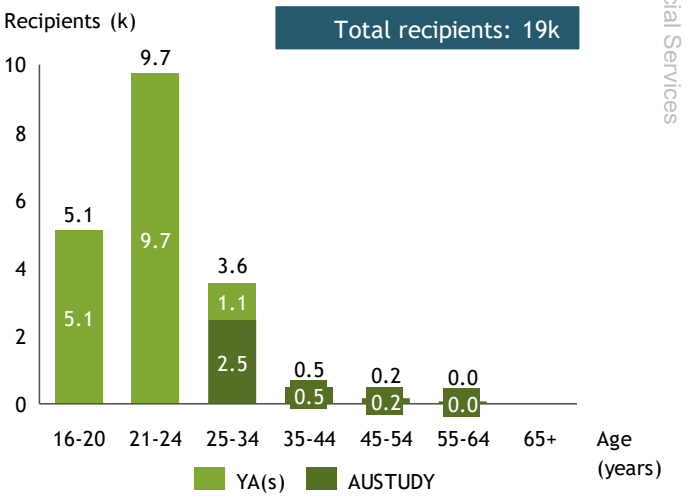


Students[1]

Pre-COVID (as at 28 Feb 2020)



Current (as at 29 May 2020)



1. Less than 5 ABSTUDY recipients on nil rates as at 29 May 2020

Note: Figures rounded to nearest 10

Source: DSS Data, Project analysis

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DRA

Add'l analyses s 22

ISP->JK: on payment from Feb and income since changed to 1500

JK->ISP: new claimant since Feb with income at 1500 in first fortnight

XX

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Source: DSS Data, Project analysis

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Changes in work arrangements

- Characteristics of working age entrants since Feb ’20
- New entrants due to temporary eligibility measures
- Breakdown of nil rate population

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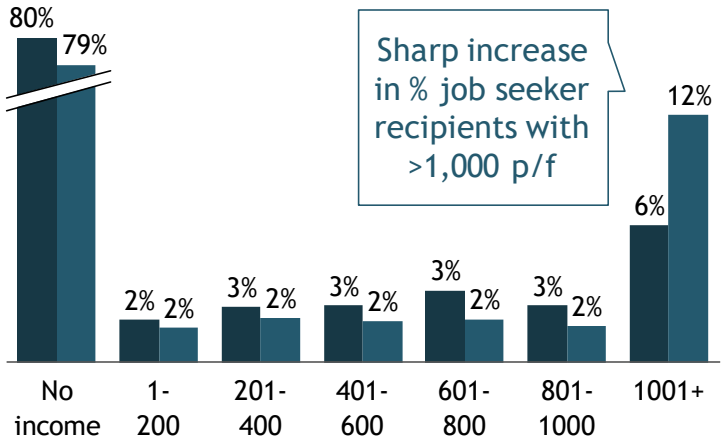
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February May

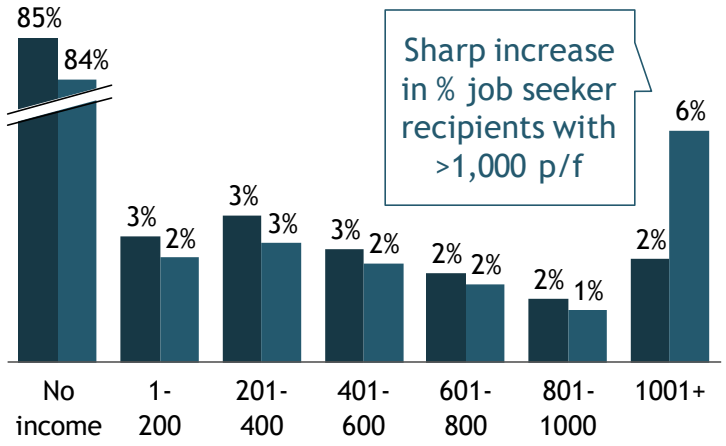
Income distribution shifts by payment from Feb to May

Job seekers

Job Seeker (% of recipients)

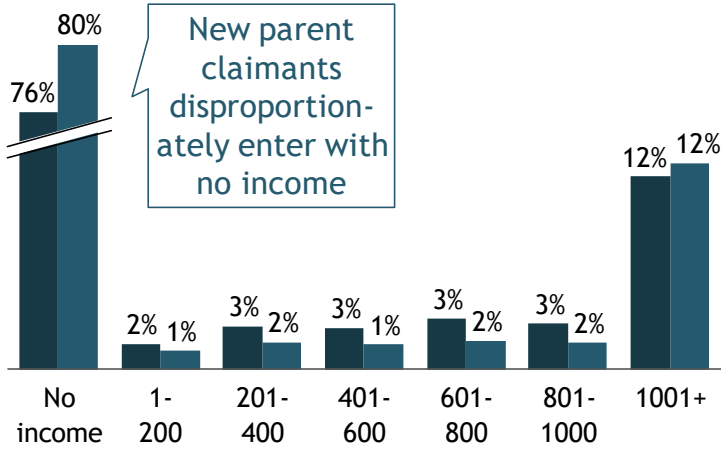


Youth Allowance, Job Seeker (% of recipients)

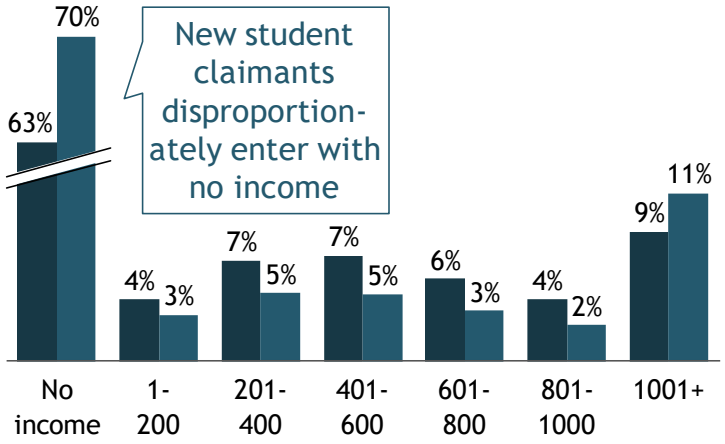


Parents

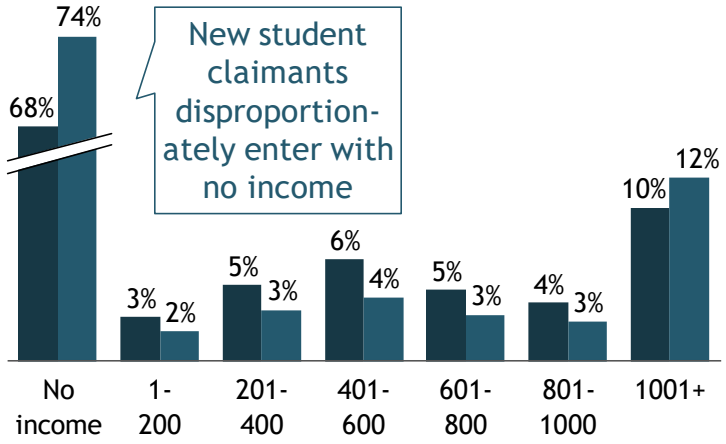
Parenting Payment (% of recipients)



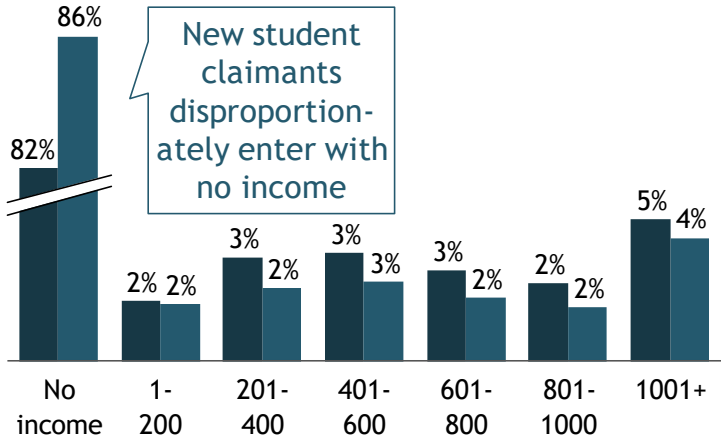
Youth Allowance, Student (% of recipients)



Austudy (% of recipients)



ABStudy (% of recipients)



Students

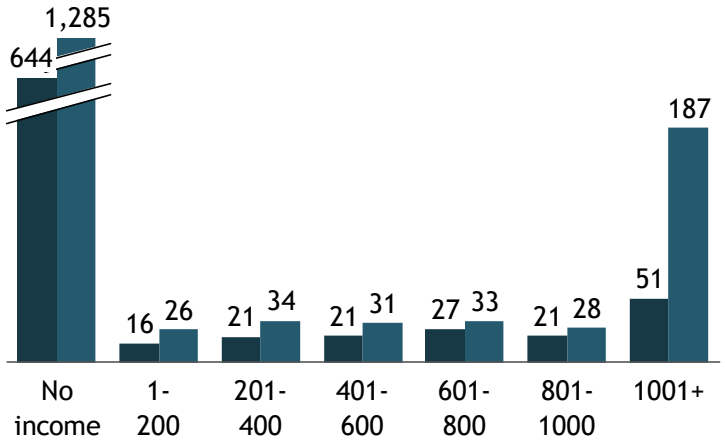
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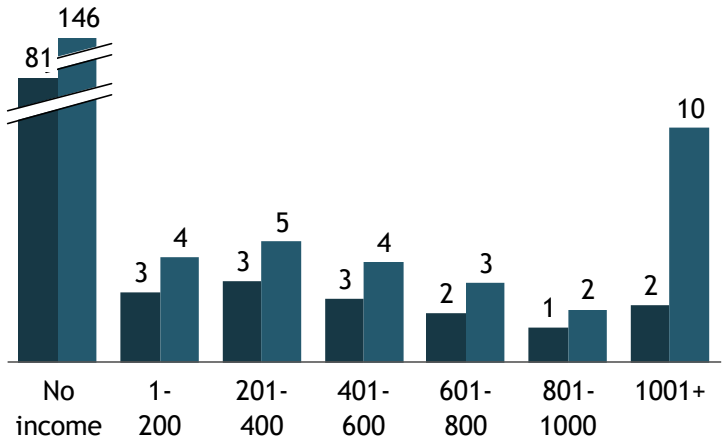
February May

Backup: Income distribution shifts by payment from Feb to May

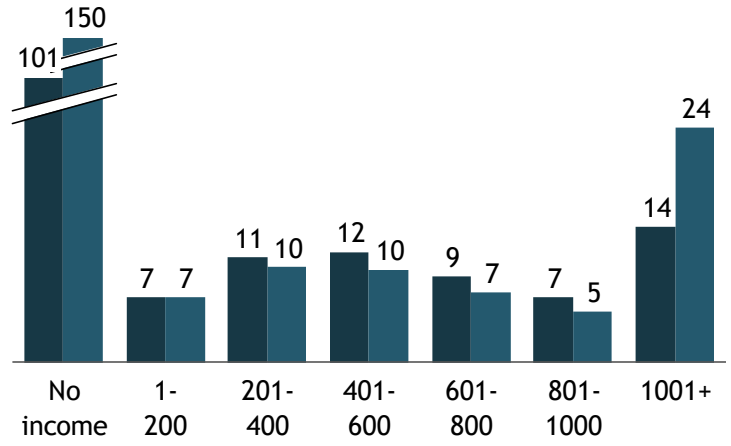
Job Seeker (recipients, 000s)



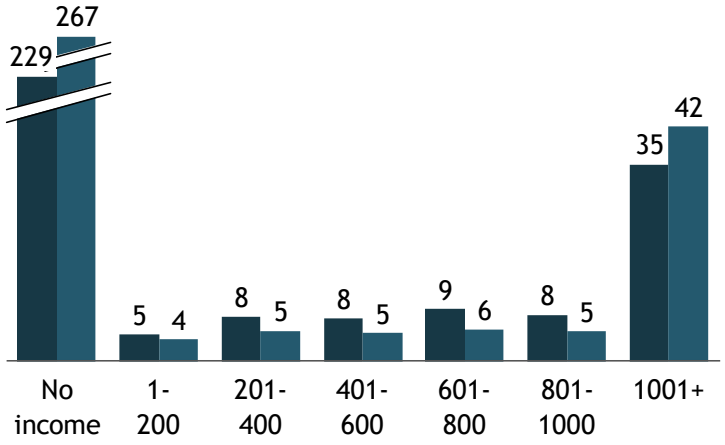
Youth Allowance, Job Seeker (recipients, 000s)



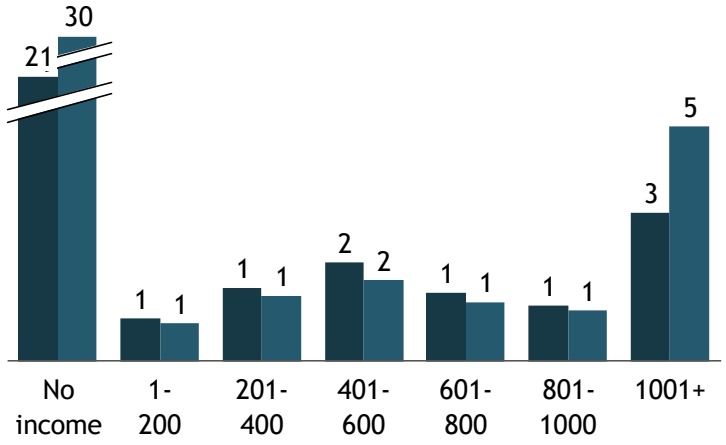
Youth Allowance, Student (recipients, 000s)



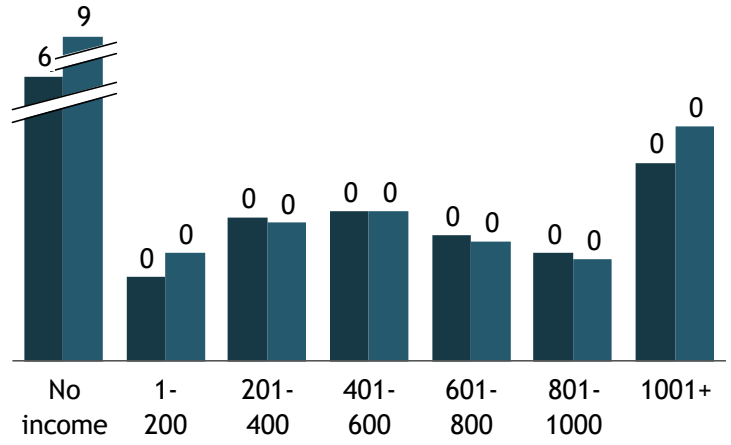
Parenting Payment (recipients, 000s)



Austudy (recipients, 000s)



ABStudy (recipients, 000s)



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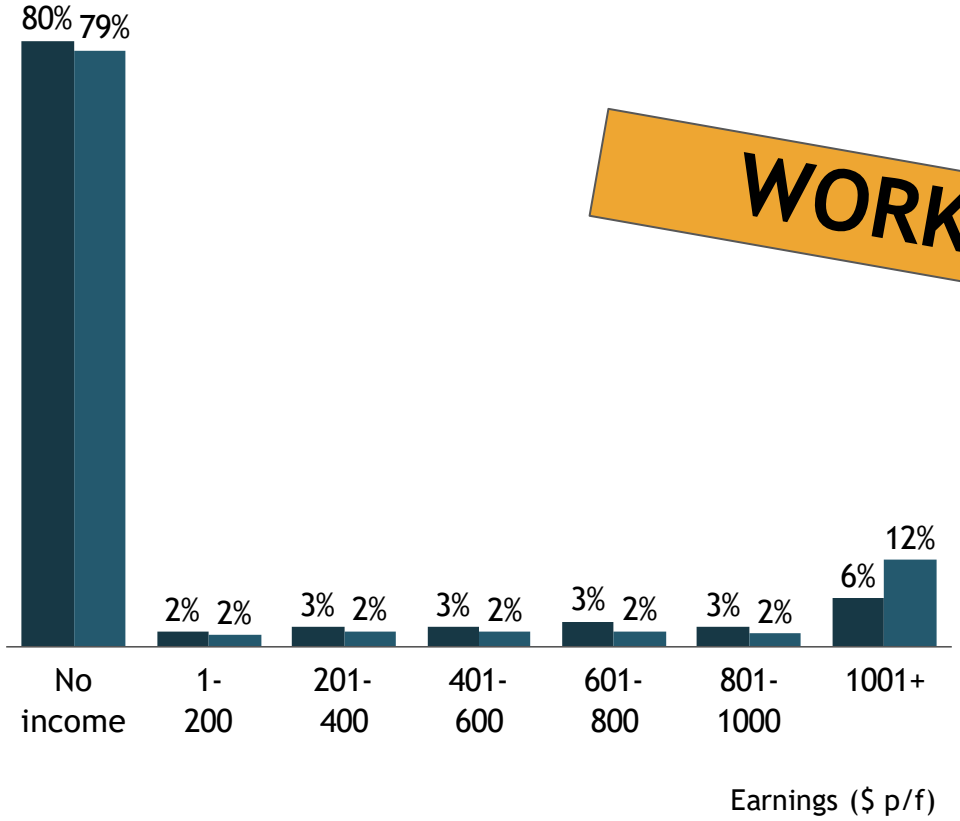
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Placeholder for deep dive slides that split income distribution by:

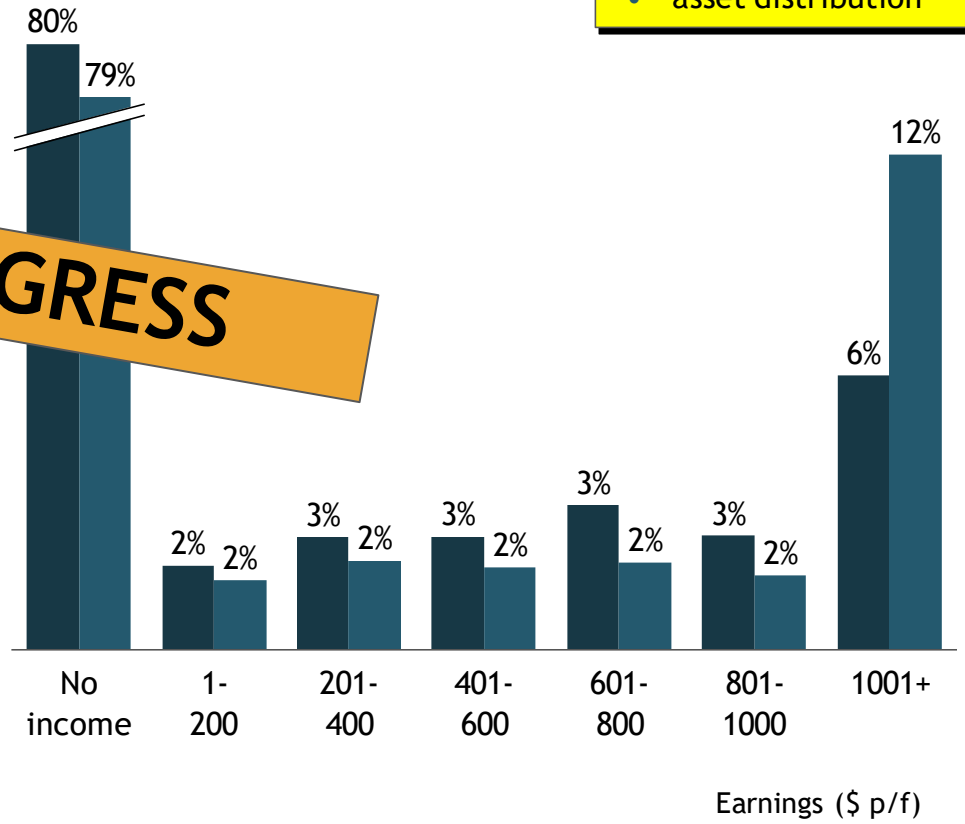
- single v partnered
- indigenous
- capacity to work
- age distribution
- geography
- gender
- partner income
- principal carer
- dependent children #
- asset distribution

Job seekers: single vs partnered

Single job seekers



Partnered job seekers



WORK IN PROGRESS

February May

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Interactions with other policies (mutual obligations, ESP, etc.)

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Mutual Obligation Requirements

Mutual obligation requirements (pre-COVID-19)

For most job seekers (those in jobactive):

- Job search (up to 20 job searches per month).
- Provider appointments (usually monthly).
- If referred, participation in activities such as education or training, language or skills-building courses, or activities designed to improve job seekers' employability.
- After 12 months in jobactive, an Annual Activity Requirement for six months each year, in addition to their regular requirements. Hours of required participation vary according to age and circumstance (generally 50 hours per fortnight for those aged under 50 years).

COVID-19 changes prior to June 9

On 20 March the Government announced:

- A number of changes that reduced or eliminated the need for face to face contact.
- Job plans adjusted to a default requirement of four job searches per month.
- Work for the Dole and other activities delivered in group settings were suspended.
- Job Fairs and other events were postponed.
- Job service providers required to perform new risk assessments for a range of activities.

On 24 March the Government announced:

- Lifting mutual obligation requirements for job seekers, which remained in place until June 9.

On 22 April the Government announced bringing forward the Employment Fund credit for the most job-ready job seekers to be available immediately.

COVID-19 changes post June 9

From 9 June the requirements have been:

- Voluntary job searches.
- At least one appointment with their employment services provider via telephone or online (for provider-managed job seekers).
- Voluntary participation in activities (available and appropriate online activities in addition to in-person activities such as Work for the Dole and PaTH internships only where risk assessments show they are safe).
- Job seekers in digital services (without providers) to consider their employment and training goals.
- Those exempt from mutual obligation requirements include:
    - Sole traders.
    - People that are self-employed.
    - Individuals who may have other exemptions which may apply in certain circumstances relating to personal crisis, natural disaster, short-term caring responsibilities or coronavirus related isolation requirements.
- No payment suspensions or penalties for not meeting the above requirements.

Issues

Key issues:

- The eventual reintroduction of mutual obligation requirements being carefully staged so as to be consistent with developments associated with JobKeeper, the Coronavirus Supplement, and the broader state of the economy.
- It will be difficult to determine the impact of the current relaxation of mutual obligation rules on exit from payment and employment outcomes, given the broader impact of COVID-19 on the economy.
- It would be reasonable to assume that the eventual return of mutual obligation requirements would have an impact on job search behaviour and employment outcomes. However, determining the size of the impact will be challenging given the continuing widespread and volatile impacts of COVID-19 on the labour market.

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Thank you

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Project Canoe

Sprint 6 – Stage 2 Working Materials

JULY 2020

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Calendar and key deliverables for coming 6 weeks

	Monday	Tuesday	Wednesday	Thursday	Friday
S6	29 June Daily check-in (9:30)	30 Daily check-in (9:30)	1 July Working session (10:30-11:30pm)	2 Daily check-in (9:30) Briefing on Canoe work-to-date	3 Daily check-in (9:30) Align on topics for MYEFO ★ Check-point with Mary & Kath
	6 Daily check-in (9:30)	7 Daily check-in (9:30) Working session w. Mary & Kath	8 Bringing the options together (10:30-12pm)	9 Daily check-in (9:30)	10 Daily check-in (9:30)
S7	13 Daily check-in (9:30)	14 Daily check-in (9:30) Working session w. Mary & Kath	15 Bringing the options together (10:30-12pm) ★ Check-point with Nathan (TBC)	16 Daily check-in (9:30)	17 Daily check-in (9:30)
	20 Daily check-in (9:30)	21 Daily check-in (9:30) Working session w. Mary & Kath	22 Bringing the options together (10:30-12pm)	23 Daily check-in (9:30)	24 Daily check-in (9:30) ★ End of sprint read-out
S8	27 Daily check-in (9:30)	28 Daily check-in (9:30) Working session w. Mary & Kath	29 Bringing the options together (10:30-12pm)	30 Daily check-in (9:30)	31 Daily check-in (9:30) ★ Mid-sprint read out
	3 August Daily check-in (9:30)	4 Daily check-in (9:30) Working session w. Mary & Kath	5 Bringing the options together (10:30-12pm)	6 Daily check-in (9:30)	7 Daily check-in (9:30) ★ End of sprint read-out

Deliverables

- **MYEFO:** Align on topics to cover
- **Stage Two:** Initial view of high level options
- **Modelling:** Progress updates on data & features, and update cohort analysis and volume forecasts

- **Stage Two:** Initial costing of Stage Two options
- **Modelling:** Model updated with fresh data and new features required for Stage Two options

- **MYEFO:** First draft of analysis on all topics
- **Stage Two:** Iterated options, with costings
- **Modelling:** Draft analysis available, covering all items requested by KC, NW, SB

- **Stage Two:** Commence costings with POEM team, iterate policy options as required
- **Modelling:** Next stage of handover of model to appointed DSS modeller

- **MYEFO:** Final draft analysis on all topics
- **Stage Two:** Materials required for input into submissions and briefing materials

- **MYEFO:** Finalised analysis on all topics
- **Stage Two:** Final read out of costed policy options; Complete input into submissions and briefing materials
- **Modelling:** Complete handover of model

Offline | Daily check-in | Internal meeting | External meeting | Public holiday | ◆ Deliverable due | ★ Key meeting

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Data extract tracker

Stage 2 (reform) data requests:

No.	Data requested	How we will use	Status
1	Supplement recipients and entitlements	Want to model outlay and volume impact of removing different supplements	Complete (s 22 team)
2	Working Credit usage and depletions by cohort	Want to model outlay and volume impact of changing the accrual rate and cap	Work in progress (s 22 team)
3	Waiting period recipients and avg duration by cohort	Want to model outlay and volume impact of removing or changing duration of different waiting periods	Work in progress (s 22 team)
4	1990-1995 recipient volumes by payment, by month	Want to understand volume impacts during recovery of '91 recession to inform forecasts	Request sent s 22 to follow up)
5	2008-2010 recipient volumes by payment, by month	Want to understand lagged student impacts from recession-driven changes to job seeker volumes	Request sent s 22 to follow up)
6	Claims received, granted, rejected by payment, by month	Want to refine claims forecast	Request sent s 22 to follow up)
7	FTB volume impacts from changes to taxable payments	Want to estimate rate and volume impacts to FTB-A/B as a result of changes to taxable payments (e.g. JSP, PP)	Request sent s 22 to follow up)

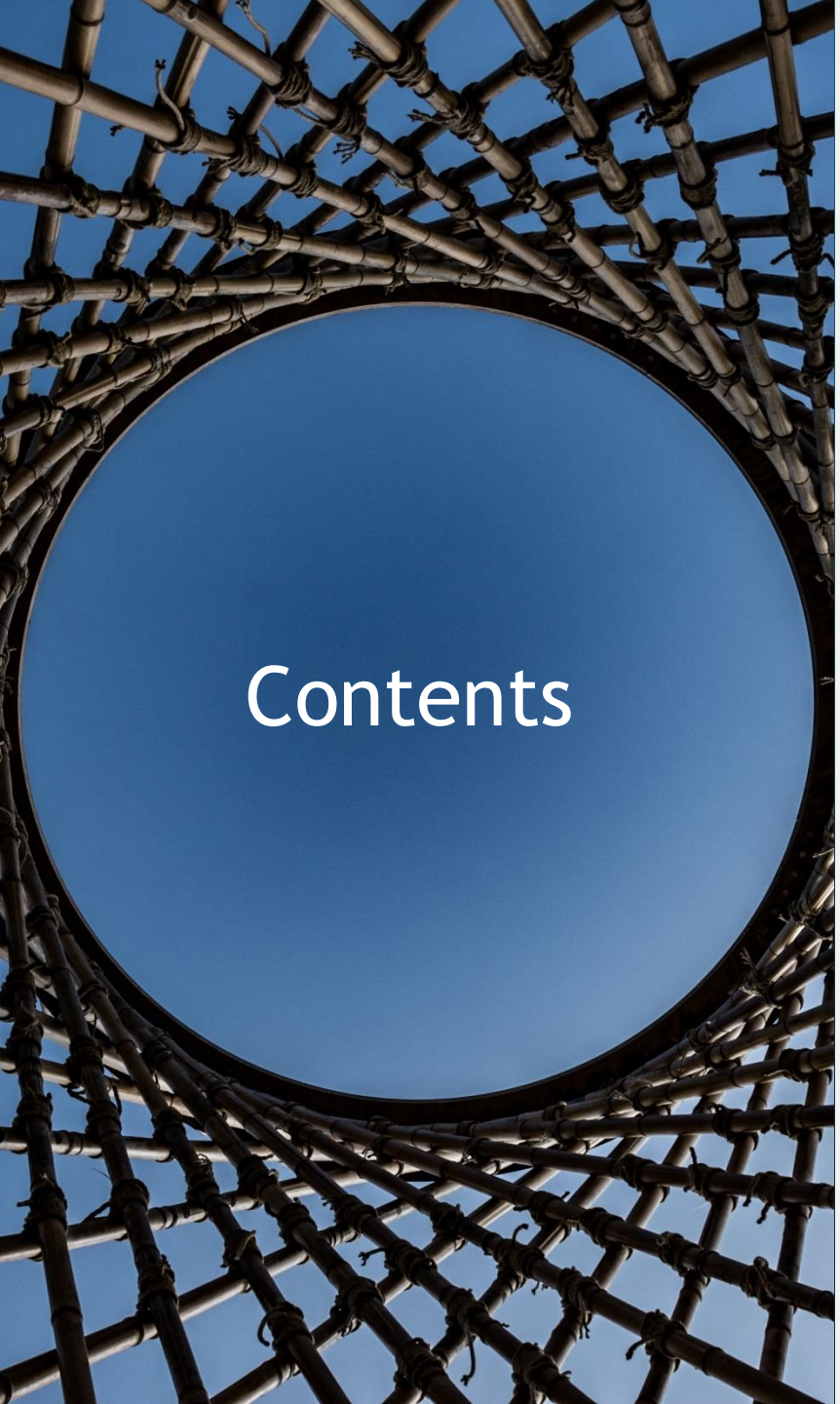
Stage 1 (comeback) data requests:

No.	Data requested	How we will use	Status
1	COVID entrants and exits by: • Age • Gender • Partner income • Geography • Assets • Single v partnered • # Children	Want to understand characteristics of recent entrants and exits to the working age welfare population	Complete (BCG team)
2	Pre-COVID vs COVID income distribution by: • Age • Gender • Partner income • Geography • Assets • Single v partnered • # Children	Want to understand how income and asset tests will treat different cohorts within new working age welfare population	Complete (BCG team)
3	Nil rates breakdown by income and age	Want to understand nil rate cohort in more detail; also estimate ISP -> JK transfers	Complete (BCG team)
4	Pre-COVID vs COVID Financial and non-financial asset distributions	Want to estimate number of welfare recipients that will be kicked off payment when asset test reinstated	Complete (BCG team)

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Contents

Policy goals that this research is framed around xx

"Menu of options" and example two-stage approaches xx

Detailed view of the policy options explored xx

Next steps (incl. modelling backlog) xx

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Note to the reader

- Caveats: Research project ... figures have not been formally costed ... etc.
- We have worked up "menu of options" for changes to welfare system from July '21 onward (post-covid)
- Logically consistent with, but not dependent on, temporary covid measures
- Indicative costing 3x illustrative packages of these options that constitute a potential modest, moderate and broad reform agenda

This compendium contains a suite of materials developed during research into a range of illustrative policy options for t
the COVID-19 pandemic.

The figures shown in this compendium are drawn from a model developed during the research, which models the workin
period FY20-24. The figures shown in this Compendium represent the best view possible as at 24 June 2020, based on th
researchers, and the time available to conduct the research.

The researchers' intent is that this model sh e developed and progressed over time. Accordingly, mate
updated with the latest figures from that m uent months after this research.

WORK IN PROGRESS

In particular the following further updates to the model are consid
- Updating the income distributions and cohort volume distributions to a mor rs were provided with a data extract of income and cohort volume distributions as at 24 April 2020)
- Adding further supplements to the model, and to the modelled savings from absorbing them into a broad t base rates (the model currently includes only Energy Supplement and Pharmaceutical Allowance, as data on a broader range of supplements was not able to be accessed in the time period for this research)
- Building a forecast of claim volumes over time, and the ability to model impacts of changes to the OWP, LAWP, and SWPP (the researchers were provided with a top-down estimate of the impact of abolishing the SWPP, and the model does not yet incorporate the OWP or LAWP as these were not seen as a priority during the build)
- Refining the model logic for the treatment of FTB policy options (the current integration of FTB options adopted a light-touch approach, as FTB policy options were not considered a priority relative to other items)
- Refining the model logic to account for interactions between payments, and between income support payments and FTB payments
- Refine the indexation feature of the model, to ensure good alignment with Treasury estimates and specific policy settings

A full backlog for the suggested further development of the model is provided in the final section of this Compendium.

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Policy goals that this research is framed around

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Six high level policy goals



Effectiveness & adequacy: Appropriate transition away from C-19 measures, levels of support commensurate with individual need, effective targeting of welfare support to those who need it most



Encourage self-reliance: Ensure strong incentives to work, better align payment levels with differentiated capacity to work, and ensure all recipients know they will always be better off for every dollar earned



Simplification: Reduce number of primary payments and supplements, streamline complex assessments like Member of a Couple, and Rental Assessments, leveraging new technology and capabilities such as Single Touch Payroll



Coherence: Increase consistency across the welfare system, aligning income tests, income definitions, asset tests, waiting periods, taper rates, indexation rates



Fiscal responsibility: Appropriately manage the overall fiscal envelope



Streamline administration: Improve the citizen experience, address causes of unnecessary administrative workload, and ensure efficient and effective links with other aspects of the system – employment services, DES, skills/apprenticeships, etc.

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Initial view of key pain points (I/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Effectiveness & adequacy	• Perceptions of adequacy of JobSeeker base rate. COVID $550 supplement has only increased pressure here • Particular perception of challenges for rent allowance recipients who are renting privately • Eligibility for JobSeeker extended under COVID response (sole traders, self employed), creating challenges in a rollback
Encourage self-reliance	• Working age payments do not fully recognise differences between full, partial and limited capacity to work. JobActive/ employment services could also better support part-time objectives • Effective Marginal Tax Rates (EMTRs) can be confusing, and can be perceived as high in some instances. Not clear to what extent this and other payment system incentives (e.g. income banks) drive behaviour, but it is clear perception matters • Sharp cut-offs under asset test for JobSeeker and Parenting Payment recipients, rather than taper as per pensions • Potential that over time FTB A/B have reduced incentives for work among some families • Policy issues such as >60s on Jobseeker losing their higher rate if they leave payment and return • Some cohorts have consistently higher durations on payment (PCW, mature age) • Child support tests can overlap with welfare payment income tests to produce EMTRs >100%
Coherence	• Taper rates for income tests vary widely, resulting in different rewards for working, and confusion. Sensitivity analysis suggests differences do not drive behaviour (e.g. no significant clustering around IFAs – which supports the rationale for a single taper rate) • Income definitions (Ordinary Income, Taxable Income) and assessment periods are inconsistent • Indexation rules across pensions and allowances are inconsistent, resulting in growing rate gap • Complex eligibility rules around older children who may be eligible for FTB as well as primary income payments in their own right (e.g. YA, DSP) • You can be on JSP if a casual working 40 hours/week, but can't be on JSP if permanent employee working 40 hours/week

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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Initial view of key pain points (II/II)

Output from Sprint 1 of this work

Policy goals	Current pain points
Simplicity	• Large number of payment types (20+) and supplement types (50+) • Recipients in similar circumstances, with similar basic living costs receive different support payments • Income banks and working credit features are complex and could be improved • Some payments with significant internal complexity and tailoring (e.g. ABSTUDY, Youth Allowance) • Waiting periods are complex, sometimes overlapping (e.g. LAWP and SWPP). LAWP waived during COVID • …
Fiscal responsibility	• Expenditure on payments increased since COVID-19 (more recipients, additional assistance, with less targeting) • Indexation of some payments based on outdated measures, but difficult to change • Some payment rates set in ways that invite moral hazard (e.g. couple/parent rates of Youth Allowance above some single rates) • …
Streamline administration	• Several complex, time consuming assessments slow down processing and impact citizen experience, e.g. Member of a Couple, Rental Assessments • Future of streamlined verification and claim requirements under COVID response needs to be considered • Inconsistent rules around common processes (e.g. Advance process/eligibility can differ by payment) • …

Note: In-scope payments include JobSeeker, Parenting Payment, Family Tax Benefit, Youth Allowance JobSeeker, Youth Allowance Student, most relevant supplements.

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"Menu of options" and illustrative Stage 2 packages

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A menu of policy options has been developed

Note: Actual costs of each option vary based on combination selected

Temporary relief	Extend select 'access' measures to 20 Mar '21: waiver of NARWP, OWI Delete extension for sole traders $50-$150m pm	Extend C-19 supp. at $250 p/f until 30 June '21, include it in Inco Delete YA(o) IFA to $300 and taper to 60% $1.0-$2.0b pm[1]	Expand discretion able to be exercised around u Delete tbd
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered)	Merge YA(s) and Austudy into a new student payment $0-($5)m pm[2]	Merge into JobSeeker: Special Benefit TPV holder cohorts $0-$2m pm
	Merge into JobSeeker: Youth Allowance (o) No outlay impact	...65s	Replace FTB parts A & B with a new single FTB Delete e of child $0-($200)m pm
Rates	Lift rates for working age & student payments by $150 p/f, cease supplements, incl. energy, pharma, phone, APW, LLN $1.0-$1.5b pm	Create new mature aged / PCW rate within JSP, covering recipients aged >55 and PCW <14 hrs/week $10-$50m pm	Add indexation 1 Add indexation 2 Add sharer's rate
Work incentives	Align Income Free Areas with pensions, max 50% taper rates $10-$50m pm	Expand & simplify working credit, increase accrual rate to entire IFA, and cap to $2000 $2.5-$10m pm	Move allowance recipients onto a "household" income test, similar to pensions tbd
Service delivery measures	Increase MOCA self-assessments, shift complex assessment capacity toward predictive analytics efforts tbd	Streamline waiting periods: Abolish SWPP <$2m pm	Double the nil rate period to 12 fortnights tbd

WORK IN PROGRESS

1. Wide range reflects forecast volume shifts during Sept '20 to June '21 period during which supplement may be applied. 2. Saving is due to abolition of long-term ISP rates for Youth Allowance (student)
Source: DSS data, Project analysis

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Stage Two: Critical question is degree of appetite for reform

Next step is to detail out each option, and tighten costings

Temp relief
Payment types
Rates
Incentives
Service delivery

Minimal reform

Lift Allowance payment rates by $150 pf[2], and abolish 10 supplements: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance — $6.9b p.a

s 22

Align Allowance and PPS IFAs to $174, max 50% tap
for personal and partner income tests — $0.3b

Modest Reform

Consolidate into JSP: PP(P), PP(S), and YA(o) — ($30m) p.a

Consolidate Austudy and YA(s) — ($30m) p.a

Lift Allowance payment rates by $150, and abolish — $6.9b p.a

Align
for personal and

Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $50m p.a

Other minor policy changes

WORK IN PROGRESS

Broad reform

Consolidate into JSP: PP(P), PP(S), and YA(o) — ($30m) p.a

Consolidate Austudy and YA(s) — ($30m) p.a

Lift Allowance payment rates by $150, and abolish 10 supplements — $6.9b p.a

Create new tiered structure for JSP (with mid-tier rates for parents, mature aged, PCW, and Principal — $0.3b p.a

s 22

ce a sharer rate of payment (alongside single
rtnered payment rates) — tbd

Note, should work up these

Align payment indexation to better reflect (1) cost of living of ISPs, and (2) housing costs — tbd

s 22

Align Allowance and PPS IFAs to $174, max 50% taper for personal and partner income tests — $0.3b p.a

Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $50m p.a

Move to couple combined income test (including consideration of options to manage potential limitations of this approach) — tbd

Other minor policy changes

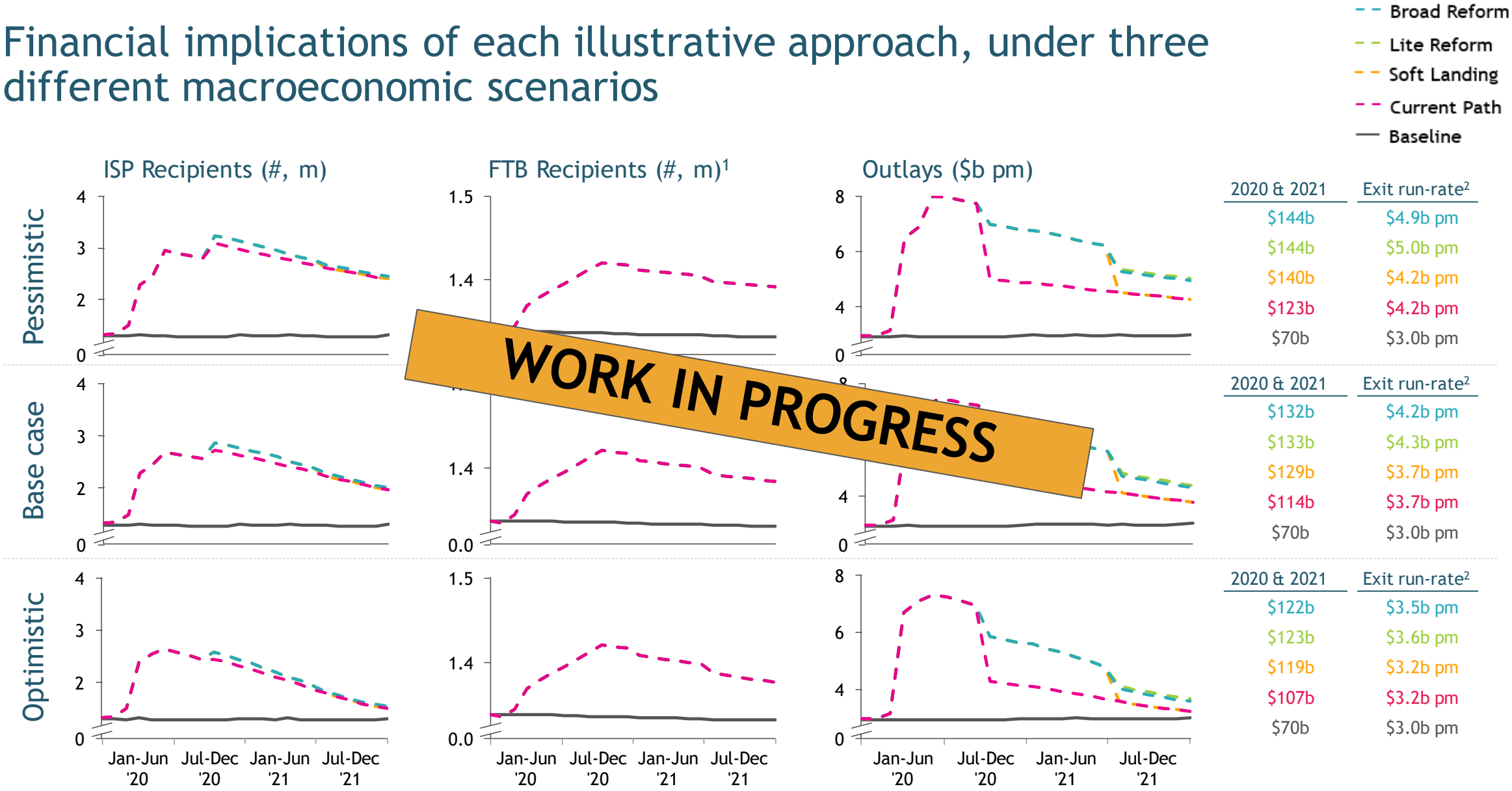
Note 1:All outlays figures are modelled based on FY22 delta to Current Path.
Note 2: sharer payment rate, aligning indexation and couple combined income test not yet modelled. Of the 10 supplements proposed for removal, only energy and pharma are currently modelled.
Source: DSS Data, Project analysis

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Financial implications of each illustrative approach, under three different macroeconomic scenarios



	2020 & 2021	Exit run-rate2
Pessimistic	$144b	$4.9b pm
	$144b	$5.0b pm
	$140b	$4.2b pm
	$123b	$4.2b pm
	$70b	$3.0b pm
Base case	$132b	$4.2b pm
	$133b	$4.3b pm
	$129b	$3.7b pm
	$114b	$3.7b pm
	$70b	$3.0b pm
Optimistic	$122b	$3.5b pm
	$123b	$3.6b pm
	$119b	$3.2b pm
	$107b	$3.2b pm
	$70b	$3.0b pm

1. Adjust for recipients receiving both FTB-A and FTB-B to avoid double counting. 2. Jan '22
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

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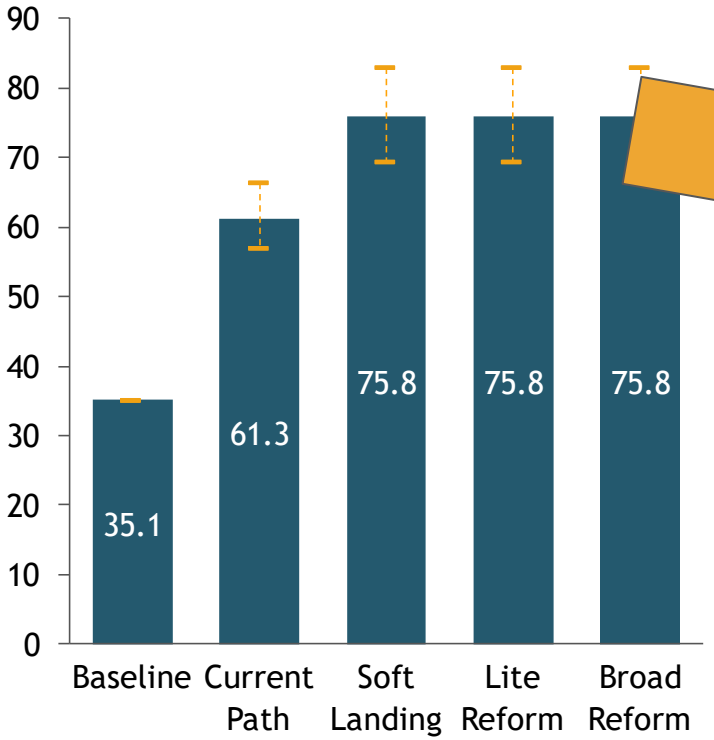
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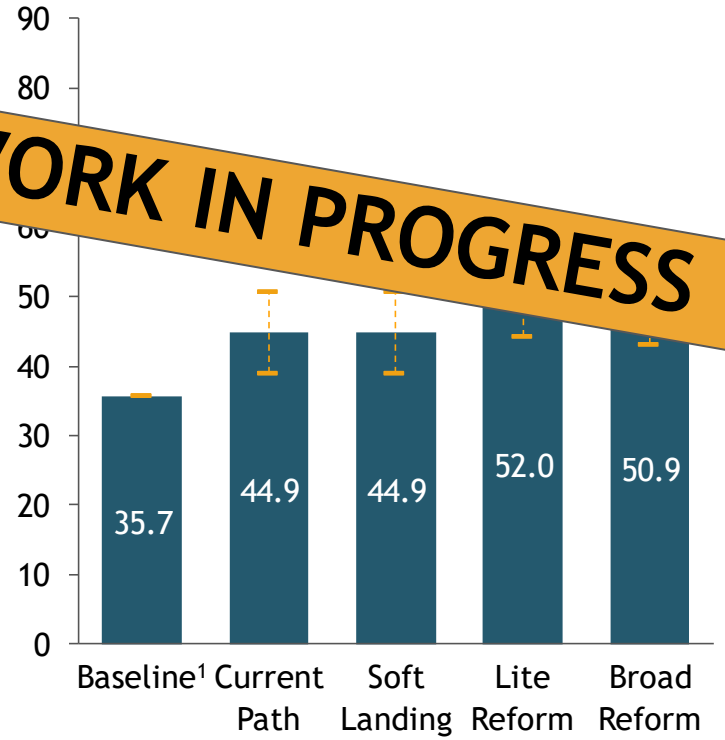
Financial implications: Comparing FY21 and FY22 outlays

Uncertainty range comes from pessimistic and optimistic job loss forecast

FY21 outlays ($b pa)



FY22 outlays ($b pa)



WORK IN PROGRESS

1. Small increased in outlays from FY21 due to indexation.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B)

1. **FY22 outlays are generally lower than FY21** - Job loss volumes are projected to improve in all scenarios

2. **Soft Landing outlays equal Current Path from July '21 onwards** - Policy settings only differ during Stage 1 (step-down period)

3. **Soft Landing, Reform Lite and Broad have identical FY21 outlays** - Each of these options shares the share policy settings from July '20 to June '21, before diverging

4. **Reform is less than Reform Lite in FY21 and FY22** - Proposed FTB changes result in small net saving; negligible difference for new 3TWAP and Student payment change

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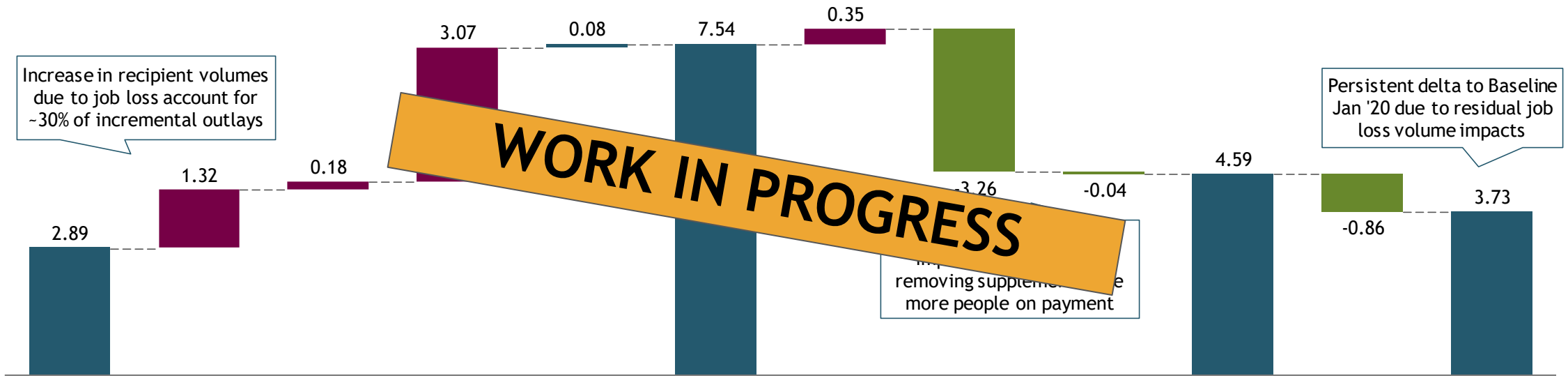
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DRA

Need for Stage 1, and each Stage 2 reform illustrative package of options

Financial implications: "Current Path" run-rate build-up (Jan '22)

Outlay run-rates, assuming base case ($b, pm)



	Baseline run-rate (Jan '20)	Macro job loss volume impact driven by COVID-19[1]	Access to Payment (mutual obs, asset test)	COVID $550 ISP suppl.	Reduced JSP partner taper to 25c	COVID run-rate (June '20)	Macro job loss volume impact (incl. JobKeeper)[1]	Remove $550 COVID supplement	Remove Access to Payment & partner taper	Current Path run-rate (Oct '20)	Macro job growth volume impact[1]	Current Path run-rate (Jan '22)
No. ISP recipients[2]	1.3m	+1.2m	+160k		+25k	2.7m	+65k		-20k	2.7m	-830k	1.9m
No. FTB recipients	1.3m	+50k				1.4m	+30k			1.4m	-45k	1.4m

1. Assumes changes in the income distribution are included within volume impacts. 2. Numbers do not add due to rounding.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single) and PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B).

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Each policy option:

- Summary of policy change
- Rationale, pros/cons
- Variations of policy change to consider, with indicative costing
- (New) Distributional analysis (winners and losers by cohort)
- Detailed supporting analysis or reference materials

Detailed view of Stage 2 policy options explored

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Merge PPP, PPS and YA(o) into JSP

P1 Merge PP into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Having distinct Parenting Payments and Youth Allowance (Other) alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- The requirement for Parenting Payment recipients to transition to JSP once children turn 6 (if partnered), or 8 (if single), and Youth Allowance recipients to transition once they turn 22, which requires additional administrative handling
- The ongoing "identity focus" of Parenting Payments and Youth Allowance vs. the "activity focus" of the Jobseeker payment; generally, all working age payments should be orienting recipients toward suitable work for their circumstances

Merging Parenting Payment and Youth Allowance (Other) into Jobseeker will simplify the welfare system, reduce administrative overhead, and better orient parents of young children toward seeking work and taking up employment opportunities

Potential reform / policy settings

Stage One | Stage Two

From 1 July 2021:

- Roll over PPS and PPP recipients onto JSP; retain existing rates and expand eligibility of JSP to include parents regardless of age, who are main carers of children aged 6 (if partnered), or 8 (if single)
- Abolish lower age limit for JSP, and roll YA(o) recipients onto JSP
- Carry over youth rates onto JSP; align youth parent rates to JSP parent rates; no other changes to existing YA(o) rates
- Retain mutual obligation exemptions for principal carers

PPS recipients could retain their preferential Income Free Areas and Taper Rates, in the absence of the dedicated policy measure to align Allowance IFAs and taper rates to those used for pensions. YA(o) recipients would be shifted to a lower IFA from $143pf to $104pf without other changes to income tests being made.

Provides an opportunity to also consider phasing in mutual obligations earlier for parents of young children; e.g., provide exemptions for very young children, followed by Parents Next, then part-time mutual obligations once children reach primary school age.

Timing considerations

- **Preferable to align the implementation date to another significant date in the welfare system after temporary measures cease, e.g. 1 July, 1 January. Have identified 1 Jul 2021 as the earliest feasible date**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	<$2m	<$2m	<$2m	<$2m
Net impact on # recipients	-	~330k moved from PPS/PPP into JSP ~165k moved from YA(o) into JSP			

Impact on recipients vs Current Path

Cohorts better off

- **PPS and PPP recipients no longer required to transition to JSP once children turn 6/8 years old - reduced administrative burden**
- **~200 YA(o) recipients partnered with children receive higher rates**
- **YA(o) recipients single with children above 8 years old receive higher rates**

Cohorts less well off

- **~50k PPS recipients who have earnings face lower IFA and higher taper rate (if no grandfathering, or other policy changes are made)**
- **~15k YA(o) recipients with earnings receive lower payment rates due to moving to a lower IFA**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk of legislation being considered controversial because of potential to impose mutual obligations on parents	M	M
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	H

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Rate table: Merging PPP, PPS, and YA(o) into JSP

Better off
Less well off
No change

Net outlay: <$10m p.a.[1]

Current

Payment	Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10
	Single, with dependent child	160,000	$612.00
	Single, aged 60 or over, after 9 months	73,000	$612.00
	Single, no children	909,000	$565.70
	Partnered, with or without children	497,000	$510.80
Parenting Payment	Single, with child <8	242,000	$790.10
	Partnered with child <6, sep. by illness/prison	90,000	$612.00
	Partnered, with child <6	500	$510.80
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10
	Single, with dependent child	500	$606.00
	Partnered, with child	1,500	$507.90
	Partnered, no children	5,500	$462.50
	Single, under 18 years, away from home	4,500	$462.50
	Single, under 18 years, at home	7,000	$253.20
	Single, over 18 years, away from home	52,000	$462.50
	Single, over 18 years, at home	101,000	$304.60

Single, under 18 years, are the most advantaged with ~$50pf increase

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$790.10
Single, with child <8	242,000	$790.10
Mid Tier Rates		
Single, dependent child aged 8+	160,500	$612.00
Single, aged >60, after 9 months on payment	73,000	$612.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	909,000	$565.70
Partnered, with or without children	497,500	$510.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$510.80
Partnered, no children	5,500	$462.50
Single, no children, away from home	56,500	$462.50
Single, no children, at home	108,000	$304.60

1. Based on FY22 delta to Current Path.
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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Merge YA(s) into Austudy

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P3 Merge YA(s) into JSP

Policy context

JSP | PPS | PPP | SB | YA(o) | **YA(s)** | **Austudy** | ABSTUDY | FTB

There is an opportunity to consolidate YA(s) and Austudy into a single student payment to simplify and improve student payment policy. ABSTUDY is not included as it offers highly targeted support, with complex and bespoke rules in place.

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would simplify the welfare system, reduce administrative overhead, and more clearly align payment types with policy intent

Potential reform / policy settings

Stage One | **Stage Two**

From 20 Mar 2021, abolish lower age limit for Austudy, and roll YA(s) recipients onto Austudy at current rates. Resulting set of rates is simpler than those in force today:

Rates to be brought into Austudy	Old rate	Recommended rate
Single, under 18, at home	$253.20	No change
Single, over 18, at home	$304.60	No change
Single, away from home	$462.50	No change
Single, with children	$606.00	$612.00
Partnered	$462.50	No change
Partnered w child	$507.90	$510.80
Principal carer, Mutual obs exempt	$790.10	No change

Notes: Higher rates for long-term income support recipients would also be removed, with those current recipients paid out a lump sum commensurate with the value of the higher rate over their current course of study (<3,000 recipients). Non-age requirements between YA(s) and AUSTUDY would also be aligned, incl. "full-time study" requirement, allowable time requirements, and temporary incapacity exemptions. Existing recipients will be grandfathered for the duration of their current course.

Timing considerations

- **Changes to student payments typically best take place on 1 January. Therefore next opportunity to implement this change would be 1 January 2022**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims expected to be granted**
- **Changes in income distributions as a result of C-19 remain until Sep 2020**
- **Grandfathered long-term income support recipients not included in modelling**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	($25m)	($23m)	($20m)	($70m)
	Small saving from abolishing long-term rates				
Net impact on # recipients	-	~235k moved from YA(s) into Austudy			

Impact on recipients vs Current Path

Cohorts better off

- **~10k Students aged 25+ receiving YA(s)**
- **~700 YA(s) recipients partnered with children receive higher rates**
- **YA(s) recipients single with children above 8 years old receive higher rates**
- **Austudy students have access to temporary incapacity exemptions on Austudy, rather than needing to transition to and from JSP**

Cohorts less well off

- **~3.5k long-term income support recipients (if not grandfathered or compensated)**
- **Austudy students will no longer receive payments when allowable time limits are exceeded (several will be removed from payment if not grandfathered)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Tight timeframe to implement changes following legislation being considered in Oct/Nov 2020	L	M

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Rate table: Merging YA(s) into Austudy

Better off
Less well off
No change

Net saving: <$5m[2]

Current

Payment	Rate	Vol	Amt
Austudy	Single, with dependent children	3,500	$606.00
	Single, no children	25,000	$462.50
	Partnered, no children	3,000	$462.50
	Partnered, with children	5,000	$507.90
	Single, no dependent children, long-term[1]	6,500	$561.90
	Partnered, no children, long-term[1]	500	$507.90
Youth Allowance (student)	Single, principal carer with exemption	0	$790.10
	Single, with dependent children	200	$606.00
	Single, under 18 years, at home	2,500	$253.20
	Single, over 18 years, at home	129,000	$304.60
	Single, under 18 years, away from home	5,000	$462.50
	Single, over 18 years, away from home	84,000	$462.50
	Partnered, no children	5,500	$462.50
	Partnered, with children	500	$507.90
	Single, over 18 years, at home, long-term[1]	1,000	$373.70
	Single, living away from home, long-term[1]	2,000	$561.90
	Partnered, no children, long-term[1]	200	$507.90

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single, principal carer with exemption	0	$790.10
Mid Tier Rates		
Single, with dependent children	3,700	$612.00
Foundation Tier Rates		
Partnered, with children	5,500	$510.80
Partnered, no children	9,200	$462.50
Single, aged 25+, no children	31,500	$462.50
Single, aged 16-24, no ch'n, away from home	91,000	$462.50
Single, aged 16-24, no children, at home	132,500	$304.60

Removal of long-term income support rates may disincentivise further study.
Next step: impact on long-term income support recipients with supplements to be estimated; anticipated up to $50pf gain if rate is increased by $150pf

Do we want to specifically suggest "grandfathering long-term students for duration of their course" and callout that wash vs other gr have deca

"Cashing out" is another option here. Expensive but simpler to implement? Can we pay different amounts for different duration of course remaining? Also impact on their partner if also on allowance?

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for a months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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Lift in base rates

Suggest this option could be a focus for the coming week - detailing out the current use of supplements across cohorts, and what the future state would be

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R2 Mature age / PCW rate

Policy context

YA(s) | Austudy | ABSTUDY | FTB

Key next step:

- Need an overall piece of analysis showing cohort distribution for in-scope supplements (i.e. how many people are over $100, $150, and $200 in in-scope supplements today
- Need cohort analysis for each of the supplements proposed to be absorbed

ed a $550+ lift in payments from 27 April to 24 arch 2021, likely at a lower rate.

r and mid-tier welfare payments would reduce the ut the lower-tier payment rates, and also creates an to working-age recipients, including Energy nt, Language Literacy and Numeracy Supplement, and orking age welfare system.

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$6.7b	$5.1b	$4.6b	$16.4b
Net impact on # recipients	-	+35k	+25k	+20k	n/a

Currently only accounts for absorption of Energy Supplement and Pharma Allowance. Inclusion of other supplements requires further data extract

Potential reform / policy settings

Stage One | Stage Two

When the C-19 supplement ceases (likely 30 June 2021), lift the payment rates for working age & student payments:

- For recipients currently receiving the $790.10 basic rate (i.e. [illegible] JSP Principal Carers), by $25 pf
- For all other allowance recipients, by $150 pf

In parallel, abolish for JSP, PPS, PPP, SB, YA(o), YA(s), Austudy, [illegible]aceutical Allowance, Approved Program of Work Supplement, Language Literacy and Nu[illegible] Medical Equipment Payment, Remote Allowance, Training Allowance, Fares Allowance, and [illegible]

Note that approximately 1% of PPS recipients (~3k) receive sufficient supplements to mean they would not be fully comp[illegible] the $25 pf increase. To avoid them being worse off, they could receive a lump sum payment equivalent to the forward value of the relevant supplements.

WORK IN PROGRESS

Impact on recipients vs Current Path

Cohorts better off

- Allowance recipients on lower and mid-tier rates typically $110-$140 better off per fortnight
- Allowance recipients on the higher tier ($790.10) rate, [illegible] $5 better off

Cohorts less well off

- Small cohort of ~3k PPS recipients who receive APW/LLN supplement may be worse off as their payment rise of $25 p/f is insufficient to compensate for loss of all the relevant supplements. May require a lump sum payment to compensate

Timing considerations

- Recognising tight timeframes to implement changes to legislation and systems by 25 September 2020, changes can be implemented from 1 Jul 2021 when C-19 supplement is expected to end

Impact on policy goals



Modelling assumptions

- Volume impact of increase in base rates (will be modest, <1% increase in recipient numbers, <0.3% impact on outlays)
- Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients, and a % of monthly pending claims
- Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards

Risks

Risk	Severity	Likelihood
Abolition of supplements may be controversial as it reduces targeting of welfare, may lead to leg. delays	M	L
The quantum of rate increase may be controversial with some seeing it as insufficient, leading to leg. delays	M	H

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Rate table: JSP with rate increases under current and proposed rate structures

Modelled option: $150pf increase; supplements absorbed

Current rate structure

Net outlay: $5.8b p.a.[1]

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$815.10	(+$25pf)
	Single, with dependent child	160,000	$762.00	(+$150pf)
	Single, aged 60 or over, after 9 months	73,000	$762.00	(+$150pf)
	Single, no children	909,000	$715.70	(+$150pf)
	Partnered, with or without children	497,000	$660.80	(+$150pf)
Parenting Payment	Single, with child <8	242,000	$815.10	(+$25pf)
	Partnered with child <6, sep. by illness/prison	90,000	$762.00	(+$150pf)
	Partnered, with child <6	500	$660.80	(+$150pf)
Youth Allowance (other)	Single, principal carer with exemption	5	$815.10	(+$25pf)
	Single, with dependent child	500	$756.00	(+$150pf)
	Partnered, with child	1,500	$657.90	(+$150pf)
	Partnered, no children	5,500	$612.50	(+$150pf)
	Single, under 18 years, away from home	4,500	$612.50	(+$150pf)
	Single, under 18 years, at home	7,000	$403.20	(+$150pf)
	Single, over 18 years, away from home	52,000	$612.50	(+$150pf)
	Single, over 18 years, at home	101,000	$454.60	(+$150pf)

PCP & PPS will likely be net losers with supplements abolished

Proposed rate structure

Net outlay: $6.1b p.a.[1]

Rate	Vol	Amt
[illegible]25pf)		
[illegible]er with exemption	4,005	$815.10
[illegible]3	242,000	$815.10
Mid Tier Rates (+$150pf)		
Single, dependent child aged 8+	160,500	$762.00
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+ (+$150pf)		
Single, no dependent children	909,000	$715.70
Single, sharer, no dependent children	TBD	[$697.40]
Partnered, with or without children	497,500	$660.80
Foundation Tier Rates - Aged 16-21 (+$150pf)		
Partnered, with children	1,500	$660.80
Partnered, no children	5,500	$612.50
Single, no children, away from home	56,500	$612.50
Single, no children, at home	108,000	$454.60

Option to shift principal carers onto mid-tier rate; results in a $30 pf decrease (without factoring in supplements)

1. Based on FY22 delta to Current Path. Sharer payment rate not yet modelled. Of the 10 supplements proposed for removal, only energy and pharma are currently modelled.
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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Next step is to make a slide with proposed options (w/ costs):

- Could increase all rates by $150 p/f
- Could increase all the rates in red by $100 instead of $150pf
- Can bump up rates with a max $50 p/f differential ($50 diff between

Rate table: $150 p/f increase for all JSP rates may be too aggressive changes to pension rates

Proposed rate structure for JSP

Rate	Vol	Current Amt	Proposed Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt excl. supp.[3]	Corresponding Pension Amt incl. supp.[4]	
Top Tier Rates							
Single principal carer with exemption	4,005	$790.10	$815.10	$815.10	$860.60	$944.30	$70.50
Single, with child <8	242,000	$790.10	$815.10	$815.10	$860.60	$944.30	$70.50
Mid Tier Rates							
Single, dependent child aged 8+	160,500	$612.00	$712.00	$762.00	$860.60	$944.30	$248.60
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$612.00	$712.00	$762.00	$860.60	$944.30	$248.60
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00	$712.00	$762.00	$860.60	$944.30	$248.60
Foundation Tier Rates - Aged 22+							
Single, no dependent children	909,000	$565.70	$665.70	$715.70	$860.60	$944.30	$248.60
Single, sharer, no dependent children	TBD	N/A	$647.40	$697.40			
Partnered, with or without children	497,500	$510.80	$610.80	$660.80	$648.70	$711.80	$137.90
Foundation Tier Rates - Aged 16-21							
Partnered, with children	1,500	$507.90	$610.80	$660.80	$594.40	$594.40	$86.50
Partnered, no children	5,500	$462.50	$562.50	$612.50	$594.40	$594.40	$131.90
Single, no children, away from home	56,500	$462.50	$562.50	$612.50	$594.40	$594.40	$131.90
Single, no children, at home	108,000	$304.60	$404.60	$454.60	$436.50	$436.50	$131.90

1. $25 p/f increase for top tier rates; $100 p/f increase for remaining rates 2. $25 p/f increase for top tier rates; $150 p/f increase for remaining rates 3. Disability Support Pension rates used to compare youth rates; youth receiving Disability Support Pension rates will automatically receive the Youth Disability Supplement 4. Includes Pension Supplement, Energy Supplement
Source: DSS Data, Project analysis

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Rate table: Student payments with rate increases under current and proposed rate structures

Modelled option: $150pf increase; supplements absorbed

Current rate structure

Net outlay: $0.9b p.a.[2]

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$756.00	(+$150pf)
	Single, no children	25,000	$612.50	(+$150pf)
	Partnered, no children	3,000	$612.50	(+$150pf)
	Partnered, with children	5,000	$657.90	(+$150pf)
	Single, no dependent children[1]	6,500	$711.90	(+$150pf)
	Partnered, no children[1]	500	$657.90	(+$150pf)
Youth Allowance (student)	Single, principal carer with exemption	0	$815.10	(+$25pf)
	Single, with dependent children	200	$756.00	(+$150pf)
	Single, under 18 years, at home	2,500	$403.20	(+$150pf)
	Single, over 18 years, at home	129,000	$454.60	(+$150pf)
	Single, under 18 years, away from home	5,000	$612.50	(+$150pf)
	Single, over 18 years, away from home	84,000	$612.50	(+$150pf)
	Partnered, no children	5,500	$612.50	(+$150pf)
	Partnered, with children	500	$657.90	(+$150pf)
	Single, over 18 years, at home[1]	1,000	$523.70	(+$150pf)
	Single, living away from home[1]	2,000	$711.90	(+$150pf)
	Partnered, no children[1]	200	$657.90	(+$150pf)

Proposed rate structure

Net outlay: $0.9b p.a.[2]

Rate	Vol	Amt
Top Tier Rates (+$25pf)		
Single, principal carer with exemption	0	$815.10
Mid Tier Rates (+$150pf)		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates (+$150pf)		
Partnered, with children	5,500	$660.80
Partnered, no children	9,200	$612.50
Single, aged 25+, no children	31,500	$612.50
Single, aged 16-24, no ch'n, away from home	91,000	$612.50
Single, aged 16-24, no children, at home	132,500	$454.60

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path.
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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Rate table: $150 p/f increase for all JSP rates may be too aggressive changes to pension rates

Proposed rate structure for Austudy

Next step is to make a slide with proposed options (w/ costs):

- Could increase all rates by $150 p/f
- Could increase all the rates in red by $100 instead of $150pf
- Can bump up rates with a max $50 p/f differential ($50 diff between

Rate	Vol	Current Amt	Proposed Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt excl. supp.[3]	Corresponding Pension Amt incl. supp.[4]	
Top Tier Rates							
Single principal carer with exemption	0	$790.10	$815.10	$815.10	$860.60	$944.30	$70.50
Mid Tier Rates							
Single, dependent child aged 8+	3,700	$606.00	$712.00	$762.00	$860.60	$944.30	$254.60
Foundation Tier Rates - Aged 22+							
Partnered, with children	5,500	$507.90	$610.80	$660.80	$648.70	$711.80	$140.80
Partnered, no children	9,200	$462.50	$562.50	$612.50	$648.70	$711.80	$186.20
Single, aged 25+, no children	31,500	$462.50	$562.50	$612.50	$860.60	$944.30	$398.10
Single, aged 16-24, no ch'n, away from home	91,000	$462.50	$562.50	$612.50	$594.40	$594.40	$131.90
Single, aged 16-24, no children, at home	132,500	$304.60	$404.60	$454.60	$436.50	$436.50	$131.90

1. Disability Support Pension rates used to compare youth rates
Note: Rates exclude supplements
Source: DSS Data, Project analysis

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Two example options for an increase to base rates: Increase by $100 across all, or increase to $150 and absorb supplements

1: Increase base rates by $100 p/f from 30 June, with no change to supplements

Description

Payment type	1 July 2021
JSP, YA(o)[1]	$100 base rate lift
Students	$100 base rate lift
PPS	$25 base rate lift
PPP	$100 base rate lift
SB	$100 base rate lift
Supplements	No change

Implications

- Addresses longer term adequacy concerns
- No progress toward simplification
- More equal treatment of recipients across welfare system – e.g. everyone on JSP receives the same $100 p/f increase

Cost

FY21	no change
FY22[1]	+4.9b

Hypothesis

2: Increase base rates by $150 p/f from 30 June, and abolish 10+ supplements

Description

Payment type	1 July 2021
JSP, YA(o)[1]	$150 base rate lift
Students	$150 base rate lift
PPS	$25 base rate lift
PPP	$150 base rate lift
SB	$150 base rate lift
Supplements	Abolish for Allowance and PPS recipients: Energy Supplement, Pharma Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Allowance, Remote Area Allowance, Education Entry Payment, Fares Allowance, and Training Allowance

Implications

- Addresses longer term adequacy concerns
- Achieves simplification by eliminating supplements
- Different recipients in welfare system will benefit from this change to differing extents – e.g. a recipient receiving many supplements today will receive less of an overall increase than others

Cost

FY21	no change
FY22[1]	+6.7b

1. JSP PCP recipients would also receive just a $25 base rate increase
Source: DSS data; Project analysis

Note: Modelled costs only currently include energy and pharma allowance

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Raising base rates by $150 would create potential to abolish 10+ supplements for allowance recipients, with no net losers

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

To: Potential end-state

Pensions

Payments	
Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Payments	
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Supplements	
Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

Supplements	
Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem	0.1k
Language, Literacy and Numeracy Supple	1k
Essential Medical Equipment Payme	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

1. Pensioner Education Supplement also able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

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Need to simplify eligibility and re-write rationale to be policy intent orientated

Backup: Rationale for consolidation of each supplement (I/II)

Supplement	Eligibility criteria	Rate[1] ($ p/f)	Volume (000)	Rationale for consolidation
Energy Supplement	Live in Australia and receive an income support payment or ABSTUDY living allowance, OR have been receiving FTB or CSHC since prior to 20 September 2016	14.10 (single) 10.60 (couple)	5,975	Increase in base rate will remove need for supplement
Pharmaceutical Allowance	Receive DSP & <21 w/o children; receive PP(s) & under pension age; receive SA; receive JSP, PA, WA, SpB, Austudy, ABSTUDY, YA & >60 yrs OR temporarily incapacitated; receive PP(p) & >60 yrs OR partial capacity to work OR unable to meet mutual obligation requirements due to temporary incapacity	6.20 (single) 3.10 (couple)	881	Increase in base rate will remove need for supplement
Telephone Allowance	Receive DSP & <21 w/o children; receive JSP or YA and not employed full-time due to disability; receive SA, JSP or FHA & >60 yrs & have received payments for 9 months; receive YA, JSP or FHA & single principal carer of dependent child; receive PP(s) & under pension age; receive PP(p) & not employed full-time due to disability; receive PA, WA, SpB or PP(p) & partner is >60 yrs, <pension age	4.65 (basic) 6.86 (full for DSP & FHA recipients)	561	Increase in base rate will remove need for supplement
Approved Program of Work Supplement	Receive JSP, YA, PP, DSP or SpB and participate in Work for the Dole or National Work Experience Programme (NWEP)	20.80	81	Increase in base rate will remove need for supplement
Language, Literacy & Numeracy Supplement	In Skills for Education and Employment (SEE) Program & receive DSP, JSP, PP, PA, WA or YA	20.80	16	Increase in base rate will remove need for supplement
Essential Medical Equipment Payment	Required heating, cooling or certain equipment for medical needs, have a Commonwealth Concession Card & pay for the energy running costs	6.27 (for heating/cooling & each piece of equipment)	TBD	Arguably covered by other concessions for some groups
Remote Area Allowance	Receive an income support payment and live in a remote area (as per tax zones determined by the Tax Office) OR if you moved to a remote area and will stay longer than 12 months	18.20 (single) 15.60 (couple) +7.30 for each dependent	80	Covered by zone tax offset; increase in base rate will remove need to compensate for nil tax paying recipients

1. Quarterly and annual payments converted into fortnight equivalent 2. average per student; value is reimbursement of travel via public transport to/from place of study
Source: DSS data; Project analysis

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Need to simplify eligibility and re-write rationale to be policy intent orientated

Backup: Rationale for consolidation of each supplement (II/II)

Supplement	Eligibility criteria	Rate[1] ($ p/f)	Volume (000)	Rationale for consolidation
Education Entry Payment	Received JSP, PP(p), PA or WA for 12 months (including transfers from YA & PP(s)), have started an approved course (must be in job plan) & not had Education Entry Payment in last 12 months; receive PES & have started an approved course	8.00	133	Increase in base rate will remove need for supplement
Fare Allowance	Tertiary student living away from home receiving YA, Austudy or PES & dependent with higher YA when living away from home, independent & living away from partner to stdy, parent living away from dependent to study OR studying a distance or online course & need to travel to meet a course requirement	11.54[2]	1,301	Increase in base rate will remove need for supplement
Training Allowance	Not applicable	NA	16	Decommission but not yet removed from payments system
Pensioner Education Supplement	Receive Carer Payment, DSP, JSP, PP(s), SpB (as single parent), WA, YA (as single principle carer), Invalidity Service Pension from DVA, Partner Service Pension from DVA (if your partner gets ISP) or both Partner Service Pension from VDA & Carer Allowance AND study an approved course full-time or part-time & a single parent with dependent <16, receive Carer Payment, receive both DVA Partner Service Pension and Carer Allowance or have a disability, illness or injury that affects your ability to study full-time	62.40 or 31.20 (25-50% course load & receive 1 of YA, JSP, PP(p), CP, PP(s), WA, SpB, PSP, CSP, ISS, Veteran payment, WWP)	22	Could replace with JSP
Mobility Allowance	Live in Australia, >16 yrs, require help using public transport, have medical report from doctor stating inability to use public transport w/o help, travel to/from home for paid work, voluntary work, study, training or to look for work	99.50 or 139.10 (receive DSP, PP, JSP or YA and working >15 hours pw or seeking work)	15	Could replace with JSP/DSP

1. Quarterly and annual payments converted into fortnight equivalent 2. Average per student; value is reimbursement of travel via public transport to/from place of study
Source: DSS data; Project analysis

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Marked for deletion

Payments and supplements in/out of scope

In scope
Out of scope
Already addressed
Potential for absorption
xx # recipients at 1/12/19

additional costs associated with residence in remote areas recognises that some recipients who do not pay tax do not receive the full benefit of tax zone rebates
Agree there is a rationale to remove if rates are increased

Payments

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k
Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (S)	229k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Austudy	28k
Youth Allowance (s)	134k
ABSTUDY Allowance	27k
FTB-A	1,350k
FTB-B	1,087k
Farm Household Allowance	~7k

Could remove PES for JSP PCP and PCWs

(there is a bill before parliament to tighten criteria for these) - but that doesn't necessarily mean we can't change it

Supplements

Crisis Payment	TBC
Remote Area Allowance	80k
Rent Assistance	1,292k
Approved Program of Work Sup'ment	81k
Pharmaceutical Allowance	881k
Energy Supplement	5,975k
Language, Literacy and Numeracy Supplemen	16k
Essential Medial Equipment Payme	TBC
Economic Support Payment	TBC
Double Orphan Pension	1k
Pension Bonus Scheme	TBC
Mobility Allowance	15k
Carer Allowance	611k
Carer Supplement	TBC
Pensioner Education Supplemer	22k
Education Entry Payment	133k
Assistance for Isolated Childre	12k
Telephone Allowance	561k
Utilities Allowance	29k
Relocation Scholarship	TBC
Fares Allowance	1,301
Training Allowance	16

Concession cards

C'th Seniors Health Card	387k
Pension Concession Card	4,201k
Health Care Card	1,312k
Low Income Health Card	163k

Assists with the energy costs associated with medical equipment
- arguably covered by other concessions for some groups
Agree there is a rationale to remove

Annual lump sum $208 to assist with up-front costs of education and training
(paid to working age and other payments)
Agree there is a rationale to remove

~600 ABSTUDY and YA(S) recipients. Covers costs of return trips home if studying away
- avg per person ~$300
Agree there is a rationale to remove

Rehabilitation program that includes employment or vocational training - paid under s24 Disability Services Act

Source: DSS data

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DR Update with full list of supplements being considered

Backup: 10 supplements could be absorbed into the $100 base rate rise

Mobility allowance provides up to $139.10 p/f – would need to be grandfathered or paid out separately

Shows circumstances with broad eligibility for supplements. FTB not shown. Fares Allowance not shown since eligibility is confined to students

		JSP, single, no children	JSP, single, with children	PPS	JSP, single >60, 9 mths on ISP	JSP, couple, no children	JSP, couple, with children
Current rates	Basic rate	565.7	612.0	790.1	612.0	510.8	510.8
	Energy supplement	8.8	9.5	12.0	9.5	7.9	7.9
	Pharma allowance	-	6.2	6.2	6.2	-	-
	Telephone allowance	4.7	4.7	4.7	4.7	4.7	4.7
	APW or LLN	20.8	20.8	20.8	20.8	20.8	20.8
	Essential Medical Equip.	6.2	6.2	6.2	6.2	6.2	6.2
	Remote Area Allowance	18.2	18.2		18.2	15.6	15.6
	Pensioner Edu. Supplement			62.4			
	Education Entry Payment[1]	8.0	8.0		8.0	8.0	8.0
	Rent assistance cap[2]	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**771.9**	**849.6**	**1066.4**	**825.1**	**705.5**	**738.0**
Illustrative option	New basic rate	665.7 (+100)	712 (+100)	815.1 (+25)	712 (+100)	610.8 (+100)	610.8 (+100)
	Rent assist. cap (unchanged)	139.6	164.1	164.1	139.6	131.6	164.1
	Total	**805.3**	**876.1**	**979.2**	**851.6**	**742.4**	**774.9**
	Increase vs current	**33.4**	**26.5**	**-87.2**	**26.5**	**36.9**	**36.9**

Note: Fares Allowance applies primarily for Youth Allowance Student and Austudy recipients and is not shown here

1. One-off payment of $208 per year, shown here as a fortnightly amount 2. Assumes not sharing a dwelling, and max family size of two children

Source: Services Australia Guide to welfare payments; Project analysis

Note: 2,640 PPS recipients were receiving either APW or LLN as at 3 January 2020 (~1% of total cohort), and TBC were receiving PES. May need to compensate these recipients with a lump sum or grandfathering as they are not fully compensated by the $25 lift

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New Mature Aged / PCW rate

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R2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial cap[illegible] work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income sup[illegible] $442 pf
- Roll over existing 60+ long-term income support recipients to[illegible]

Update mutual obligations requirements to allow jobseekers aged 50+ (prev[illegible] through various approved combinations of paid work, volunteer work and study. Retain [illegible] jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

WORK IN PROGRESS

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 – may lead to delays	L	M

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Rate table: Merging PPP, PPS, and YA(o) into JSP with mature aged/ PCW added to mid tier rates

Better off
Less well off
No change

Current

Payment	Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10
	Single, with dependent child	160,000	$612.00
	Single, aged 60 or over, after 9 months	73,000	$612.00
	Single, no children	909,000	$565.70
	Partnered, with or without children	497,000	$510.80
Parenting Payment	Single, with child <8	242,000	$790.10
	Partnered with child <6, sep. by illness/prison	90,000	$612.00
	Partnered, with child <6	500	$510.80
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10
	Single, with dependent child	500	$606.00
	Partnered, with child	1,500	$507.90
	Partnered, no children	5,500	$462.50
	Single, under 18 years, away from home	4,500	$462.50
	Single, under 18 years, at home	7,000	$253.20
	Single, over 18 years, away from home	52,000	$462.50
	Single, over 18 years, at home	101,000	$304.60

Proposed

Net outlay: ~$300m p.a.[1]

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$790.10
Single, with child <8	242,000	$790.10
Mid Tier Rates		
Single, dependent child aged 8+	160,500	$612.00
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$612.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	909,000	$565.70
Partnered, with or without children	497,500	$510.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$510.80
Partnered, no children	5,500	$462.50
Single, no children, away from home	56,500	$462.50
Single, no children, at home	108,000	$304.60

1. Based on FY22 delta to Current Path. Of the 10 supplements proposed for removal, only energy and pharma are currently modelled.
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Mature aged / PCW rate within Jobseeker (in absence of new 3-tier Working Age Payment)

	From		To
	Jobseeker Payment	JSP 60+ on payment for 9 months	JobSeeker Payment Higher Rate
Eligibility	Unemployed Aged 22 to Age Pension age	Unemployed Aged 60 or over, after nine continuous months on payment	Unemployed Aged 55+ or assessed as having a partial capacity to work of 14 hours or less
Mutual obligations	Enter into job plan and participate in job search / activities, unless exempt Mutual obs dependent on age and capacity JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview	JobSeekers aged 55 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study	JobSeekers aged 50 or over are able to choose to fully meet their requirements through various approved combinations of paid work, volunteer work and study JobSeekers with a partial capacity to work of 14 hours or less is able to satisfy requirements by attending a quarterly interview
Rates	Single $565.70	Single $612.00	Single $612.00
Supplements	Energy Supplement ($8.80) Pharmaceutical Allowance ($6.20) for PCW recipients	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)	Energy Supplement ($9.50), Pharmaceutical Allowance ($6.20)
Tapers & IFA	50% above $104 60% above $254	50% above $104 60% above $254	50% above $104 60% above $254

Rationale

Increased support is needed for PCW and mature age recipients as they typically have lower earnings and spend more time on payment

Pros:

- ✓ Removes current disincentive for >60s to attempt work after 9 months on payment (loss of higher tier payment)
- ✓ Targets additional support to higher-needs cohort – at a time when this cohort is growing rapidly due to COVID-19
- ✓ Addresses adequacy concerns for those most in need of support

Cons:

- x Requires legislation
- x Doesn't address adequacy issues for those with a partial capacity of 15 – 29 hours

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Three potential settings to eligibility for the new rate

Hypothesis

1 All >50s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 215,000 recipients would receive a higher rate

Additional outlays: ~$260m p.a.

2 All >55s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 137,000 recipients would receive a higher rate

Additional outlays: ~$170m p.a.

3 All >60s, plus <15 hr PCWs

	# Recipients		
Age	<15 hours	15 to 29 hours	> 30 hours (No PCW)
<50	3,846	153,460	290,282
50+	1,169	40,365	36,929
55+	1,303	45,113	32,914
60+	2,313	62,229	54,705
TOTAL	8,631	301,167	414,830

Volume impacts: An additional 59,000 recipients would receive a higher rate

Additional outlays: ~$70m p.a.

Included in new rate

Note: Recipients receiving a PCW of <15 hours/week on their ESAT would require confirmation of their status by a government contracted doctor

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Backup: Age / PCW recipient number breakdown

Age	<7 hours	8 to 14 hours	15 to 22 hours	23 to 29 hours	>30 hours (No PCW)
<50	1,037	2,809	100,604	52,856	290,282
50 – 54	281	888	30,184	10,181	36,929
55 – 59	280	1,023	36,232	8,881	32,914
60+	398	1,915	54,114	8,115	54,705
Total	**1,996**	**6,635**	**221,134**	**80,033**	**414,830**

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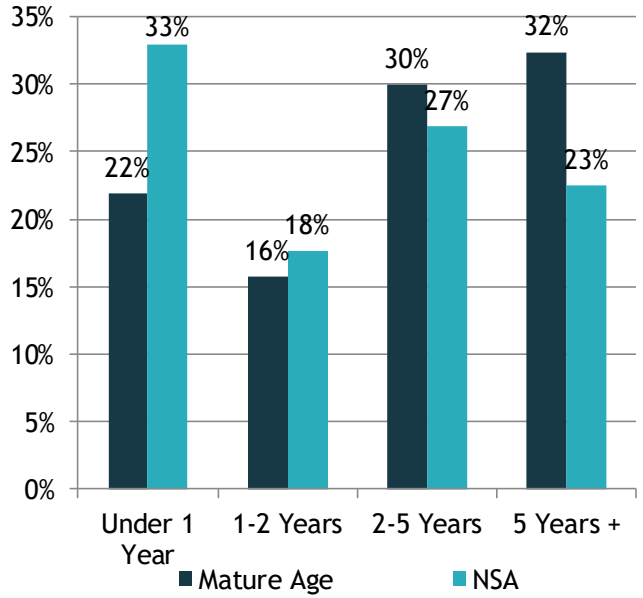
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Backup: Mature aged recipients stay longer on payment, more likely to remain on income support

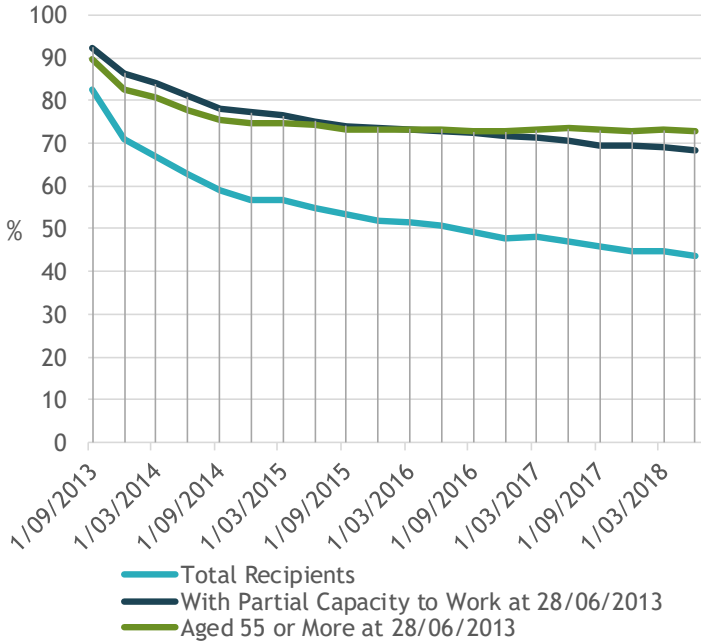
Mature Aged recipients stay longer on payment

Duration on Newstart Allowance



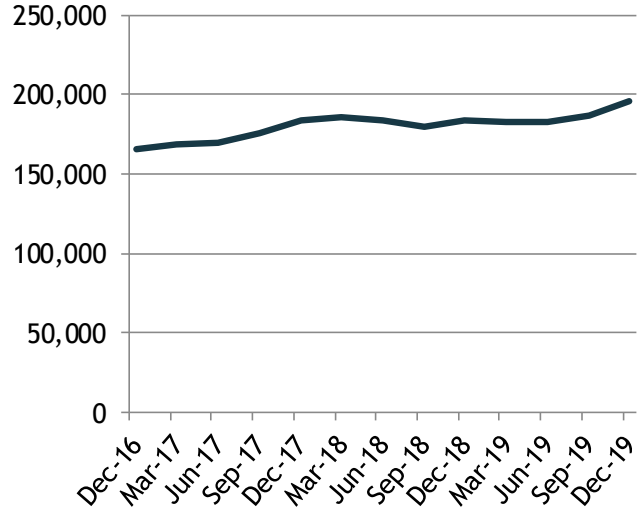
Mature Aged recipients far more likely to remain on income support

New recipients commencing on Newstart from 1 Jan to 31 March 2013, and remaining on income support



Stock of Mature Age recipients increasing over time

Number of >55 yo on Newstart



Source: DSS data

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Job seeker sharer rate

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New section - not started

s 22

Mature aged 7

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial cap to work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income sup
- Roll over existing 60+ long-term income support recipients to

Update mutual obligations requirements to allow jobseekers aged 50+ (prev through various approved combinations of paid work, volunteer work and study. Retain jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

WORK IN PROGRESS

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 - may lead to delays	L	M

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Rate table: Merging PPP, PPS, and YA(o) into JSP with mature aged/ PCW and sharer rates added

Better off
Less well off
No change

Current

Payment	Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10
	Single, with dependent child	160,000	$612.00
	Single, aged 60 or over, after 9 months	73,000	$612.00
		909,000	$565.70
		497,000	$510.80
Parenting Payment	Single, with child		
	Partnered with child <6, sep. by illness/pri		
	Partnered, with child <6	500	
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10
	Single, with dependent child	500	$606.00
	Partnered, with child	1,500	$507.90
	Partnered, no children	5,500	$462.50
	Single, under 18 years, away from home	4,500	$462.50
	Single, under 18 years, at home	7,000	$253.20
	Single, over 18 years, away from home	52,000	$462.50
	Single, over 18 years, at home	101,000	$304.60

WORK IN PROGRESS

Proposed

Net outlay: ~$300m p.a.[1]

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$790.10
Single, with child <8	242,000	$790.10
Mid Tier Rates		
Single, dependent child aged 8+	160,500	$612.00
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$612.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	909,000	$565.70
Single, sharer, no dependent children	TBD	[$547.40]
Partnered, with or without children		
Foundation Tier Rates - Aged 16-21		
Partnered, with children		
Partnered, no children		
Single, no children, away from home		
o children, at home	108,000	$304.60

This is likely where sharer rate fits in, but more discussion needed for rate and criteria?

Sharers rate will disadvantage single jobseekers renting; raises adequacy concerns without rate increase

Are we comfortable with $50 bump for under 18 yao cohort? Costs OO

Trish: A 16 yo has a lower expectation of having cash.

Alex: Younger people need less money to enjoy same standard of living

1. Based on FY22 delta to Current Path. Sharer payment rate not yet modelled. Of th pharma are currently modelled.
Note: Recipient volumes include suspended recipients, and a % of pending claims exp used

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Potential to add sharer rate category in between single and partnered and abolish sharers provisions for Rent Assistance

Policy context

A sharer's rate may enhance the targeted and needs-based design of Australia's social security system by better ensuring that rates of support correspond to individual circumstances.

A sharer's rate which falls between the single and coupled base rates would recognise the limited economies of scale that accompany shared accommodation.

A sharer's rate would remove the need for existing sharers provisions for Rent Assistance, which could be abolished. Removing sharers provisions for Rent Assistance would likely offset the base rate reduction for sharers in the rental market and assist a cohort known to have an increased likelihood of experiencing housing stress.

Note, xx
Source: DSS data, Project analysis

From: Single rate category only with wide range of living costs

1. Current base payment rates only make reference to relationship status
2. Singles paid the same regardless of if they live alone or share
3. Sharers provisions for Rent Assistance apply only to recipients in the rental market, not those who own their own home and share

Pros:

- ✓ Couple/single payment rates a longstanding principle of the system and well understood
- ✓ Payment does not incentivise or disincentivse certain forms of accommodation

Cons:

- × Single rate arguable makes insufficient reference to economies of scale derived through shared accommodation
- × Single rate for those in shared accommodation arguably inconsistent with coupled rates

To: Single and sharer rate categories that reflect largest living cost discrepancy

1. Sharer's rate will generally be set at the partnered base level rate plus two-thirds of the difference between the coupled and single base rates for each payment
2. Abolishing sharers provisions and incorporating shared accommodation benefits in the base rate will improve equity between renters and homeowners

Pros:

- ✓ Savings to government
- ✓ Better recognition of common economies of scale
- ✓ (depending on individual circumstances) Better targeting of support
- ✓ Improved horizontal equity between tenure types

Cons:

- × Adds complexity
- × Negative reception from stakeholders regarding payment adequacy
- × Administratively difficult

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Paul to update Monday

Options to consider for sharer's rate

Hypothesis

1: Replace sharers provisions for Rent Assistance with Sharer's Rate

Description

All payment types except Disability Support Pension, Parenting Payment Partnered and Single and Carer Payment will be subject to sharer's rate provisions if the above criteria

Youth Allowance and Austudy will b sharer's rates, however as the single/partnered rate without dependents is currently paid at the same rate for these payments the sharer's rate will also be the same.

Implications

Payment	Single ($ p/f)	Sharer ($ p/f)	Partnered (no dependents) ($ p/f)
JobSeeker	565.70	547.40	510.80
Age Pension	860.60	790.00	648.70
Youth Allowance (other) + (student)	462.50	462.50	462.50
Austudy	462.50	462.50	462.50

Cost

FY21 xx

FY22 xx

2: yy

- xx

3: zz

- xx

WORK IN PROGRESS

Note, xx
Source: DSS data, Project analysis

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Indexation: cost of living

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New section - not started

IN2 Mature aged / PCW rate

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial cap[illegible] work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income sup[illegible] $442 pf
- Roll over existing 60+ long-term income support recipients to[illegible]

Update mutual obligations requirements to allow jobseekers aged 50+ (prev[illegible]ts through various approved combinations of paid work, volunteer work and study. Retain [illegible] jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

WORK IN PROGRESS

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 - may lead to delays	L	M

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New section - not started

Indexation: housing index for rent assistance

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

PCW and mature aged recipients (aged 55+) typically have lower earnings and spend more time on income support payments. Relative to other working-age cohorts, they are far less likely to ever leave the welfare system:

- The number of mature aged recipients on JSP has increased over time; >30% remain on JSP payment for 5+ years.
- Although recent data shows a rapid influx of JSP recipients aged 25-44 since February 2020, the number of mature aged recipients flowing onto JSP is steadily rising. **Trends are likely to follow that of the GFC, where older recipients are more likely to remain on payment relative to younger demographics, and many of those who have entered the system during COVID will never find work**
- C-19 has likely reduced employment opportunities for PCW recipients, with unemployment likely to remain elevated during 2020-2021

Current policy settings which offer a higher rate to JSP recipients >60yo on payment for 9+ months disincentives further attempts at taking up job opportunities

Potential reform / policy settings

Stage One | Stage Two

Abolish JSP 60+ rate for recipients who have received payment for 9+ continuous months, and replace it with a Mature Aged / PCW rate for recipients aged 55+ or are assessed as having partial cap[illegible] work for 14 hours or less:

- Higher rate aligns with pre-existing 60+ long-term income sup[illegible] $442 pf
- Roll over existing 60+ long-term income support recipients to[illegible]

Update mutual obligations requirements to allow jobseekers aged 50+ (prev[illegible]ts through various approved combinations of paid work, volunteer work and study. Retain [illegible] jobseekers with a PCW of 14 hours or less.

This would result in additional 137,000 recipients moving up to the mid-tier $612 pf rate.

WORK IN PROGRESS

Timing considerations

- **New Mature Aged / PCW rate ideally in place by 1 Jul 2021 to align with changes to ISP rates**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.3 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **New Mature Aged / PCW rate unlikely to lead to substantial increase in recipient volumes; does not incentivise claiming of JSP**
- **Changes in income distributions as a result of C-19 remain until Sep 2020; pre-COVID income distributions assumed from Oct 2020 onwards**

Financial and volume impacts

Modelled impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.2b	$0.2b	$0.7b
Net impact on # recipients	-	<5k	<5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **137k additional mature aged / PCW recipients receive a higher rate**

Cohorts less well off

- **None**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Narrow window for required legislation to pass in Oct/Nov 2020 – may lead to delays	L	M

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DRA Reflect guidance from Mary and Kath. Remove scope questions

s 22 to update Monday

Indexation: simplification and adequacy policy objectives

Policy context

Different payments rates, thresholds and limits are indexed at different times throughout the year to different indexation factors.

Indexation rules across pensions and allowances are inconsistent. Pensions use the higher of CPI and PBLCI (benchmarked to MTAWE) whereas allowances are indexed to CPI only. This increases the disparity between pensions and allowances over time.

Ratcheting is another issue stemming from the multiple indexation factors applied to pensions. Indexing pension payments based on the higher of CPI or PBLCI means indexation is overcompensating for increases in the cost of living.

Any change in indexation policy settings has to consider:

- How best to reflect changes in cost of living
- Equity and payment relativities
- Future financial sustainability (and ratcheting)
- Community expectations

Indices and Benchmarks

Consumer Price Index (CPI)

- measure of the average change over time in the prices paid by households for a fixed basket of goods and services

Pensioner and Beneficiary Living Cost Index (PBLCI)

- purpose designed index based on the expenditure patterns of pensioners and beneficiaries

Male Total Average Weekly Earnings (MTAWE)

- As published in the Average Weekly Earnings survey by the ABS

Other ABS Living Cost Indices

- Other Government Transfer Recipient
- Employee
- Age Pensioner
- Self Funded Retiree

Other wage benchmarks

- Average Weekly Ordinary Time Earnings
- Female Average Weekly Ordinary Time Earnings

Housing / Rental

- Residential Property Price Indexes: Eight Capital Cities
- Sub Components of other indices related to housing and rent

Opportunities

1. **Standardise indexation of pensions and allowances**
   - Reduce disparities over time by benchmarking allowance CPI indexation to MTAWE (potentially at a different % than pensions)
   - Reduce "ratcheting" by indexing pensions only to PBLCI, rather than both PBLCI and CPI
   - Shift away from CPI indexation to another index that better reflects cost of living so payments better retain real value over time

2. **Consider indexation appropriateness and reforms**
   - Target indexation to fit specific purposes, for example Rent Assistance maximum rates could be benchmarked to accepted housing or rental metric
   - Better utilisation of living cost indices specifically designed to reflect living expenses of particular groups
   - *Do current indexation and LCI metrics fit the current financial context? E.g. housing costs*
   - *Is benchmarking to earnings appropriate for Income Support?*

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DRA No need to use options suggested below. Just thought starters.

s 22 to update Monday

Options for aligning indexation of allowances

Hypothesis

	1: Benchmark CPI indexation for Allowances to MTAWE		2: Benchmark CPI indexation for Allowances to MTAWE; Pension indexation to use PBLCI only		3: Align Allowances indexation to exactly Pensions (MTAWE, PBCLI)	
Description						
Implications	• xx		• xx		• xx	
Cost	FY21	xx	FY21	xx	FY21	xx
	FY22	xx	FY22	xx	FY22	xx

WORK IN PROGRESS

Note, xx
Source: DSS data, Project analysis

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DRA

No need to use options suggested below. Just thought starters.

s 22 to update Monday

Options for addressing adequacy of rent assistance indexation

	1: Benchmark CPI indexation for Rent Assistance to MTAWE	Hypothesis 2: Replace CPI indexation to be some combination of CPI and [insert housing index]	3: Replace CPI indexation to be [insert housing index]
Description			
Implications	• xx	• xx	• xx
Cost	FY21 xx FY22 xx	FY21 xx FY22 xx	FY21 xx FY22 xx

WORK IN PROGRESS

Note, xx
Source: DSS data, Project analysis

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Align Income Free Areas with pensions, max 50% taper rates

I1 IFAs and taper rates

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Income free areas and low taper rates are currently used to incentivise the uptake of employment, with higher income free areas for student payments recognising higher levels of seasonal, and part-time/casual work amongst students.

There are three key issues with the current working-age payment income tests:

1. Income tests are complex and varied; each typically apply two different taper rates at different income levels. This can make it challenging for recipients to have confidence they will always be better off for every dollar earned
2. High taper rates of 60% are common, which may reduce the incentive to work at these income levels
3. High taper rate of 60% for partners stacks with tax rates, producing high EMTRs at the household level for low-middle income families

Streamlining IFAs and taper rates can simplify the welfare system, improve incentives for work and engagement in the labour force.

Potential reform / policy settings

Stage One | Stage Two

From 1 Jul 2021, recipients of JSP, PP(s), PP(p), YA(o), and Special Benefit would move to a consistent individual income test and partner income test, aligned to Pension income tests:

- Individual income test: Income Free Area of $174pf, a single taper rate of 50% (vs $104 and 50-60% for most recipients today)
- Partner income test: Income Free Area of $1212pf, a single taper rate of 50% (vs $994 and 60% for most recipients today)

From 1 Jul 2021, recipients of YA(s), Austudy, and ABSTUDY would move to a consistent income test and a higher partner income test:

- Individual income test: Income Free Area of $437pf, a single taper rate of 50% (vs $437 and 50-60% for most recipients today)
- Partner income test: $1,212pf for partnered recipients; a single taper rate of 50% (vs $944 or $994 and 50-60% for most recips today)

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Permanent changes for all ISPs to be in place from 1 Jul 2021, alongside other changes to payment types and payment rates**
- **As a result, tight timeframes are imposed to pass legislation and implement the required system changes**

Modelling assumptions

- **Base case economic scenario where income support recipients peak at 2.5 million in Sep 2020 (excl. impact of JobKeeper, which is estimated to lead to ~150-350k additional claims); volumes include suspended recipients and % of monthly pending claims**
- **Apr 2020 income and partner income distributions used to model impact during COVID period (Apr-Sep 2020)**
- **Mar/adjusted May 2020 income and partner income distributions used to model impact from Oct 2020 onwards**
- **Grandfathering of PP(s) recipients not modelled**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	-	$0.3b	$0.1b	$0.0b	$0.4b
Net impact on # recipients	-	+15k	+5k	<5k	n/a

Impact on recipients vs Current Path

Cohorts better off

- **~300k+ ISP recipients with individual earnings benefit from more generous individual income test**
- **~20k ISP recipients with partners who benefit from more generous Partner Income Test**
- **~15k ISP recipients become eligible for welfare who were previously ineligible as a result of changes to individual and partner income tests**

Cohorts less well off

- **~245k PP(s) recipients face reduced IFA and higher taper rate - suggest compensating via a lump sum or grandfathering**
- **~90k JS (Prin. Carer) face higher taper rate (from 40% to 50%) - suggest compensating via a lump sum or grandfathering**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Sensitivity regarding tighter income test for PP(p) and JS (Prin. Carer) recips may affect legislative timeframe	L	L
Services Australia may not be able to complete changes in short window to 25 Sep 2020	H	M

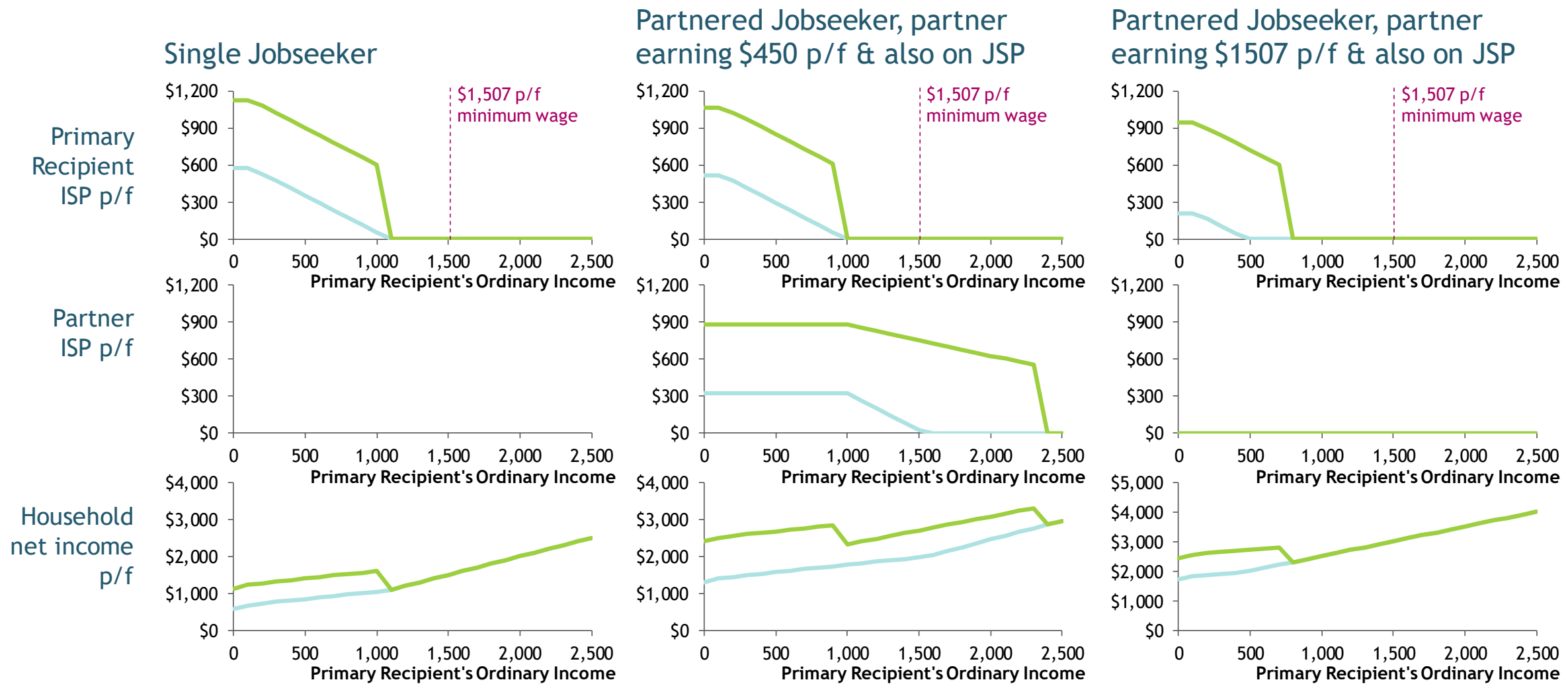
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Income test: COVID temporary measures, late March '20 to 25-Sept '20

For three example types of households



Note: All scenarios assume no supplements being received

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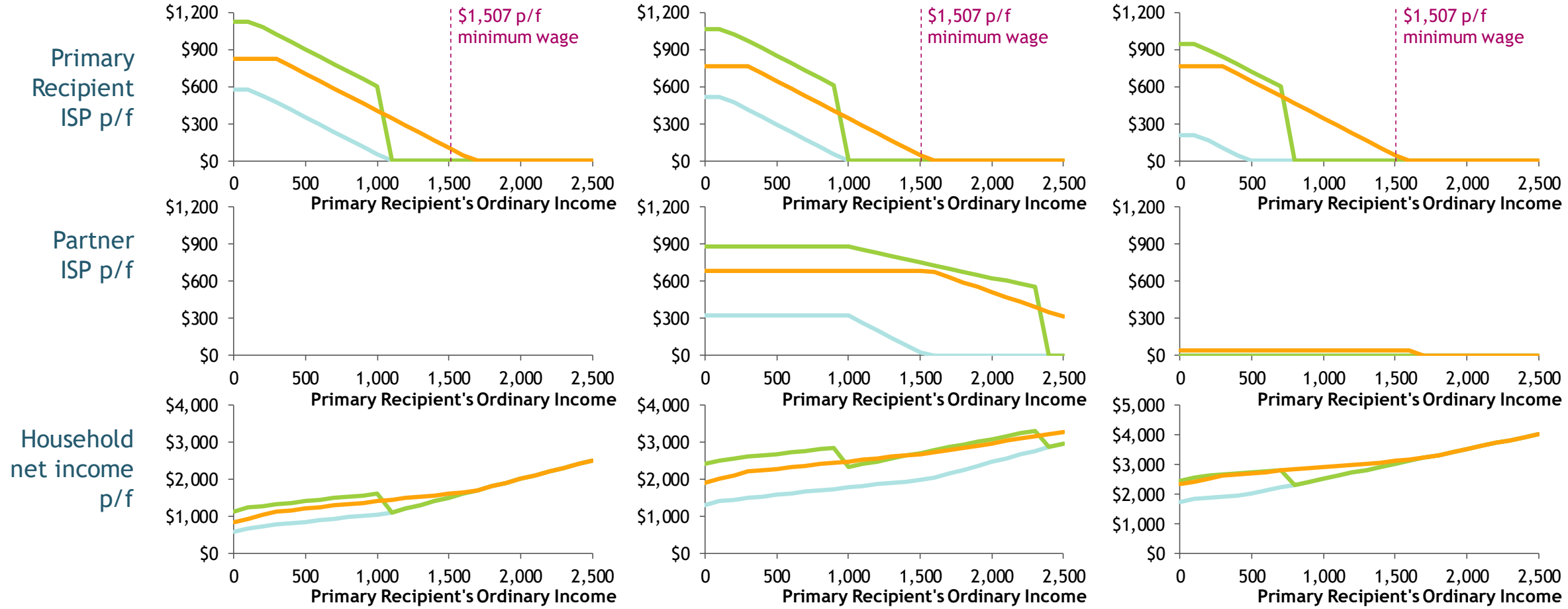
Income test: Step-down period, 25-Sept '20 to 30-June '21

For three example types of households

Single Jobseeker

Partnered Jobseeker, partner earning $450 p/f & also on JSP

Partnered Jobseeker, partner earning $1507 p/f & also on JSP



Note: All scenarios assume no supplements being received

Pre-COVID payment rate and income test

From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%

Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Income test: Post-COVID period, post 30-June '21

For three example types of households

Focus for today

Overshoots min wage by $104; see next slide for options

Single Jobseeker

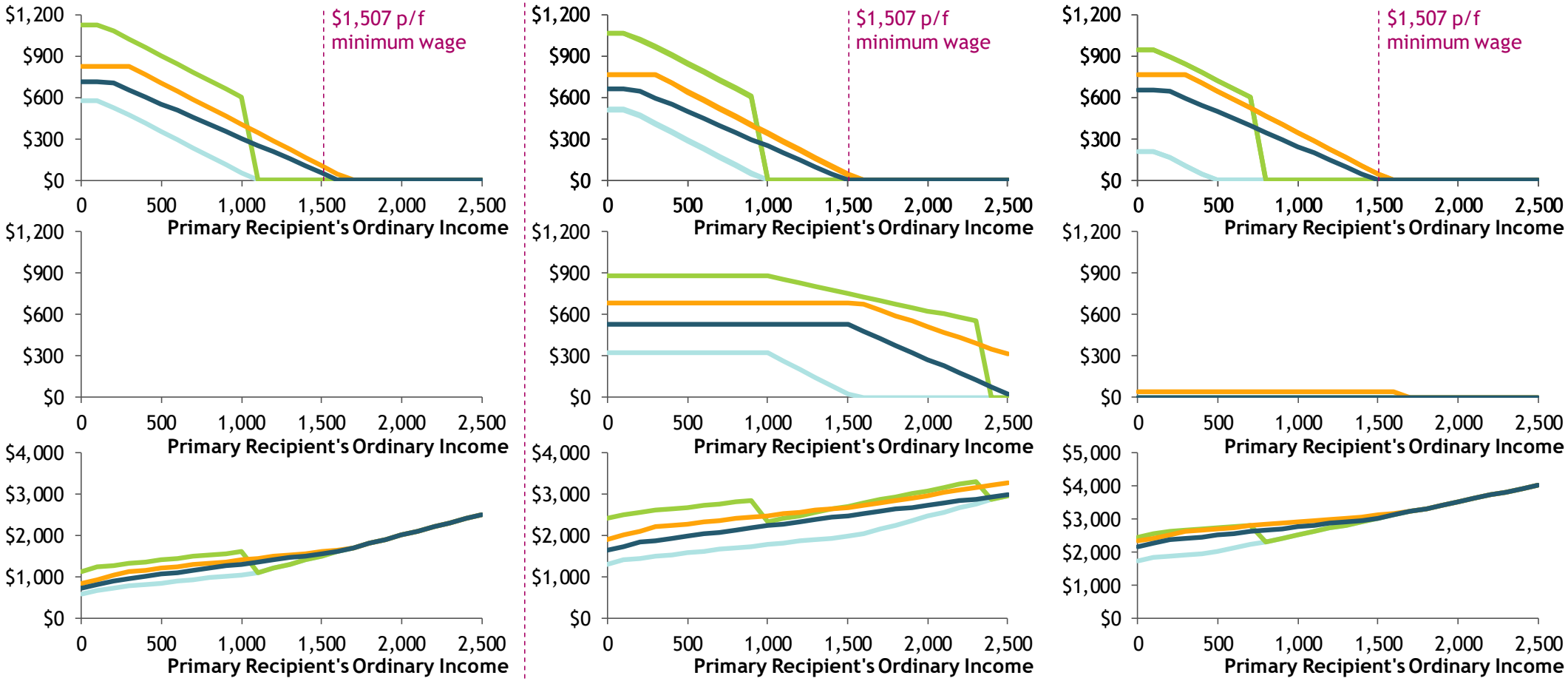
Partnered Jobseeker, partner earning $450 p/f & also on JSP

Partnered Jobseeker, partner earning $1507 p/f & also on JSP

Primary Recipient ISP p/f

Partner ISP p/f

Household net income p/f



Note: All scenarios assume no supplements being received

Pre-COVID payment rate and income test

From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%

Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper

Post 30 June 2020, rate increase of $150, $174 IFA, 50% taper, 50% partner taper

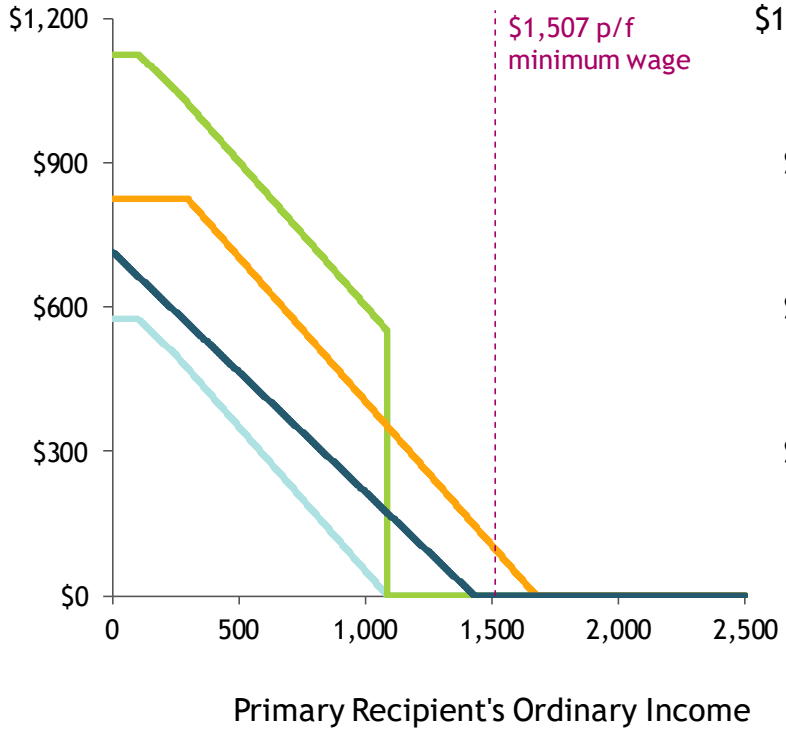
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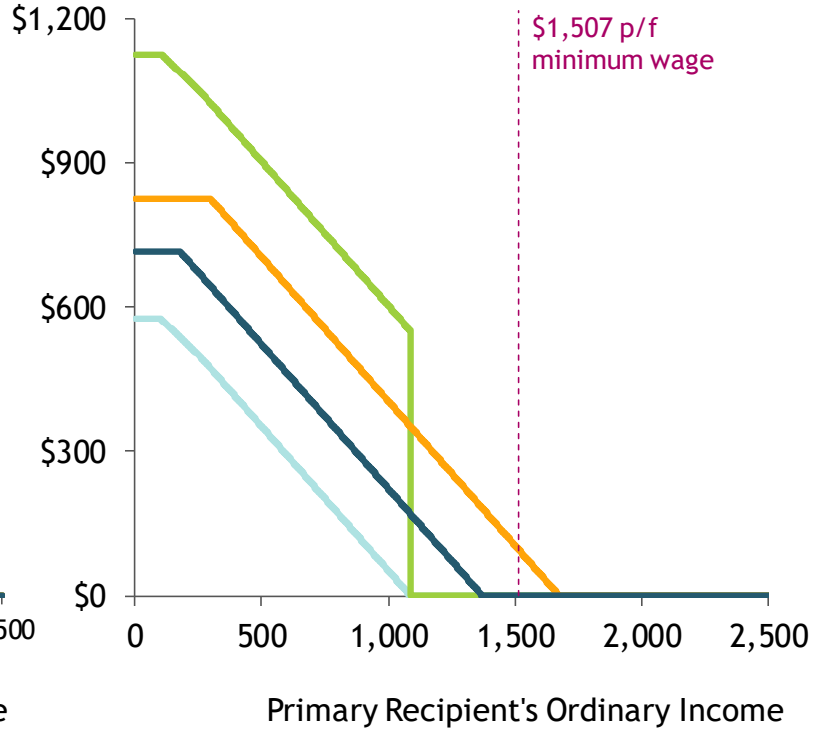
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Three options to bring single job seeker cut-out under min wage

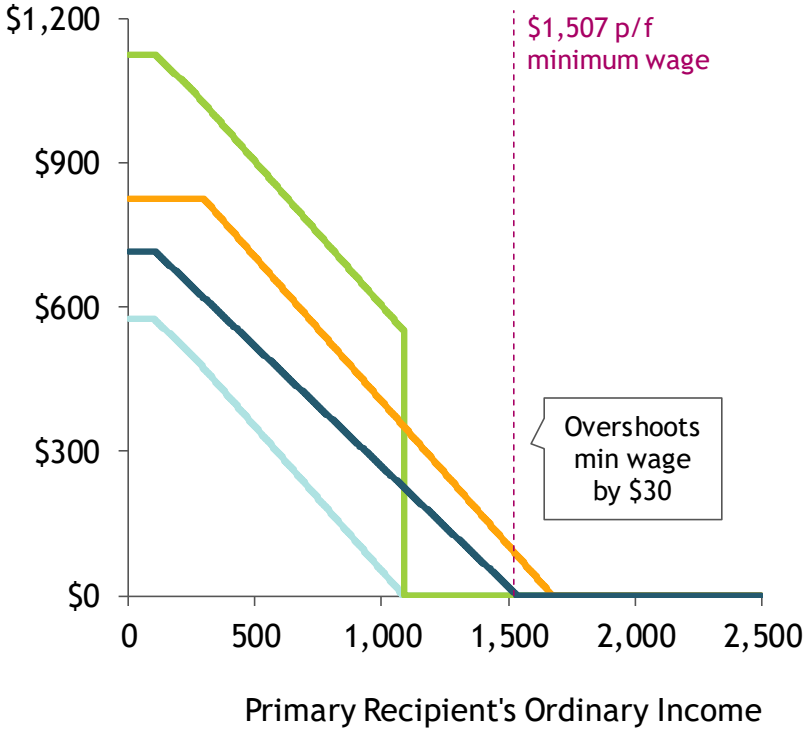
Option 1: $0 IFA (losers), 50% taper (simpler, low EMTR)



Option 2: $178 IFA (aligned to pensions), 60% taper (simpler, higher EMTR)



Option 3: $106 IFA (no change), 50% taper (simpler, lower EMTR)



Note: All scenarios assume no supplements being received

- Pre-COVID payment rate and income test
- From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper
- Post 30 June 2020, rate increase of $150, $0 IFA, 50% taper, 50% partner taper

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Backup

DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (jobseekers and parents)

	Jobseeker	Jobseeker (Prin. Carer)	PP(S)	PP(P)	YA(o)	Special Benefit	Partner income test	Parental income test
Policy intent of Income test	Encourage recipient to undertake paid work and rely on private income	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake paid work, acknowledging reduced work capacity	Encourage recipient to undertake work and rely on private income, noting higher likelihood of casual work	Recipient is unable to work due to circumstances beyond their control, once in work benefit is removed	Target assistance to low income households (i.e relies on household income, not individual income)	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA and taper rate	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$104 free area 40c per $1 over $104	$188.60, plus $24.60 for each additional child free area $40c per $1 over free area	$104 free area 50c per $1 between $104 - $254 60c per $1 after $254	$143 free area 50c per $1 between $143 - $250 60c per $1 after $250	No free area $1 per $1 reduction	$994 free area Current - 25c per $1 over $994 Pre-COVID - 60c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Increased free area** • $174 free area • 50c per $1 over free area	**Decreased free area, & increased taper** $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**One taper rate & increased free area** • $174 free area • 50c per $1 over free area	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Dec 2019	70,880 (10.6%[1])	6,331 (10.6%[1])	60,318 (26.4%)	6,339 (9.3%)	15,247 (17.9%)	98 (1.5%)	N/A	N/A

May require lump sum compensation or grandfathering

1. Same income distribution used for all Job Seeker cohorts. To be updated. Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Backup

DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Potential Stage Two policy settings for Increasing IFAs and rationalising taper rates (students)

	Personal income test	Partner income tests		Parent income test
	YA(s)/ABSTUDY/AUSTUDY	YA(s)/AUSTUDY	ABSTUDY	YA(s)/ABSTUDY/AUSTUDY
Policy intent of Income test	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Encourage recipient to continue studies, whilst providing the incentive to work where possible	Target assistance to low income households (i.e relies on household income, not individual income)
Current IFA, taper rate, and income bank	$437 free area ($143 for single parents M/O exempt) 50c per $1 between $437 - $524 60c per $1 after $524 Income bank cap: $10,900 for students, $1000 for Apprentices	$994 free area (partner 22+ years) $944 free area (partner <22 years) Current - 25c per $1 over IFA Pre-COVID - 60c per $1 over IFA	If recipient <22 years: • IFA depends on partner circumstances • 60c per $1 over IFA If recipient 22+ years: • $994 free area (partner 22+ years) • 50c per $1 over $994	$54,677 free area ($2,103pf) 20c per $1 over free area, divided amongst family pool
Potential IFA and taper rate, and income bank	**One taper rate; free area remains the same** • $437 free area • 50c per $1 over free area **Income bank cap raised for apprentices:** $10,900 for students, $2000 for apprentices (aligns to JSP)	**Reduced taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**One taper rate & increased free area** • $1,212 free area • 50c per $1 over free area	**No change**
# of recipients with earnings as at Sep 2019	YA(s) with earnings: 75,829 (40%) AUSTUDY with earnings: 12,443 (34%) ABSTUDY with earnings: 1,643 (18%)	N/A	N/A	- N/A

Source: Project analysis, DSS data, Services Australia guide to welfare payments

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Expand and simplify working credit

I2 Working credit

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

AA 03.Jul.20:

Suggest creating ~2 cameos to show how the new scheme works, and is better than the current version

While job losses during COVID-19 have been well publicised, underemployment has also risen; the ABS reported a rise in to 13.7% in mid Apr 2020.

for testing themselves in the labour market by helping recipients keep more of their o encourage self-reliance, particularly during a period where employment levels are credit scheme is not seen as particularly effective:

- r JobSeeker recipients), and have a low cap of $1,000 for most recipients
- The scheme is complex and therefore poorly understood, which directly limits its effectiveness
- Working Credit differs to Income Banks for students on an ISP, and Work Bonus available to pensioners – creating complexity

Potential reform / policy settings

Stage One | Stage Two

From 1 Jul 2020, Working Credit would be expanded, and more closely aligned to the student payment Income Bank to better incentivise employment and assist in broader economic recovery:

- Rate of accrual would increase from $48 p/f to be the entire Income Free Area each fortnight
- The cap on the maximum number of accrued Working Credits would be expanded to $2,000
- Working Credits would continue to apply only to employment income (as opposed to unearned income)
- For Apprentices on YA(S), their Income Bank arrangements would remain the same, but with an increase in the accrual cap to $2,000
- Students Income Bank policy settings would remain unchanged (accrue all of $437 IFA, max credit balance of 10,900)

Note that YA(o) recipients today have a Working Credit cap of $3,500. These recipients would also have a cap of $2,000 credits moving forward, but with a much faster rate of accrual (maximum credit limit reached after 12 fortnights instead of 21).

To improve recipients' understanding of Working Credits, front-end system changes are recommended to allow recipients to see in their reporting tools how Working Credits will improve their total earnings + income support payment.

Timing considerations

- **Changes to working credit ideally in place by 1 Jul 2021 when temporary changes to IFAs and taper rates cease**
- **Longer implementation timeframe is required due to the complexity of the system and operational changes required. This is particularly so for the front-end system changes to provide new digital tools for recipients to see how Working Credit could impact their payments**

Modelling assumptions

- **Internal DSS costing of this measure**

Financial and volume impacts

Preliminary impact assessment

Estimated FY21-24 net outlays: approx. +385m

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **JSP, PP(p), PP(s) recipients experiencing intermittent employment, due to faster accrual and higher maximum cap**
- **Some YA(o) recipients, due to faster accrual of working credits**
- **YA(s) Apprentices, due to higher Income Bank cap**

Cohorts less well off

- **Some YA(o) recipients who would have accrued working credits up to their previously higher 3,500 cap (but they do receive a faster accrual instead)**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Risk that the additional outlays have minimal impact on recipient behaviours in seeking employment	L	L
Risk that new digital tools for recipients to assess impact on their payments are not well used	L	M

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Modernising Working Credit

Objective is to simplify and make consistent, increase understanding, and provide greater incentive for work

Rationale

Working Credit rewards those who undertake employment by letting them keep more of their support payment for a limited time. Working Credit is currently set at a low level and poorly understood, limiting its effectiveness.

Modernising Working Credit to make it more consistent with Income Bank will better incentivise employment and assist broader economic recovery.

Pros:

- ✓ Credits accrue faster and to a higher maximum limit, providing a clearer incentive to undertake employment
- ✓ Accruals linked to free area, reducing complexity and assisting recipient understanding of scheme
- ✓ Greater consistency with Income Bank for students

Cons:

- x Requires legislation
- x Additional cost: approximately $184 million in 2020-21

	From	To
Accrual	A maximum of 48 per fortnight	A maximum of 174 per fortnight (revised income-free area)
Maximum limit	1000 (3500 for YA(O))	2000 for all Working-age payments

Impact:

- Maximum credit limit reached after 12 fortnights instead of 21
- Improved equity between regular and periodic employment
- Improved system coherence- substantial alignment with other income credit schemes
- Credit accrual linked to income-free area, ensuring real value is retained over time

Cost:
Approximately $863 million over four years in additional costs

Note: Working Credit will continue to apply to only employment income

Additional opportunities:

1) Real-time visibility of WC balances and impacts

The effectiveness of Working Credit could be further improved by allowing recipients to see in their reporting tools how Working Credit will offset their earnings, similar to the 'passport to work' recommendation from McClure

Impact:

- Incentivise intermittent employment
- Improved system coherence and reduced uncertainly around effects of work on income support

Cost:

- Costs involved in building ICT functionality

2) Consider allowing Working Credits to deplete business income

Currently, Sole traders and the self-employed cannot use Working Credits as their earnings are not considered employment income

Cost:

- TBC

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Household (couple) income test

Policy context

JSP | PPS | PPP | SB | YA(o) | YA(s) | Austudy | ABSTUDY | FTB

Today, there are currently different income testing arrangements for Pension recipients and Allowance recipients. Pension recipients have a income test at the "couple" level, while allowance recipients have a sequential individual income test and partner income test. Arguably the use of a couple income test for pensions aligns with their greater reliance on asset-generated income as opposed to employment income. However the use of a different, sequential income test for allowance recipients bring several challenges:

- The sequential individual + partner income test is inherently more complex to understand and administer than the couple income test;
- The sequential individual + partnered income tests means that households with the same overall income can be treated very differently depending on the distribution of that income between partners
- The sequential individual + partnered income test is less effective at targeting welfare support to the lowest income households, who are at the greatest risk during the COVID-19 period

Potential reform / policy settings

Stage One | **Stage Two**

From 1 Jul 2021, allowance and PPS recipients would be transitioned to a "couple" or "household" income test, with the same policy settings as pensions:

- For singles: An income free area of $174 per fortnight, and a taper rate of 50%
- For couples where only one person is an ISP recipient: An income free are of $308 per fortnight, and a taper of 50%
- For couples where both people are ISP recipients: A shared income free area of $308 per fortnight and a taper rate of 25% each

Note: PP(s) recipients should be compensated with a lump sum payment, or grandfathered, as their new IFA and tape rate would be less favourable than previously ($188.60 IFA & 40% taper rate). If grandfathering occurs, it should only be for the current child, not all future (as yet unborn) children. Principal carer JSPs should also be compensated or grandfathered, as while their IFA increases from $104 to $174, their taper rate increases from 40% to 50%.

Timing considerations

- **Household income test ideally in place by 1 Jul 2021, when most temporary changes are expected to end and Stage Two commences**

Modelling assumptions

- **Impact of household income test yet to be incorporated into the model**

Financial and volume impacts

Preliminary impact assessment

	FY21	FY22	FY23	FY24	Total
Net impact on outlays	Work in progress				
Net impact on # recipients					

Impact on recipients vs Current Path

Cohorts better off

- **Single recipients, who receive a higher IFA and lower taper rate**
- **Partnered ISP recipients**
- **Recipients with partner earning $0 p/f and not receiving ISP**

Cohorts less well off

- **ISP recipients who are partnered, and their partner earns income, and is not receiving an ISP**

Impact on policy goals

Effectiveness & adequacy | Encourage self-reliance | Simplification | Coherence | Fiscal responsibility | Streamline Administration

Risks

Risk	Severity	Likelihood
Likely sensitivity regarding implications around household income testing may extend implementation timeframes to pass legislation	M	H

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Potential to move to a Combined Couple Income Test

Policy context

Income testing aligns with the principle that Australians are expected to utilise their own resources before calling on taxpayer funded assistance

Income testing arrangements assess an individuals private income and withdraws assistance as the recipient's private income increases

There are currently different income testing arrangements between Pension and Allowance recipients

This is due to pension recipients being more likely to share financial assets and less likely than allowance recipients to solely rely on employment income as their primary income source

From: Sequential Income Testing for Allowances and PPS

1. Apply the personal income test to the earned income of the recipient
2. Apply the partner income test to the residual entitlement once the personal income test has been applied
3. The remaining entitlement from both tests is the recipient's entitlement

Pros:

- ✓ Incentivises second income earner to work, due to separate IFA
- ✓ Less reliance on partner for financial security
- ✓ Reflects an individual's capacity to work

Cons:

- × More complicated: Two income tests
- × For recipients receiving Rent Assistance or other supplements, individual and partnered income tests can "stack" at various points, creating a 100%+ taper

To: Combined couple income testing for Allowances and PPS

1. Combine the income of the couple
2. Apply the combined income test to the earned income of the couple
3. Where both people receive an ISP, the IFA is shared equally between them

Pros:

- ✓ Simpler: One income test, same as pensions
- ✓ Eliminates "stacking" of individual and partner income test (e.g. when supplements or CRA are payable)
- ✓ Fairer: Achieves same payment regardless of income distribution within household

Cons:

- × Less incentive for second income earner to work, due to shared IFA and taper
- × Couples with just one ISP recipient, and a primary income earner working will typically be worse off
- × Increases financial dependence on the primary income earner

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Backup: Example specific policy settings

For reference

Current policy settings: Sequential

Single Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper
(exceptions for Principal Carer and Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$104 income free area
50c/60c taper

$994 income free area for Partner Income
60c taper

More generous sequential test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$174 income free area (each member of a couple)
50c taper

$1,214 income free area for Partner Income (so that Partner Income Test cut-in occurs after JSP cuts out on the Individual Income Test)
50c taper

Combined couple income test, aligned to pension IFA & taper

Single Income Test Settings - Working Age Payments
$174 income free area
50c taper
(exceptions for Parenting Payment Single)

Partnered Income Test Settings - Working Age Payments
$308 income free area for a couple combined
50c taper maximum for the couple (I.e one recipient on ISP has a 50c taper, both recipients on ISP have a 25c taper each)

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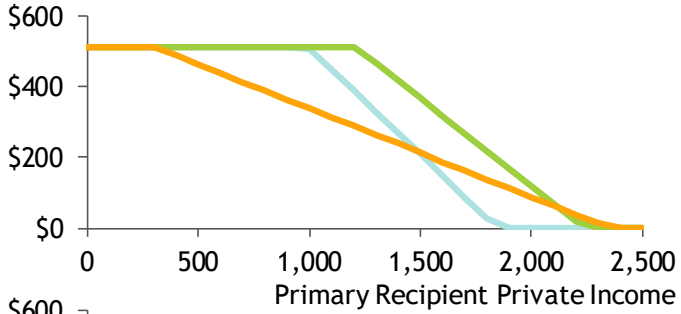
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Example households to consider impact of combined income test

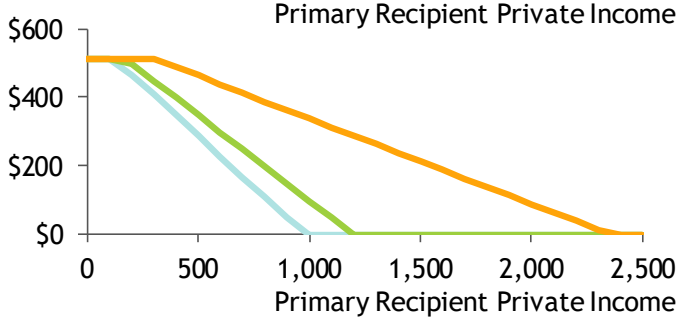
Two partnered Jobseeker recipients: The "Partner" consistently earning $0 p/f, the "Recipient's" earnings variable

Partner Private Income set at $0 p/f

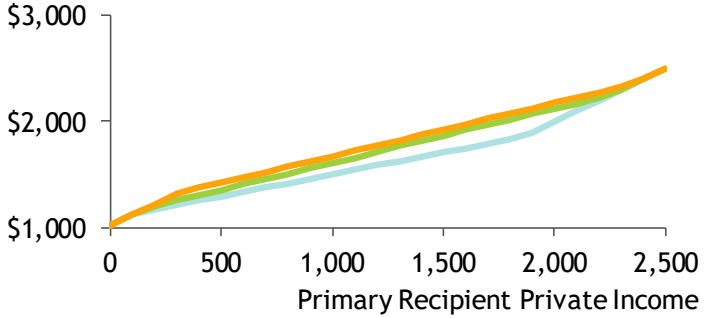
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1800 p/f

Situation under combined test

- Partner's ISP falls earlier, once Primary Recipient earns >$308 p/f
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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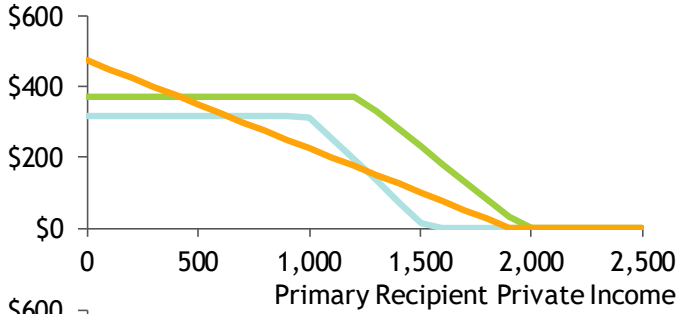
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Example households to consider impact of combined income test

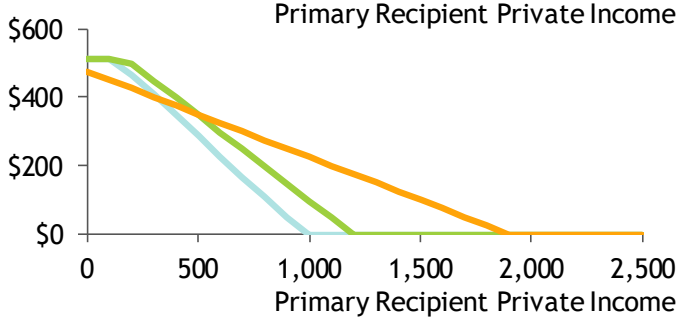
Two partnered Jobseeker recipients: The "Partner" consistently earning $450 p/f, the "Recipient's" earnings variable

Partner Private Income set at $450 p/f

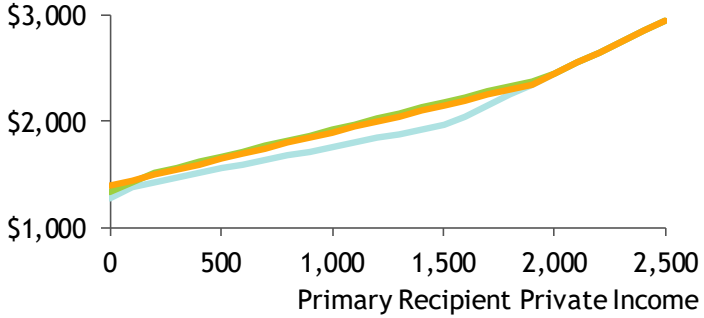
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner's ISP remains steady until Primary Recipient earns >$994 p/f

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1500 p/f

Situation under combined test

- Partner's ISP tapers with every dollar earned by Primary Recipient, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 60%; cut-out increases

- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Taper rate is more gentle, at 25% rather than 50-60%; cut-out increases

- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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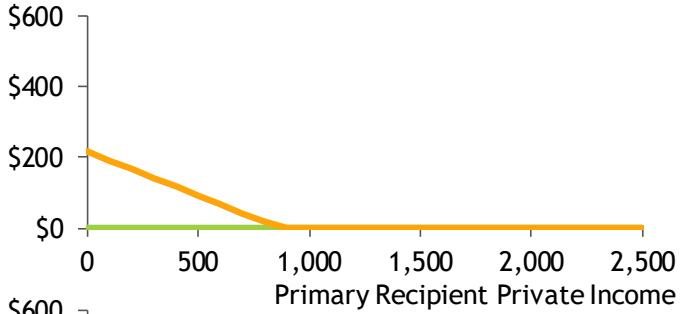
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Example households to consider impact of combined income test

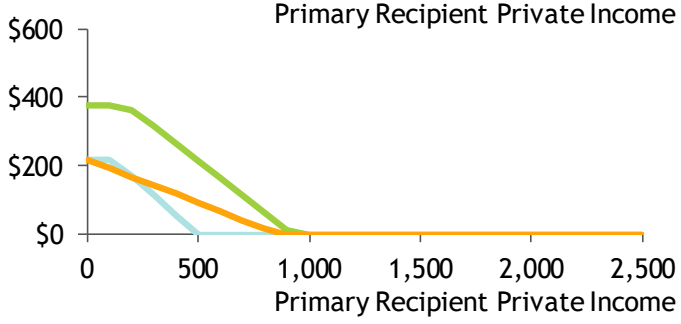
Two partnered Jobseeker recipients: The "Partner" consistently earning $1482 p/f, the "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

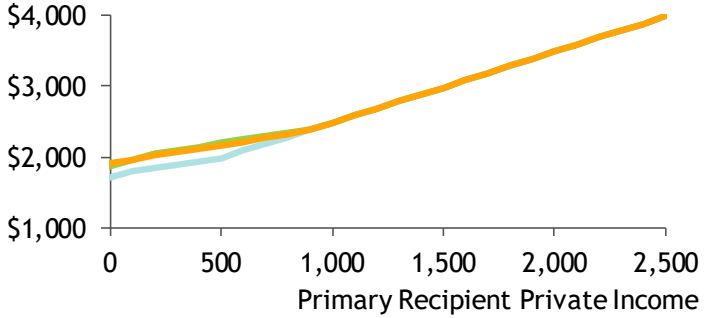
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- Partner is not eligible for ISP as income is too high
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- Partner becomes eligible for an ISP as long as Primary Recipient's private income remains <$850 p/f
- Primary Recipient's ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Primary Recipient better off at most income levels under combined test
- Household always the same or better off under the combined test compared to today (but not compared to the Sequential Test aligned with Pensions)
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper, if both recipients

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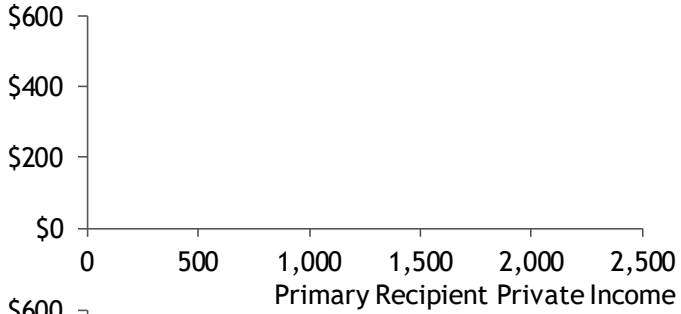
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Example households to consider impact of combined income test

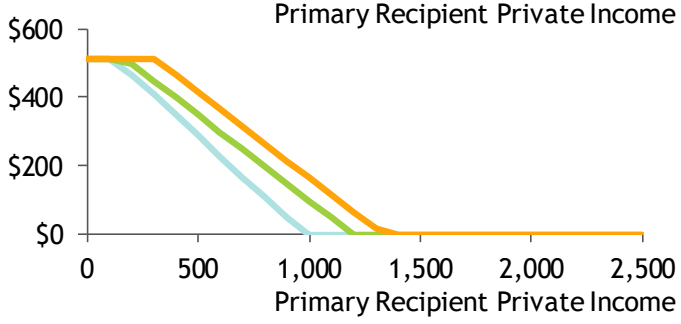
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $0 p/f, "Recipient's" earnings variable

Partner Private Income set at $0 p/f

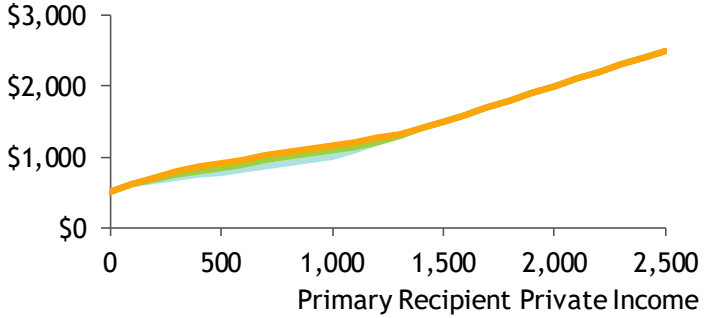
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A

- Primary Recipient's ISP remains steady longer, until earning >$308
- Taper rate is more gentle, at 50% rather than up to 60%; cut-out increases slightly

- Household always the same or better off under the combined test
- Net household income rises at 50 cents in the dollar or higher at all times

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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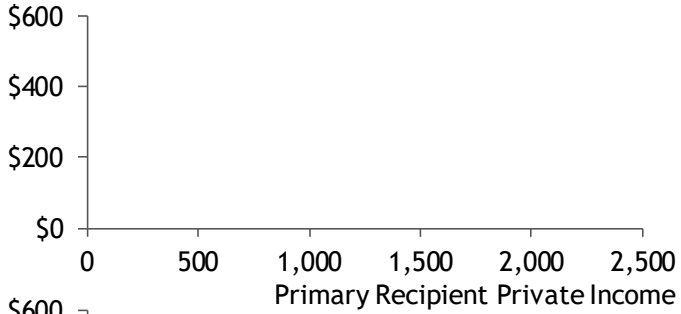
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Example households to consider impact of combined income test

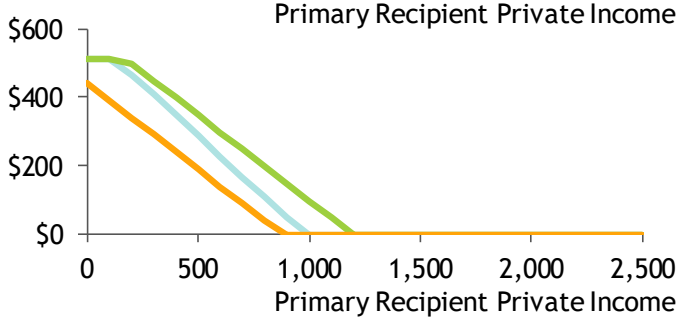
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $450 p/f, "Recipient's" earnings variable

Partner Private Income set at $450 p/f

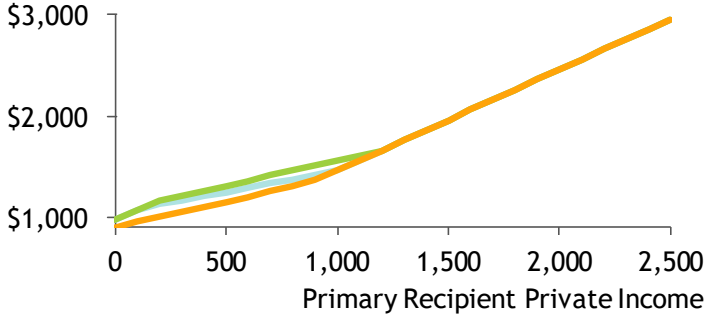
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A
- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$1000 p/f
- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $1000 p/f

Situation under combined test

- N/A
- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA
- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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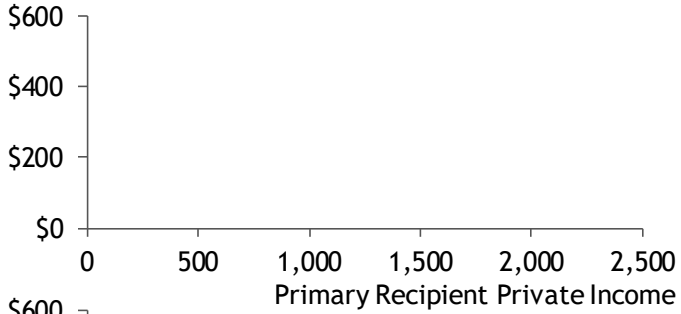
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

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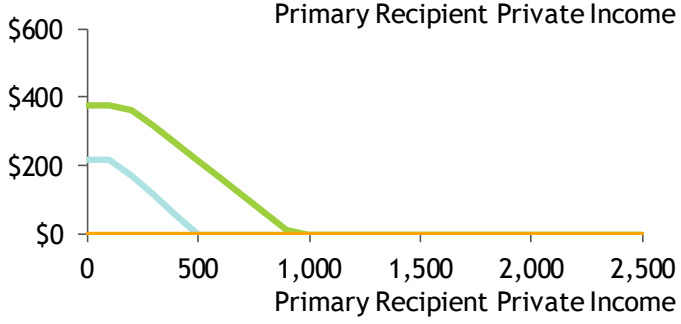
One Jobseeker recipient partnered with non-ISP recipient: "Partner" earns $1,482 p/f, "Recipient's" earnings variable

Partner Private Income set at $1,482 p/f

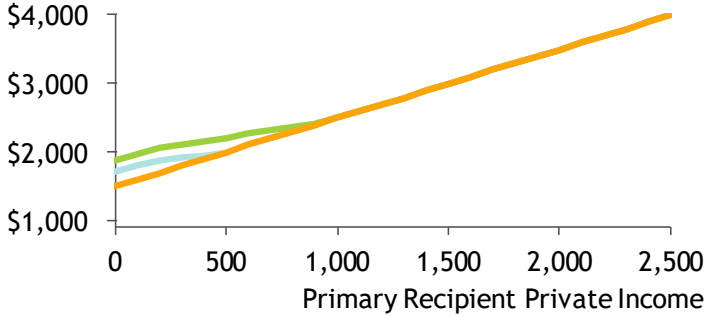
Partner ISP p/f



Primary Recipient ISP p/f



Household net income p/f (Private and ISP)



Situation under current test

- N/A

- Primary Recipient's ISP remains steady until they earn >$104 p/f
- Cut-out at ~$500 p/f

- Household net income rises at predominantly 40 cents in the dollar from $104 earned p/f through to $500 p/f

Situation under combined test

- N/A

- Primary Recipient worse off at all income levels compared with current income test - their ISP tapers with every dollar earned, because Partner already using all of shared IFA

- Household always worse off or the same under combined test, since Primary Recipient receives a lower ISP at all levels of earning up until the cut-out

Current sequential income test

Sequential test, but aligned to Pension IFA & taper

Combined income test, aligned to Pension IFA & taper

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Next steps

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Suggested next steps, for those leading this work

In the next two weeks

1. **Rapidly iterate Stage One costings and policy detail based on feedback from Ministers/Cabinet**

2. **Rapidly detail out implementation activities required from DSS in relation to the 25 September changes, including:**
   - Legislative, regulatory, and policy instrument changes
   - Developing risk-based approaches to requ…ifications (e.g. Assets Test, rental, and MOCA assessments), to …mes required from Services Australia

3. **Progress policy design for Stage Two, including lift to base rates, cha… to income tests, working credit, FTB, consolidating payment types and supplements, mature aged / PCW rate in JSP**

4. **Decide how the model should be taken forward - suggest that an expert modeller be tasked to upkeep the model, and provide it as a service for policy teams to draw on**

5. **That expert modeller to progress the model and interactive dashboard in line with the detailed 'model backlog':**
   - Further integrating unit level analyses (picking up items not possible due to timing of data clearance processes)
   - Building out additional features required for analysis of Stage Two and future policy options (incl. supplement consolidation beyond energy supplement & pharma, FTB changes, couple combined income test, eligibility parameters, sharer rate, indexation changes)
   - Build model feature for claim volumes and waiting periods

WORK IN PROGRESS

In the following two weeks

1. **Commence critical implementation activities for 25 September changes (other than those led by Services Australia), including:**
   - Build predictive model to target initial round of Asset Test compliance interventions
   - Build predictive model and new compliance approach for MOCA, and process for MOCA periodic self-assessments
   - Commission work on improved digital tools for working credit

2. **Rapidly iterate Stage Two costings and policy detail based on …from Secretary/Minister**
   - …odel if new policy design ideas requested …s requiring further work (likely to include sharer rate, i… …OCA, among others)
   - Engage Services Australia on possible implementation timing & constraints
   - Ministerial Briefing and Cabinet Submission development

3. **Continue updates and feature additions to model in line with the Model Backlog, to tighten accuracy, address gaps, and round out functionality, including:**
   - Building optionality into FTB settings, and impact on FTB volumes from changes in policy settings
   - Ability to adjust indexation rules and see cost & volume impacts

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Modelling backlog

No.	Category	Task	Blockers	Effort	Status
1	New feature	Household income test – ability to switch on new income test construct that treats household as single unit	• Policy options to be defined	0.5-1 days	Not started
2	New feature	Member of Couple Assessment – enable [xx]% shift of single claimants to couple rates from Oct '20 onwards	• Policy options to be defined	0.5-1 days	Not started
3	New feature	Waiting period – ability to implement or waive waiting periods (e.g. extend OWP, LAWP, SWPP waivers and abolish SWPP)	• Bluebook extract: new claims	1-2 days	Work in progress (top-down estimate)
4	New Feature	Working credit – abili… impact of working credit simplification (e.g. align with incor…	• Bluebook extract: usage of working credit scheme	1-2 days	Work in progress (top-down estimate)
5	New Feature	Interactions between payment… policy setting changes to any given payment (…	Bluebook extract: …	2-3 days	Not started
6	Update	Family Tax Benefit – refine existing FTB payment feature to handle more detailed policy setting adjustments (e.g. differentiate single parents)	… defined	… days	Not started
7	Update	Income distributions - refresh distributions used to reflect pre-COVID and COVID periods for recipients, partners, parents, families, etc.	• Data clearance process	<0.5 days	Work in progress (request submitted)
8	Update	Supplements – add Program of Work, Telephone Allowance, etc. to existing supplement consolidation feature	• Bluebook extract: supplement volumes	0.5-1 days	Not started
9	Update	Indexation – ability to switch on/off different indices (e.g. align allowances to pension indexation)	• Policy options to be defined	<0.5 days	Not started
10	Update	Independence – add test for Youth Allowance payments (live away from home, partnered currently used as proxy)	• Data on split by YA cohort	0.5-1 days	Not started
11	Update	Pharma Allowance – refine assumptions for fraction of payment cohorts receiving Pharma Allowance with partial capacity to work	• Data on fraction by cohort	0.5-1 days	Not started

WORK IN PROGRESS

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Thank you

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Unused Slides

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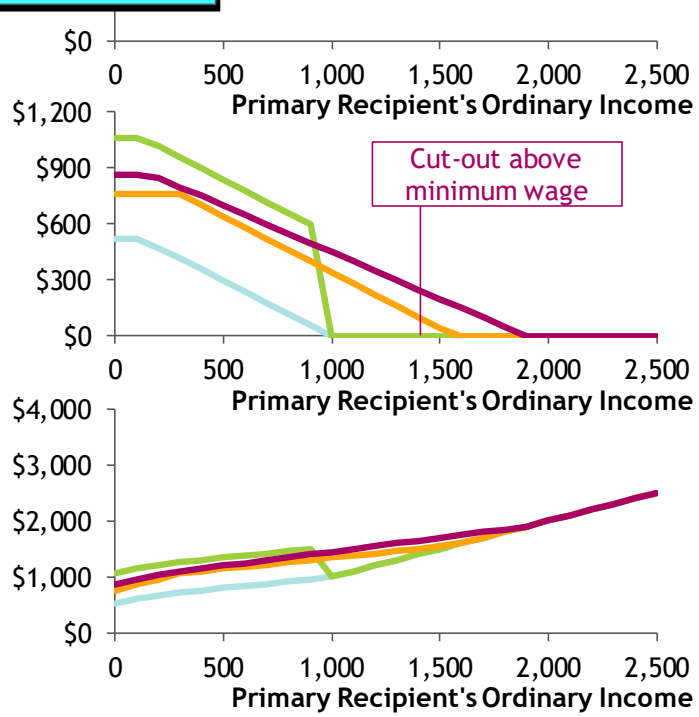
Potential income test arrangements: Four steps from Pre-COVID to end-state

For three example types of households

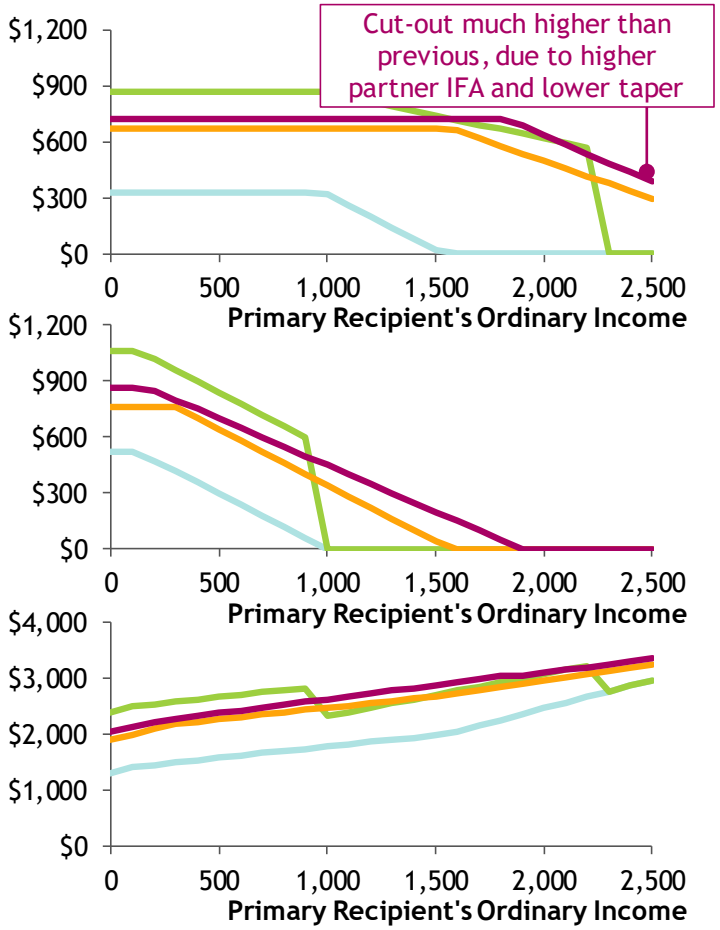
Radical suggestion – to help manage the concern about high cut-outs, how about we abolish Personal Income Test IFAs (as they have done in the UK)? So the payment tapers at 50% from the first dollar earned

Also delivers simplification, although in a different way from aligning it to Pensions

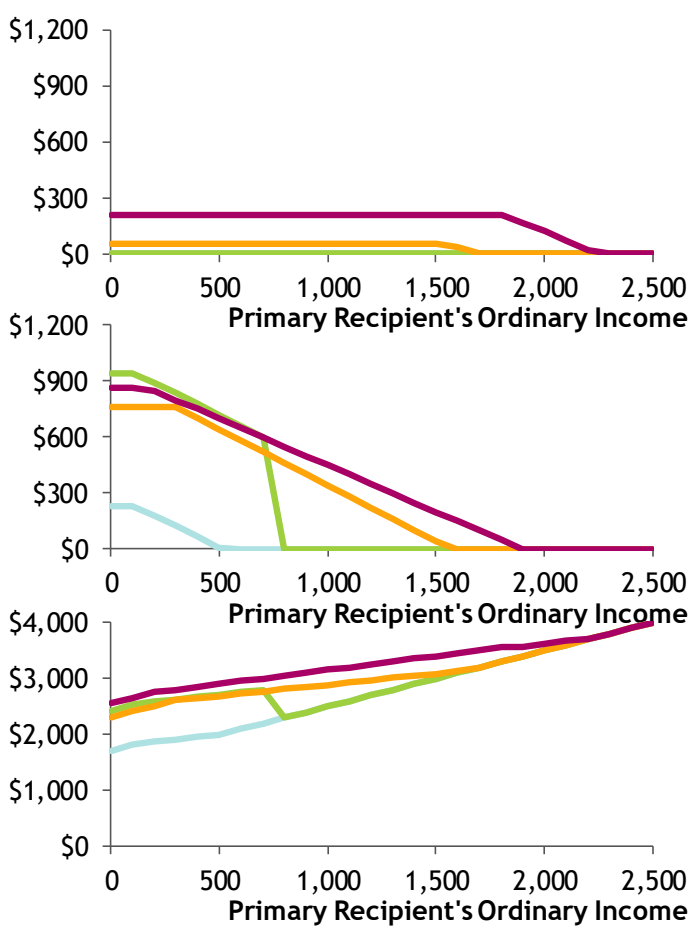
Single Jobseeker



Partnered Jobseeker, partner earning $450 p/f & also on JSP



Partnered Jobseeker, partner earning $1482 p/f & also on JSP



Note: All scenarios assume no supplements being received

Pre-COVID payment rate and income test

From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%

Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1568 & 40% taper

Post 30 June 2020, rate increase of $150, $174 IFA, 50% taper, 50% partner taper

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s 22

From: s 22 @bcg.com>
Sent: Wednesday, 15 July 2020 1:11 PM
To: WILLIAMSON, Nathan; BENNETT, Shane
Cc: s 22 Carrasco, Miguel; Clancy, Trish; PATON, Kath; MCLARTY, Mary; s 22
Subject: [Canoe] Materials for 2pm check-in
Attachments: Sprint 7 - Mid-Sprint Read Out vF.pdf

Hi Nathan, Shane

I hope the week is treating you well.

We're looking forward to our mid-sprint discussion on Project Canoe at 2pm, I have attached some materials to support the conversation.

As always, we are very happy to adjust the proposed agenda if there are other/additional topics that you'd like to spend time on.

Best
s 22

—

s 22
Project Leader
M s 22
Melbourne, Australia

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Project Canoe

Sprint 7 – Mid-sprint read out

15 JULY 2020

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Agenda for today

Brief recap: Scope of work for Sprints 6 – 8

Stage One Further Analysis – update on progress

Stage Two Options – test emerging views:

- Three illustrative reform packages
- Potential future rate cards
- Deep dives on supplements, personal income tests, sharer rate, and indexation

Next steps

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Brief recap: Scope of work for Sprints 6 - 8

1 Further analysis, for Stage One

Distributional and geographic analysis of impact of temporary measures since March 2020

- Movements of people on and off payment
- Changes in work arrangements (income distribution, consistency, balance within the household)
- Interaction with other policies (e.g. changes to mutual obligations, ESP requirements)

BCG, s 22 & Team

2 Options, for Stage Two

Frame up high level options for Stage 2, deep dives into particular features

BCG, s 22 & Team

Temporary relief	Coronavirus supplement	C-19 'ad	*Not relevant to Stage Two*	Discretion around unrealisable assets
Payment types	Merge into JobSeeker: Parenting Payment (Single and Partnered)	Merge YA(s) and Austudy into a new student payment	Merge into JobSeeker: Special Benefit TPV holder cohorts	
	Merge into JobSeeker: Youth Allowance (o)	Merge into JobSeeker: Special Benefit >65s	Replace FTB rates A & B with a new single FTB payment	*FTB now out of scope*
Rates	Lift rates by $150 p/f, cease supplements (energy, pharma, phone, APW/LLN)	Create new tiered structure for JSP (w. mid-tier rates for parents, mature aged, PCW, & Principal Carers)	Simplify/align indexation	Introduce a sharer rate
Work incentives	Align Income Free Areas with pensions, max 50% taper rates	Expand & simplify working credit		
Service delivery measures	Compliance: Shift effort toward risk-based approaches (Assets, MOCA, etc.)	Streamline waiting periods: Abolish SWPP	Double	*Not relevant to Stage Two*

Simplifying definitions of income – assess potential to include — TBC

3 Modelling & analysis

Macroeconomic scenarios (update with June 2020 data, incorporate insights from 1991 recession, JSP to student flows, and higher inflows post-JK in base case — s 22

Model updates and new features (see model backlog slides for full list) — s 22

Model handover (requires guidance from Nathan/Shane on future ownership) — s 22

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Stage One Further Analysis: Update

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We have further analysis underway, on the three key topics raised

Key question: Are there any other aspects/topics/angles missing?

☆ Initial view in following slides

1 Movements of people on and off payment

Working age entries and exits since February 2020, by:

- Payment type
- Partnered vs single
- Partner income level
- Age distribution
- Asset distribution
- Geography (metro, regional, remote) – heatmap by SA3, with deep dives on hard-hit SA2s
- Number of dependent children

Updated view of number of entries due to COVID temporary measures:

- Assets test exemption ☆
- Partner income test taper @ 25%
- Eligibility extensions (sole traders/stood down/self employed)

Breakdown of COVID nil rate population

- Income distribution ☆
- Age distribution

2 Changes in work arrangements (income distribution, consistency, balance within the household)

Earned income distribution by:

- Payment type
- Partnered vs single
- Partner income level
- Age distribution
- Asset distribution
- Geography (metro, regional, remote), heatmap by SA3, with deep dives on hard-hit SA2s
- Number of dependent children

Consistency of the above over time (volatility from fortnight to fortnight)

3 Interaction with other policies (e.g. changes to mutual obligations, ESP requirements)

Textual summary of key changes in other relevant policies, e.g.:

- Mutual obligations
- ESP requirements

Qualitative assessment of impact of these changes on the working age income support system

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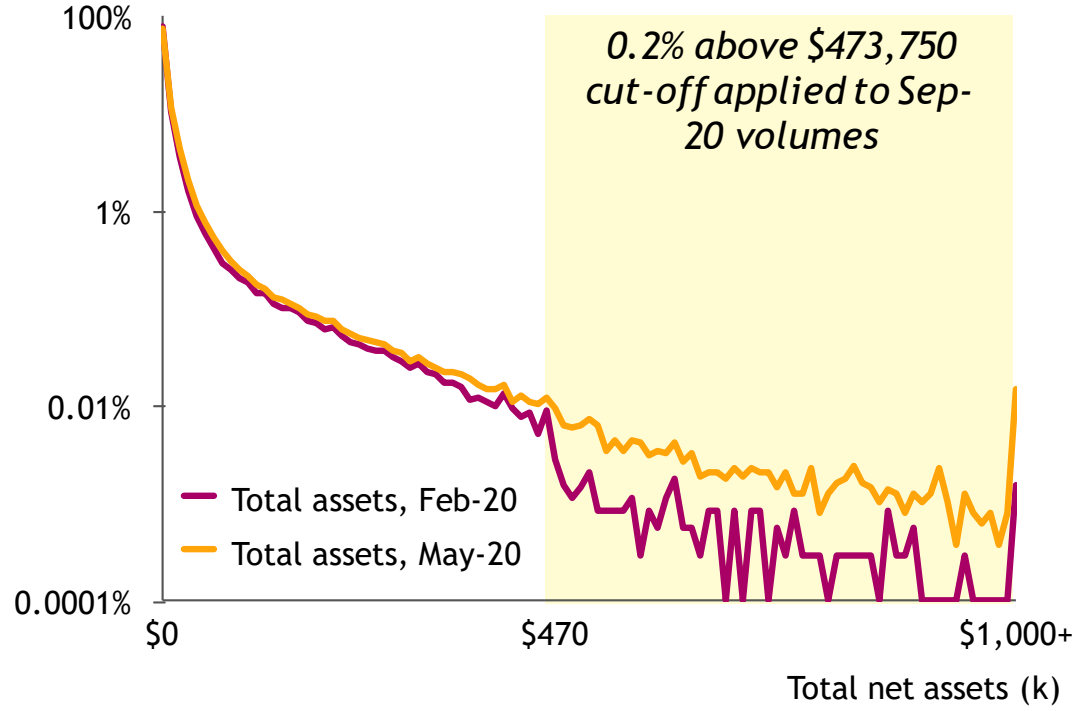
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New method for estimating net asset levels suggests ~50k to be ineligible

Approach extrapolates the historical financial to non-financial assets ratio

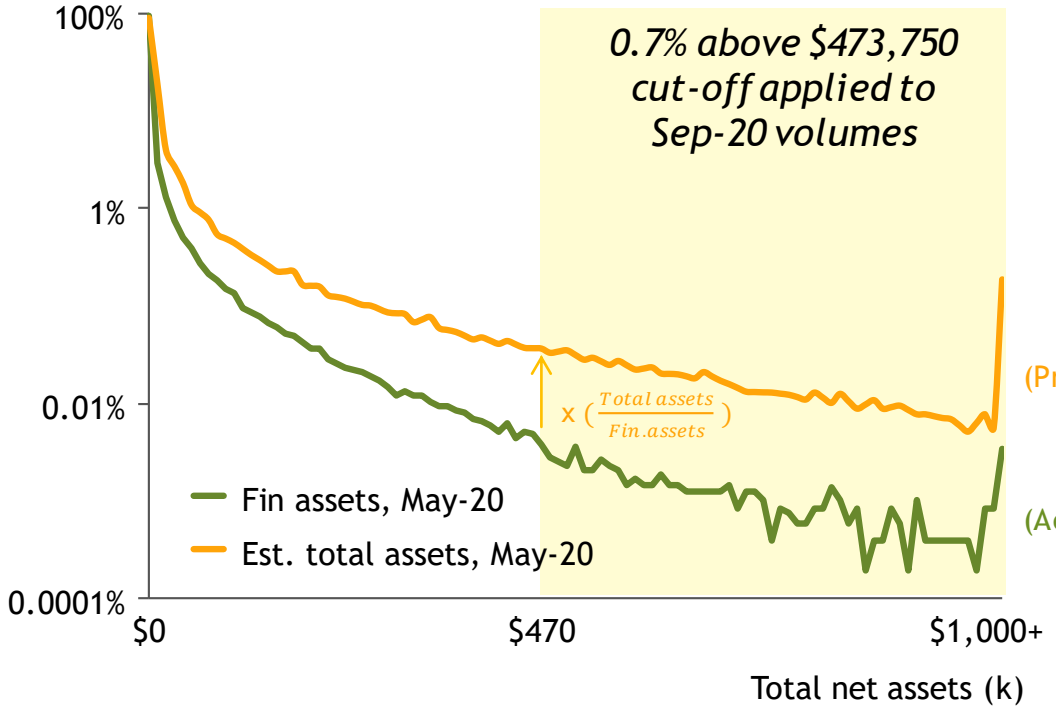
Old method: Assumes non-financial assets data collected by Services Australia during COVID is complete (finds ~34k)

E.g. Single non-homeowners



New method: Extrapolates financial vs non-financial assets ratio from Feb '20 to estimate total assets (finds ~50k)

E.g. Single non-homeowners



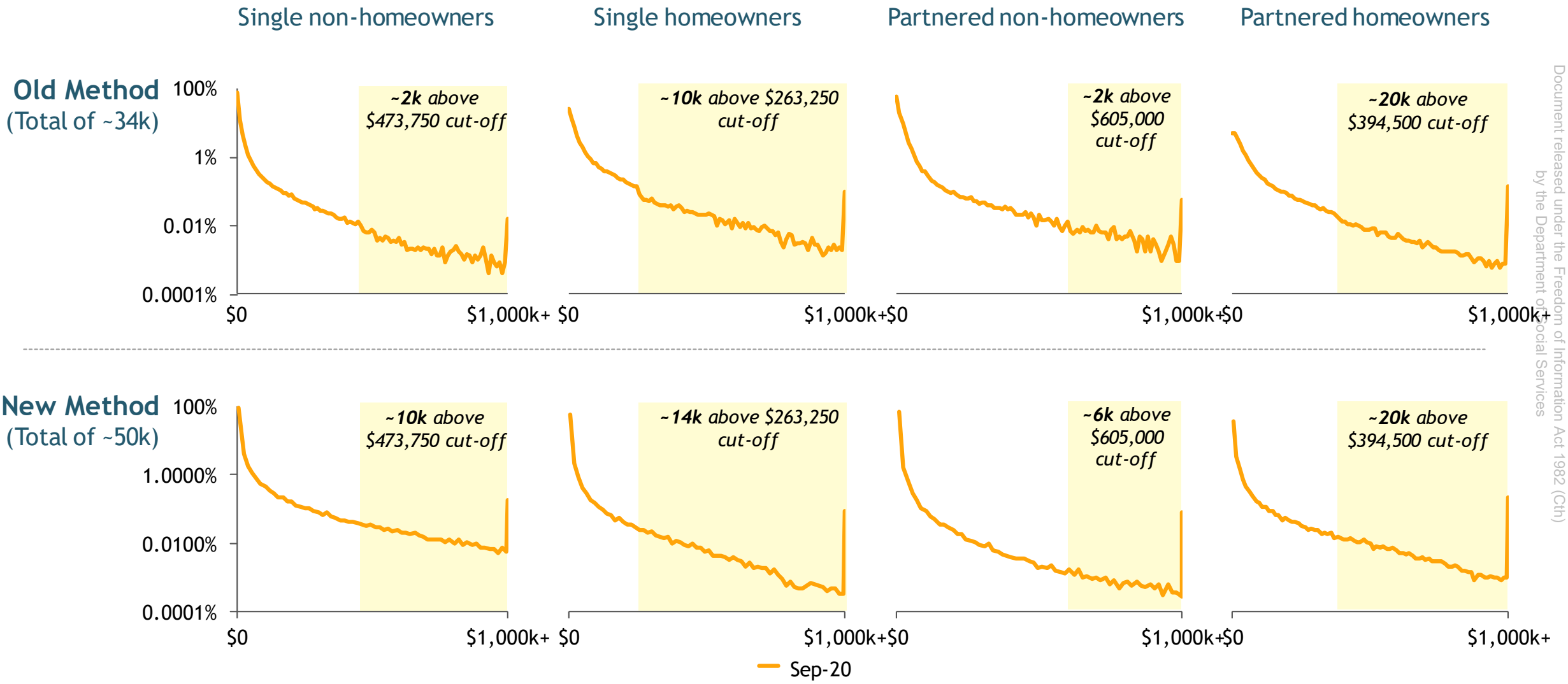
1. Average multiplier calculated using NSA, YA, PP, Austudy, ABSTUDY
Note: Assumes asset distribution in 29 May 2020 applies to Sep 2020 cohorts; assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

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Backup: Both methodologies yield similar distribution curves in Sep 2020



Note: Assets distributions for single, partnered homeowners and non-homeowners calculated using net financial and non-financial assets data obtained by Service Aus; volumes include suspended recipients and % of pending claims expected to be granted
Source: DSS Data, Project analysis

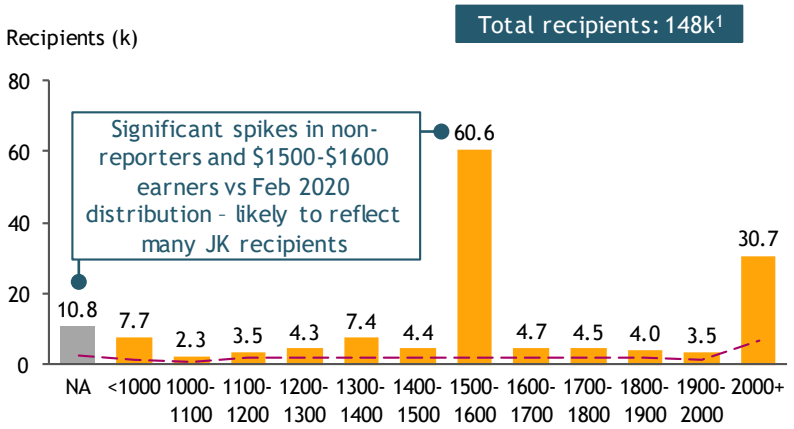
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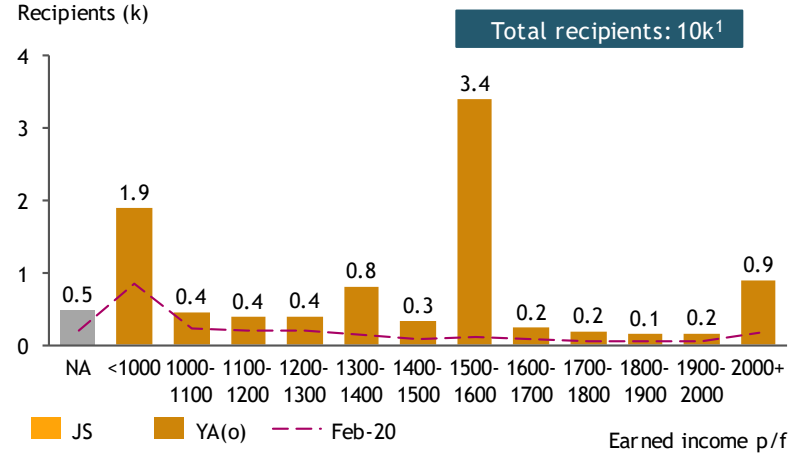
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187k recipients on nil rates in May, with ~75k appearing to be receiving JobKeeper (and therefore likely to return to income support)

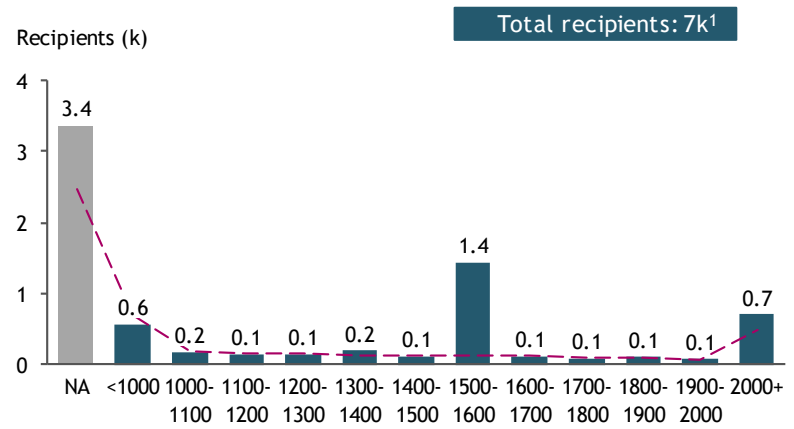
Jobseekers

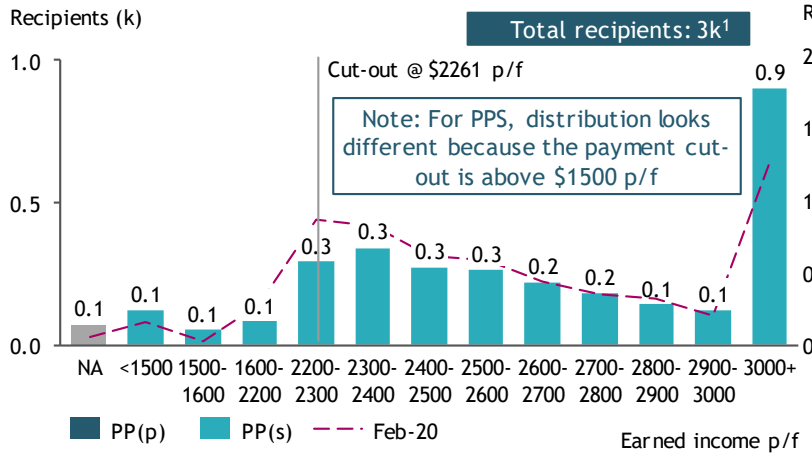




~59k 'extra' recipients earning $1500-1600[3]
~2.5k 'extra' recipients ceased reporting[4]

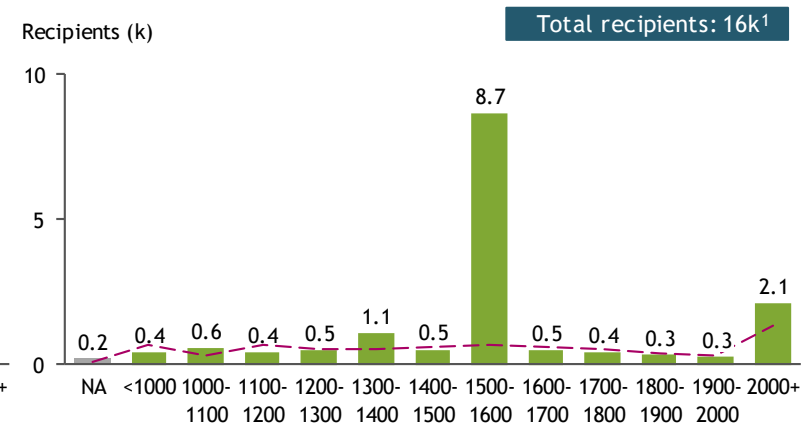
Parents of young children

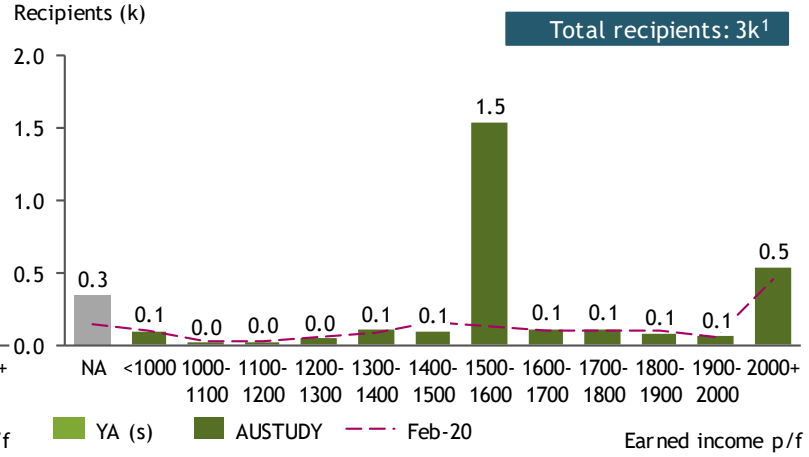




~1.4k 'extra' recipients earning $1500-1600[3]
~0.4k 'extra' recipients ceased reporting[4]

Students[2]





~10k 'extra' recipients earning $1500-1600[3]
~0.3k 'extra' recipients ceased reporting[4]

1. Total recipients includes those who did not report income 2. Less than 5 ABSTUDY recipients on nil rates as at 29 May 2020 3. 'Extra' recipients in the $1500-$1600 income band means the additional number of recipients beyond what the shape of the distribution would suggest 4. 'Extra' recipients who ceased reporting means the additional recipients beyond what would be expected by extrapolating Feb 2020 figures upward in line with the growth in working age recipient numbers since Feb 2020
Source: DSS Data, Project analysis

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Stage Two Options: Emerging Views

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We are working up three illustrative reform packages

Input from senior stakeholders needed soon to guide our focus and next steps

Temp relief
Payment types
Rates
Incentives
Service delivery
☆ Deep dive in following slides

Minimal reform

- Lift Allowance payment rates by $150 pf[2], and abolish 12 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, Mobility Allowance, PES — $6.9b p.a ☆
- Align Allowance and PPS IFAs to $174, max 50% taper for personal and partner income tests — $0.3b p.a ☆

Question for discussion: *Should we be considering a % increase rather than constant $ increase - in order to maintain single-couple rate relativities?*

Modest Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — ($30m) p.a
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by $150 pf[2], and abolish 12 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, Mobility Allowance, PES — $6.9b p.a
- Broaden existing mid-tier JSP rate for >60 year olds, by removing 9 mth on payment requirement — tbd
- Align Allowance and PPS IFAs to $174, max 50% taper for personal and partner income tests — $0.3b p.a
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $50m p.a
- Other minor policy changes[3]

Broad reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — ($30m) p.a
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by $150 pf[2], and abolish 12 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, Mobility Allowance, PES — $6.9b p.a
- Broaden existing mid-tier rate in JSP to all mature aged (>55s) and PCW (<15 hrs/week) — $0.3b p.a
- Move all single parents onto a single (mid tier) rate of payment, regardless of child's age[4] — tbd
- Introduce a sharer rate of payment (alongside single and partnered payment rates) — tbd ☆
- Index all Allowances to PBLCI, rather than CPI — tbd ☆ Note: Could be included in in modest reform
- Align Allowance and PPS IFAs to $174, max 50% taper for personal and partner income tests — $0.3b p.a
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $50m p.a
- Other minor policy changes[3]

Note 1:All outlays figures are modelled based on FY22 delta to Current Path.
Note 2: Sharer payment rate, aligning indexation and couple combined income test not yet modelled. Of the 10 supplements proposed for
Note 3: Includes abolition of the SWPP, adopting greater risk-based approaches to compliance (e.g. MOCA, assets test, rental verifications), and changes to the nil rate payment period removal, only energy and pharma are currently modelled.
Note 4: Current recipients of PPS would be grandfathered
Source: DSS Data, Project analysis

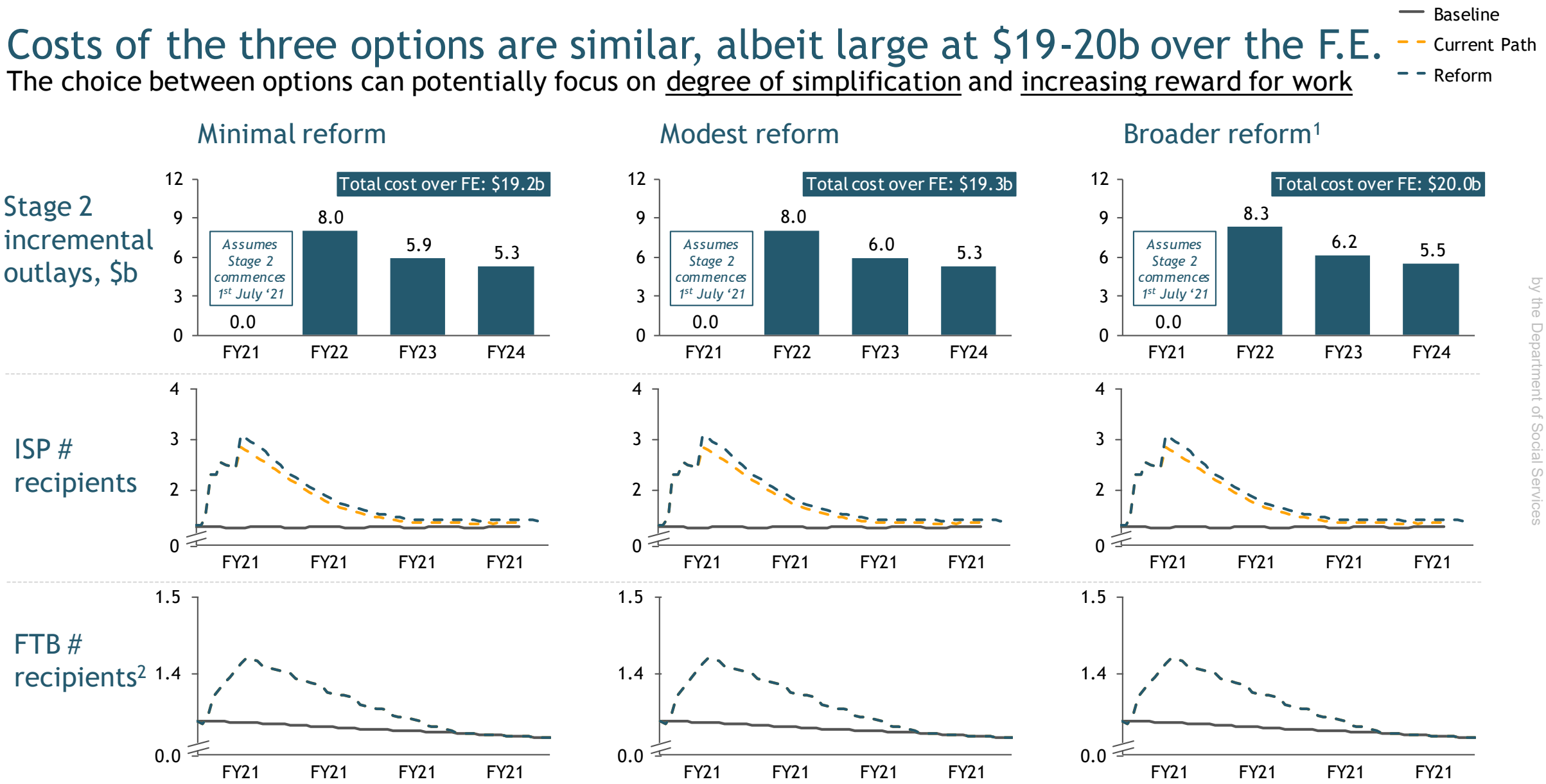
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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Costs of the three options are similar, albeit large at $19-20b over the F.E.

The choice between options can potentially focus on degree of simplification and increasing reward for work



1. Does not yet include costings for sharer rate, indexation reform, mature age rate (lite), or transfer of PPS to mid-tier 2. Adjusts for recipients receiving both FTB-A and FTB-B to avoid double counting.
Note: Aggregates JobSeeker, YA(JobSeeker), PP(Single), PP(Partnered), YA (Student), Austudy, ABStudy, Special Benefit, Family Tax Benefit (A & B); Incremental outlays calculated against Current Path baseline

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Minimal Reform: Rate Table for Jobseekers and Parents

Note: Under these changes all recipients are better off, with the exception of ~20k PPS recipients, and some (<500) JSP PCP recipients. Suggest grandfathering or a lump sum

Current

Payment	Rate	Vol	Amt		Proposed	Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25	JSP	Single principal carer with exemption	4,000	$815.10
	Single, with dependent child	160,000	$612.00	+$150		Single, with dependent child	160,000	$762.00
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150		Single, aged 60 or over, after 9 months	73,000	$762.00
	Single, no children	909,000	$565.70	+$150		Single, no children	909,000	$715.70
	Partnered, with or without children	497,000	$510.80	+$150		Partnered, with or without children	497,000	$660.80
Parenting Payment	Single, with child <8	242,000	$790.10	+$25	PP	Single, with child <8	242,000	$815.10
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150		Partnered with child <6, sep. by illness/prison	90,000	$762.00
	Partnered, with child <6	500	$510.80	+$150		Partnered, with child <6	500	$660.80
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25	YA(o)	Single, principal carer with exemption	5	$815.10
	Single, with dependent child	500	$606.00	+$156		Single, with dependent child	500	$762.00
	Partnered, with child	1,500	$507.90	+$153		Partnered, with child	1,500	$660.80
	Partnered, no children	5,500	$462.50	+$150		Partnered, no children	5,500	$612.50
	Single, over 18 years, away from home	52,000	$462.50	+$150		Single, over 18 years, away from home	52,000	$612.50
	Single, over 18 years, at home	101,000	$304.60	+$150		Single, over 18 years, at home	101,000	$454.60
	Single, under 18 years, away from home	4,500	$462.50	+$150		Single, under 18 years, away from home	4,500	$612.50
	Single, under 18 years, at home	7,000	$253.20	+$150		Single, under 18 years, at home	7,000	$403.20

For discussion: Are there adverse policy implications of having 16-17 year olds on rates at these higher levels?

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Minimal Reform: Rate Table for Students

Note: Under these changes all recipients are better off

Payment	Current Rate	Current Vol	Current Amt		Proposed	Proposed Rate	Proposed Vol	Proposed Amt
Austudy	Single, with dependent children	3,500	$606.00	+$156	AUS	Single, with dependent children	3,500	$756.00
	Single, no children	25,000	$462.50	+$150		Single, no children	25,000	$612.50
	Partnered, no children	3,000	$462.50	+$150		Partnered, no children	3,000	$612.50
	Partnered, with children	5,000	$507.90	+$153		Partnered, with children	5,000	$657.90
	Single, no dependent children, long-term[1]	6,500	$561.90	+$51		Single, no dependent children, long-term[1]	6,500	$612.50
	Partnered, no children, long-term[1]	500	$507.90	+$105		Partnered, no children, long-term[1]	500	$612.50
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156	YA(s)	Single, with dependent children	200	$756.00
	Single, under 18 years, at home	2,500	$253.20	+$201		Single, under 18 years, at home	2,500	$403.20
	Single, over 18 years, at home	129,000	$304.60	+$150		Single, over 18 years, at home	129,000	$454.60
	Single, under 18 years, away from home	5,000	$462.50	+$150		Single, under 18 years, away from home	5,000	$612.50
	Single, over 18 years, away from home	84,000	$462.50	+$150		Single, over 18 years, away from home	84,000	$612.50
	Partnered, no children	5,500	$462.50	+$150		Partnered, no children	5,500	$612.50
	Partnered, with children	500	$507.90	+$153		Partnered, with children	500	$657.90
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$80		Single, over 18 years, at home, long-term[1]	1,000	$454.60
	Single, living away from home, long-term[1]	2,000	$561.90	+$51		Single, living away from home, long-term[1]	2,000	$612.50
	Partnered, no children, long-term[1]	200	$507.90	+$105		Partnered, no children, long-term[1]	200	$612.50

For discussion: Are there adverse policy implications of having 16-17 year olds on rates at these higher levels?

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Modest Reform: Rate Table for Jobseekers and Parents

Note: Under these changes all recipients are better off, with the exception of ~20k PPS recipients, and some (<500) JSP PCP recipients. Suggest grandfathering or a lump sum

Current

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25
	Single, with dependent child	160,000	$612.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150
	Single, no children	909,000	$565.70	+$150
	Partnered, with or without children	497,000	$510.80	+$150
Parenting Payment	Single, with child <8	242,000	$790.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150
	Partnered, with child <6	500	$510.80	+$150
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25
	Single, with dependent child	500	$606.00	+$156
	Partnered, with child	1,500	$507.90	+$153
	Partnered, no children	5,500	$462.50	+$150
	Single, over 18 years, away from home	52,000	$462.50	+$150
	Single, over 18 years, at home	101,000	$304.60	+$150
	Single, under 18 years, away from home	4,500	$462.50	+$150
	Single, under 18 years, at home	7,000	$253.20	+$201

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$815.10
Single, with child <8	242,000	$815.10
Mid Tier Rates		
Single, dependent child aged 8+	160,500	$762.00
Single, aged >60	119,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	863,000	$715.70
Partnered, with or without children	497,500	$660.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$660.80
Partnered, no children	5,500	$612.50
Single, no children, away from home	56,500	$612.50
Single, no children, at home	108,000	$454.60

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Modest Reform: Rate Table for Students

Note: Under these changes all recipients are better off

Current

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$606.00	+$156
	Single, no children	25,000	$462.50	+$150
	Partnered, no children	3,000	$462.50	+$150
	Partnered, with children	5,000	$507.90	+$153
	Single, no dependent children, long-term[1]	6,500	$561.90	+$51
	Partnered, no children, long-term[1]	500	$507.90	+$105
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156
	Single, under 18 years, at home	2,500	$253.20	+$201
	Single, over 18 years, at home	129,000	$304.60	+$150
	Single, under 18 years, away from home	5,000	$462.50	+$150
	Single, over 18 years, away from home	84,000	$462.50	+$150
	Partnered, no children	5,500	$462.50	+$150
	Partnered, with children	500	$507.90	+$153
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$80
	Single, living away from home, long-term[1]	2,000	$561.90	+$51
	Partnered, no children, long-term[1]	200	$507.90	+$105

Proposed

Rate	Vol	Amt
Top Tier Rates		
Mid Tier Rates		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates		
Partnered, with children	5,500	$660.80
Partnered, no children	9,200	$612.50
Single, aged 25+, no children	31,500	$612.50
Single, aged 16-24, no ch'n, away from home	91,000	$612.50
Single, aged 16-24, no children, at home	132,500	$454.60

Removal of long-term income support rates may disincentivise further study.
Next step: impact on long-term income support recipients with supplements to be estimated; anticipated up to $50pf gain if rate is increased by $150pf

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Broader Reform: Rate Table for Jobseekers and Parents

Note: Under these changes all recipients are better off, with the exception of all PPS recipients, and some (<500) JSP PCP recipients. Suggest grandfathering

Current

Payment	Rate	Vol	Amt	
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25
	Single, with dependent child	160,000	$612.00	+$150
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150
	Single, no children	909,000	$565.70	+$150[1]
	Partnered, with or without children	497,000	$510.80	+$150
Parenting Payment	Single, with child <8	242,000	$790.10	+$25
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150
	Partnered, with child <6	500	$510.80	+$150
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25
	Single, with dependent child	500	$606.00	+$156
	Partnered, with child	1,500	$507.90	+$153
	Partnered, no children	5,500	$462.50	+$150
	Single, over 18 years, away from home	52,000	$462.50	+$150
	Single, over 18 years, at home	101,000	$304.60	+$150
	Single, under 18 years, away from home	4,500	$462.50	+$150
	Single, under 18 years, at home	7,000	$253.20	+$201

Proposed

Rate	Vol	Amt
Top Tier Rates		
Single principal carer with exemption	4,005	$815.10
Mid Tier Rates		
Single, dependent child	400,500	$762.00
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$762.00
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Foundation Tier Rates - Aged 22+		
Single, no dependent children	805,000	$715.70
Single, sharer, no dependent children	>40,000[2]	[$697.40]
Partnered, with or without children	497,500	$660.80
Foundation Tier Rates - Aged 16-21		
Partnered, with children	1,500	$660.80
Partnered, no children	5,500	$612.50
Single/Sharer, no children, away from home	56,500	$612.50
Single, no children, at home	108,000	$454.60

1. Or +$132 for those who are Sharers 2. Initial estimate, to be tightened
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Broader Reform: Rate Table for Students

Note: Under these changes all recipients are better off

Current

Payment	Rate	Vol	Amt		Proposed Rate	Vol	Amt
Austudy	Single, with dependent children	3,500	$606.00	+$156	Top Tier Rates		
	Single, no children	25,000	$462.50	+$150			
	Partnered, no children	3,000	$462.50	+$150	Mid Tier Rates		
	Partnered, with children	5,000	$507.90	+$153	Single, with dependent children	3,700	$762.00
	Single, no dependent children, long-term[1]	6,500	$561.90	+$51			
	Partnered, no children, long-term[1]	500	$507.90	+$105	Foundation Tier Rates		
					Partnered, with children	5,500	$660.80
					Partnered, no children	9,200	$612.50
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156	Single/Sharer, aged 25+, no children	31,500	$612.50
	Single, under 18 years, at home	2,500	$253.20	+$201	Single/Sharer, aged 16-24, no ch'n, away from home	91,000	$612.50
	Single, over 18 years, at home	129,000	$304.60	+$150	Single, aged 16-24, no children, at home	132,500	$454.60
	Single, under 18 years, away from home	5,000	$462.50	+$150			
	Single, over 18 years, away from home	84,000	$462.50	+$150			
	Partnered, no children	5,500	$462.50	+$150			
	Partnered, with children	500	$507.90	+$153			
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$80			
	Single, living away from home, long-term[1]	2,000	$561.90	+$51			
	Partnered, no children, long-term[1]	200	$507.90	+$105			

Removal of long-term income support rates may disincentivise further study.
Next step: impact on long-term income support recipients with supplements to be estimated; anticipated up to $50pf gain if rate is increased by $150pf

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used

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Sense Check: Broad $150 p/f rate increase would see JSP exceed DSP Pension Rates for young people aged <21 (I/II)

New Allowance Rate higher than Pension equivalent

Proposed rate structure for JSP

Rate	Vol	Current Amt	Example Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt incl. supp.[3]	Gap between Pension Amt and Proposed Amt
Top Tier Rates						
Single principal carer with exemption	4,005	$790.10	$815.10	$815.10	$944.30	$129.20
Single, with child <8	242,000	$790.10	$815.10	$815.10	$944.30	$129.20
Mid Tier Rates						
Single, dependent child aged 8+	160,500	$612.00	$712.00	$762.00	$944.30	$182.30
Single, aged >55, or with a partial capacity to work (14 hrs or less)	137,000	$612.00	$712.00	$762.00	$944.30	$182.30
Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$612.00	$712.00	$762.00	$944.30	$182.30
Foundation Tier Rates - Aged 22+						
Single, no dependent children	909,000	$565.70	$665.70	$715.70	$944.30	$228.60
Single, sharer, no dependent children	TBD	N/A	$647.40	$697.40		
Partnered, with or without children	497,500	$510.80	$610.80	$660.80	$711.80	$51.00
Foundation Tier Rates - Aged 16-21						
Partnered, with children	1,500	$507.90	$610.80	$660.80	$944.30	$283.50
Partnered, no children	5,500	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, no children, away from home	56,500	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, no children, at home	108,000	$304.60	$404.60	$454.60	$443.10	-$11.50
					Or $391.70 if <18	

1. $25 p/f increase for top tier rates; $100 p/f increase for remaining rates 2. $25 p/f increase for top tier rates; $150 p/f increase for remaining rates 3. Includes Pension Supplement, Youth Disability Supplement, Energy Supplement
Source: DSS Data, Project analysis

Suggest raising these youth DSP rates, since youth DSP rates already linked to Youth Allowance base rates today

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Sense Check: Broad $150 p/f rate increase would see JSP exceed DSP Pension Rates for young people aged <21 (II/II)

New Allowance Rate higher than Pension equivalent

Proposed rate structure for Austudy

Rate	Vol	Current Amt	Proposed Amt (+$25/100 pf)[1]	Proposed Amt (+$25/150 pf)[2]	Corresponding Pension Amt incl. supp.[3]	Current Differential between Pension and Current Amt
Top Tier Rates						
Single principal carer with exemption	0	$790.10	$815.10	$815.10	$944.30	$129.20
Mid Tier Rates						
Single, dependent child	3,700	$606.00	$712.00	$762.00	$944.30	$182.30
Foundation Tier Rates - Aged 22+						
Partnered, with children	5,500	$507.90	$610.80	$660.80	$711.80	$51.00
Partnered, no children	9,200	$462.50	$562.50	$612.50	$711.80	$99.30
Single, aged 25+, no children	31,500	$462.50	$562.50	$612.50	$944.30	$331.80
Single, aged 16-24, no ch'n, away from home	91,000	$462.50	$562.50	$612.50	$603.50	-$9.00
Single, aged 16-24, no children, at home	132,500	$304.60	$404.60	$454.60	$443.10	-$11.50
					Or $391.70 if <18	

Suggest raising these youth DSP rates, since youth DSP rates already linked to Youth Allowance base rates today

1. $25 p/f increase for top tier rates; $100 p/f increase for remaining rates 2. $25 p/f increase for top tier rates; $150 p/f increase for remaining rates 3. Includes Pension Supplement, Youth Disability Supplement, Energy Supplement
Source: DSS Data, Project analysis

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Deep dive: 10-12 supplements in-scope for absorption into rate increase

High potential for consolidation
Further potential for consolidation
No change in this policy option
xx # recipients at 1/12/19

From: Current State

Payments

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Supplements

Energy Supplement ($9-$12 pf)	5,975k
Pharmaceutical Allowance ($6 pf)	881k
Telephone Allowance ($5 pf)	561k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	16k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	80k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1]	22k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

Worth up to $84 p/f[2]

Worth up to $202 p/f

To: Potential end-state

Pensions

Age Pension	2,515k
Disability Support Pension	752k
Carer Payment	284,
Wife Pension	4k
Widow Pension	0.3k
Parenting Payment (S)	229k

Allowances

Special Benefit	7k
Jobseeker Payment	728k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Bereavement Allowance	0.1k
Sickness Allowance	5k
Widow Allowance	7k
Partner Allowance	1k

Energy Supplement	4662k
Pharmaceutical Allowance	26k
Telephone Allowance	5k
Approved Program of Work Supplem...	0.1k
Language, Literacy and Numeracy Supple...	1k
Essential Medical Equipment Payme...	TBC
Remote Area Allowance	38k
Education Entry Payment	14k
Pensioner Education Supplement[1]	10k
Mobility Allowance	14k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k
Pension Bonus Scheme	TBC

10 supplements abolished for allowance recipients

2 potentially abolished for allowance recipients

1. Pensioner Education Supplement able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Note: FTB A, FTB B, and Farm Household Allowance not shown; Energy supplement recipient numbers include FTB recipients Source: DSS data; Project analysis

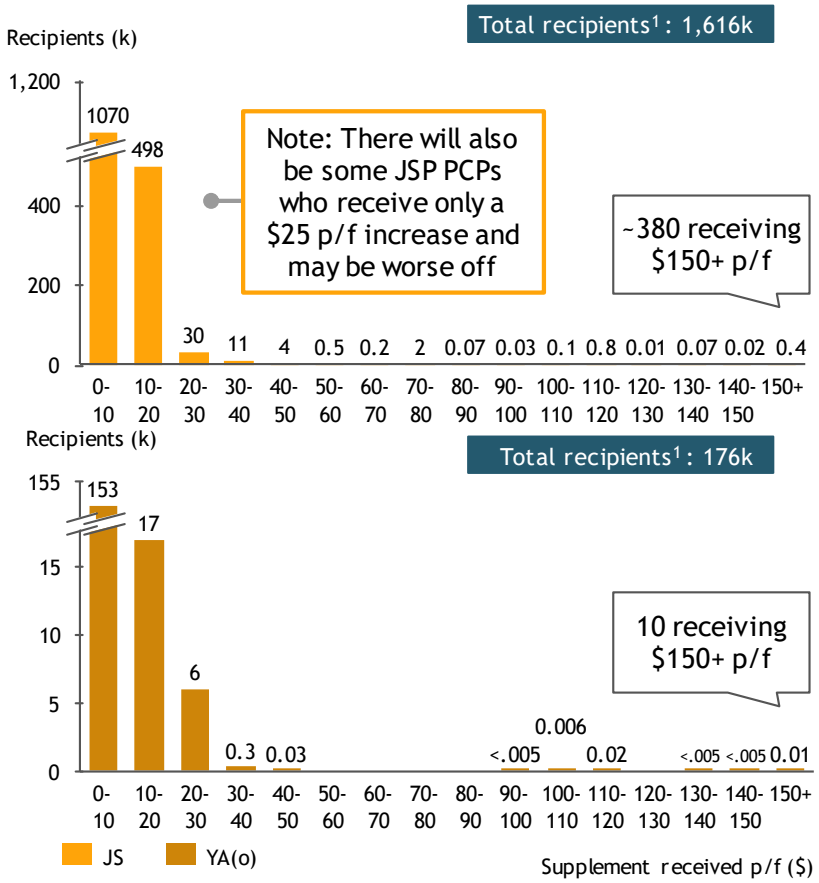
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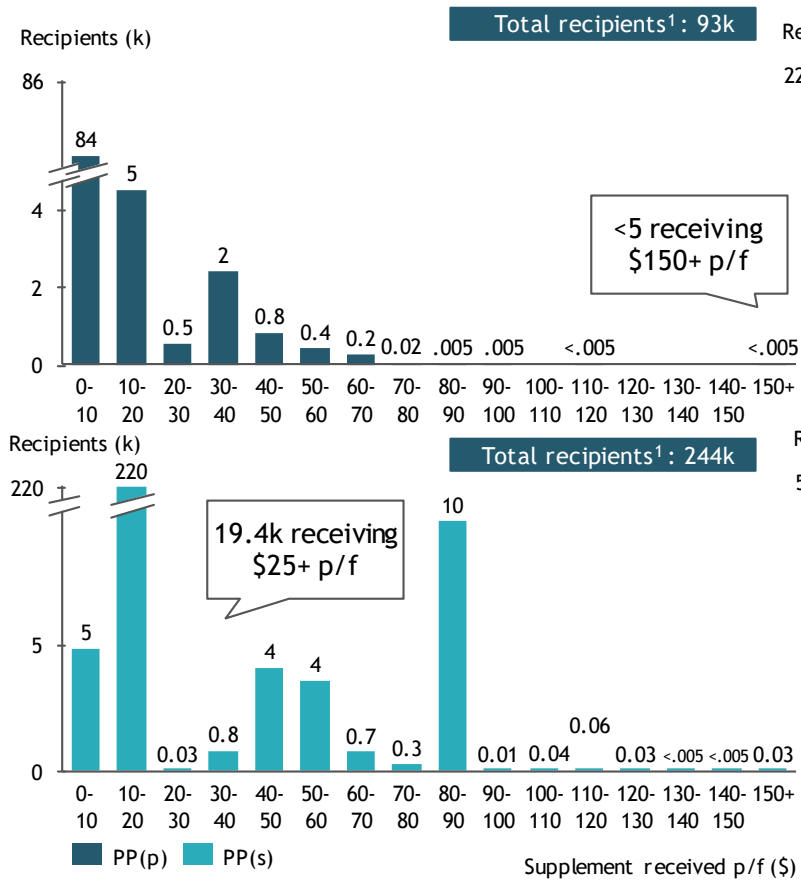
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Deep dive: 20k recipients to be worse off after rate lift + absorption of 12 supplements, largely on PP(s) payment

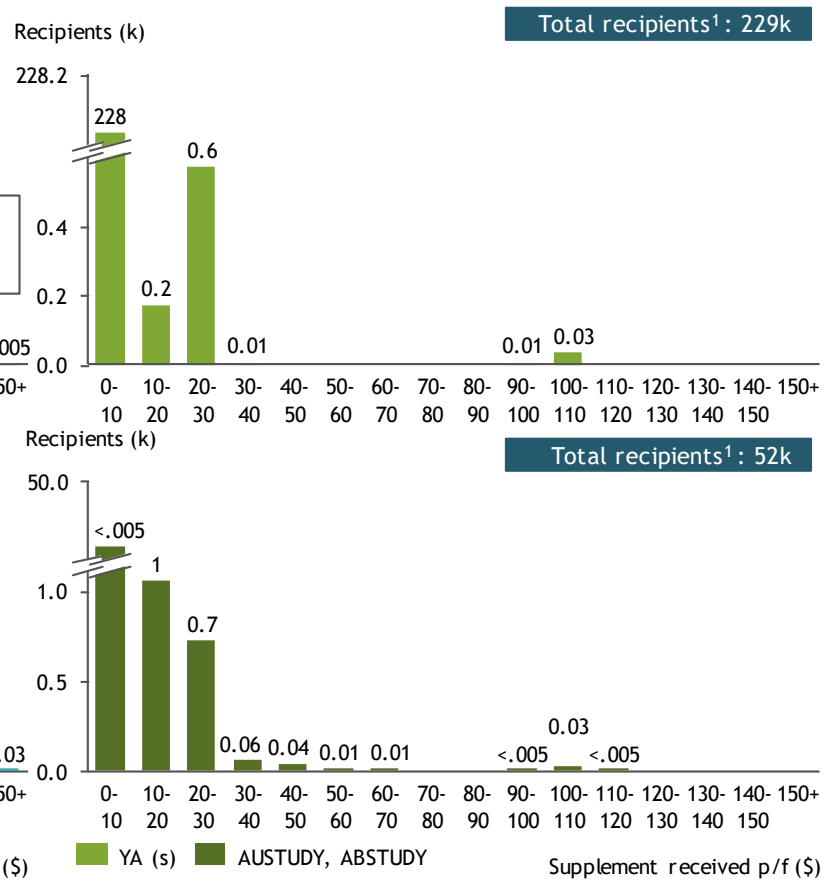
Jobseekers



Parents of young children



Students



1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Supplements include Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, Approved Program of Work Supplement, Language, Literacy & Numeracy Supplement, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Mobility Allowance, Pensioner Education Supplement; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data, Project analysis

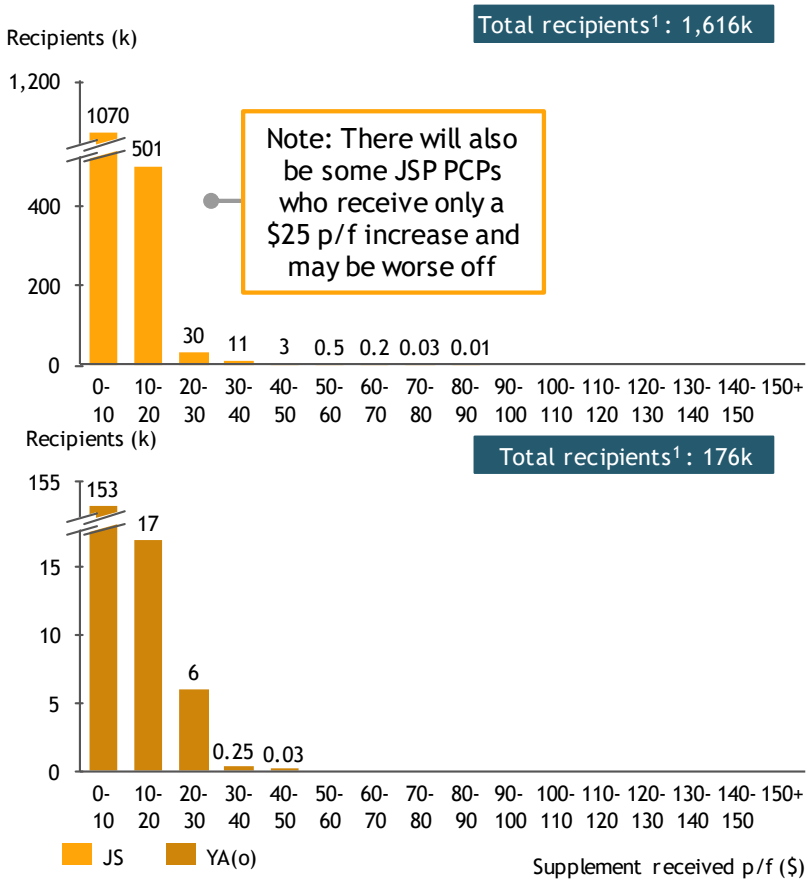
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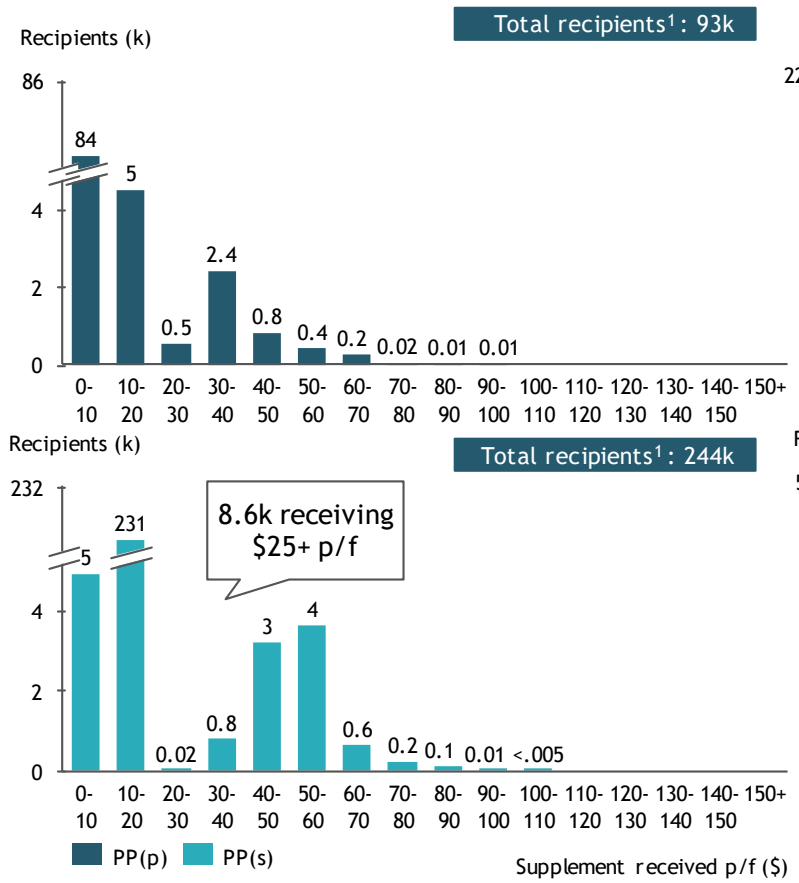
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Alternative: 8.6k recipients to be worse off after rate lift + absorption of 10 supplements (excl. Mobility Allowance and PES), all on PP(s) payment

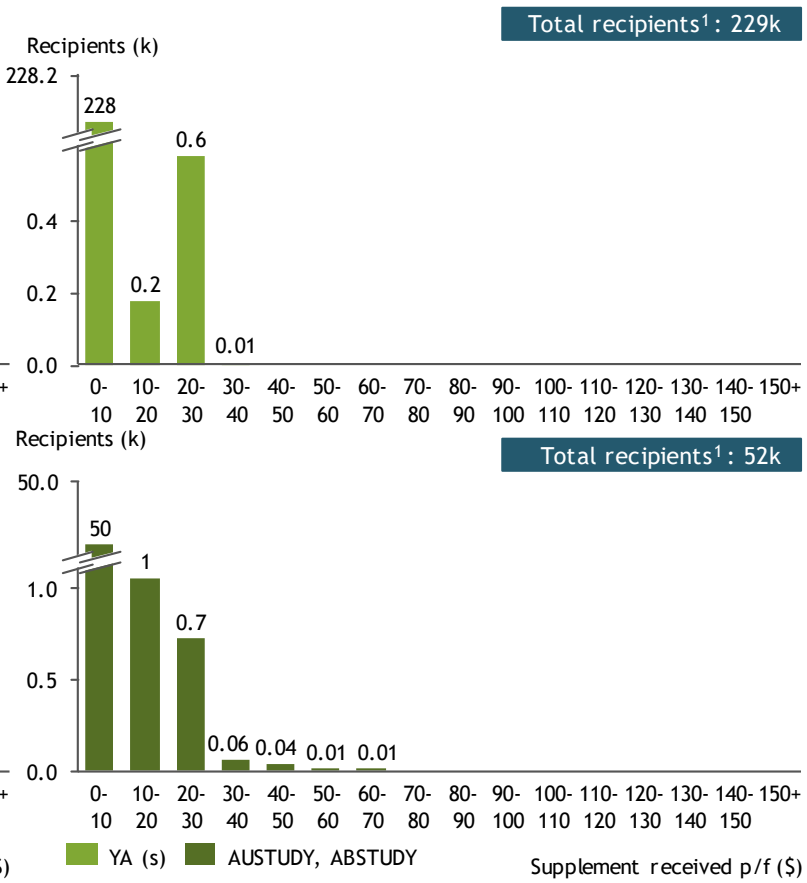
Jobseekers



Parents of young children



Students



1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Supplements include Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, Approved Program of Work Supplement, Language, Literacy & Numeracy Supplement, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment
Source: DSS Data, Project analysis

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Deep dive: Income test: Post-COVID period, post 30-June '21

For three example types of households

Overshoots min wage by $102; see next slide for options

Single Jobseeker

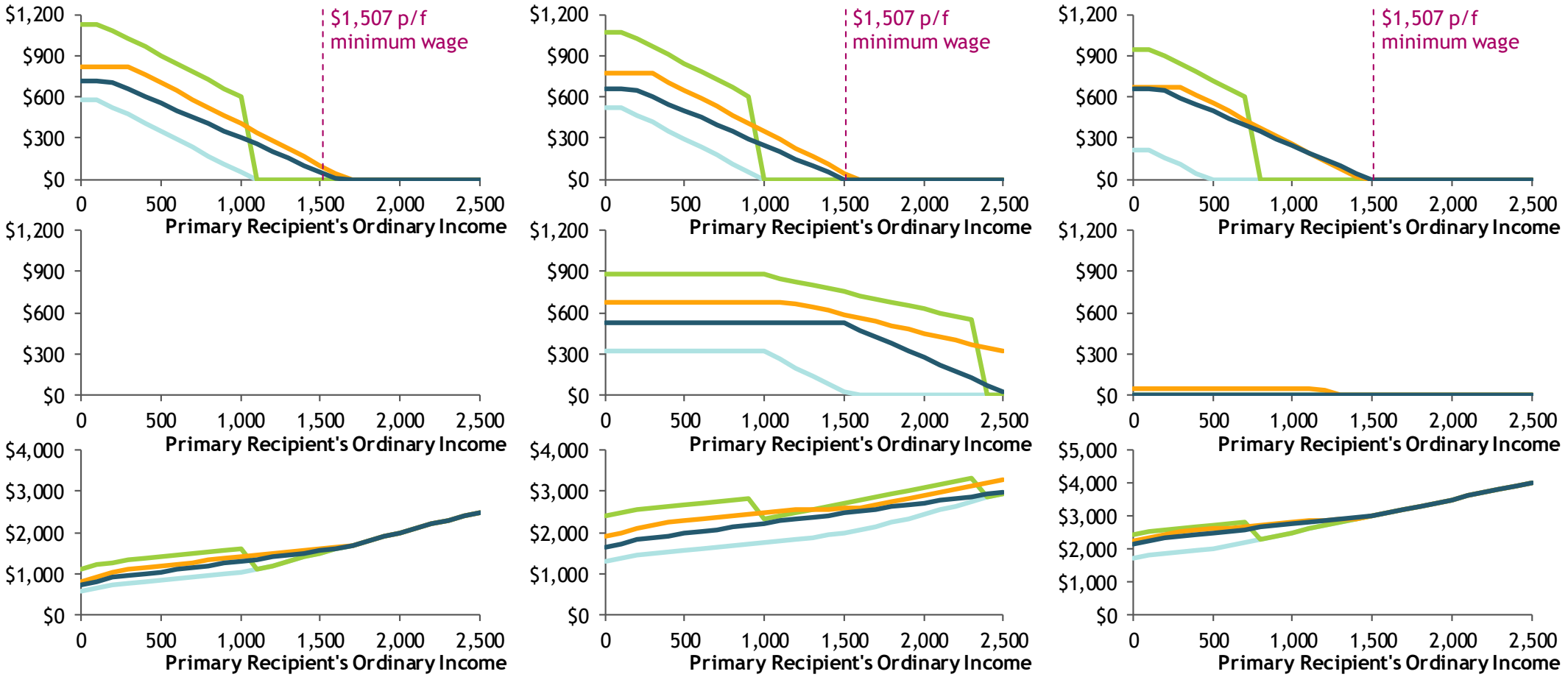
Partnered Jobseeker, partner earning $450 p/f & also on JSP

Partnered Jobseeker, partner earning $1507 p/f & also on JSP

Primary Recipient ISP p/f

Partner ISP p/f

Household net income p/f



Note: All scenarios assume no supplements being received

Pre-COVID payment rate and income test

From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%

Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1165 & 27% taper

Post 30 June 2020, rate increase of $150, $174 IFA, 50% taper, 50% partner taper

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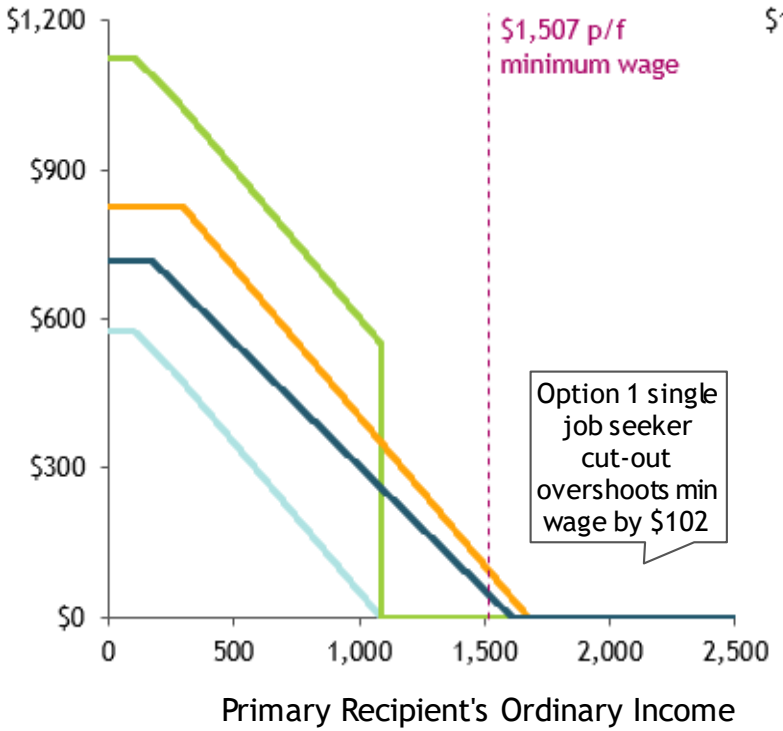
DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

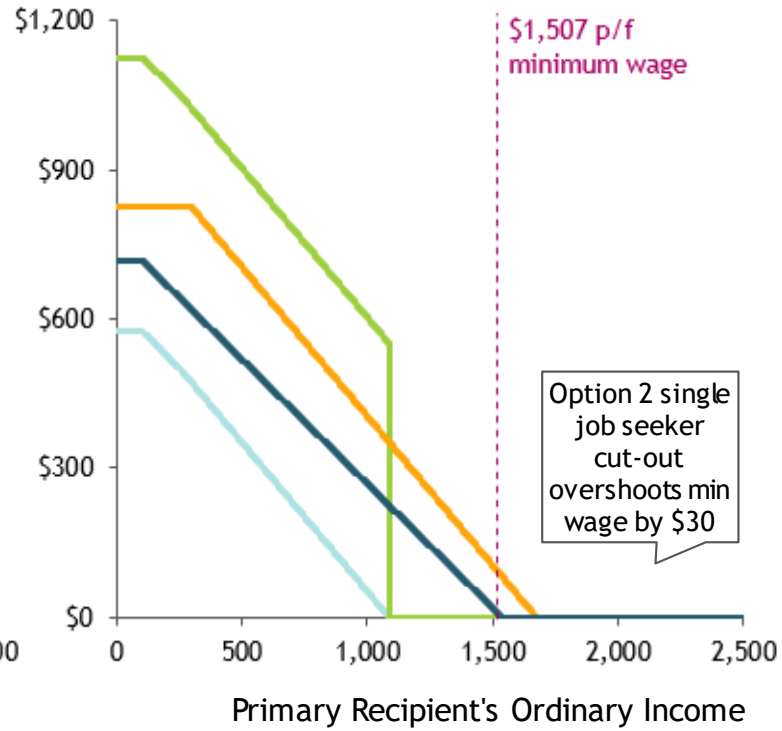
Deep dive: Three options to bring single job seeker cut-out under min wage

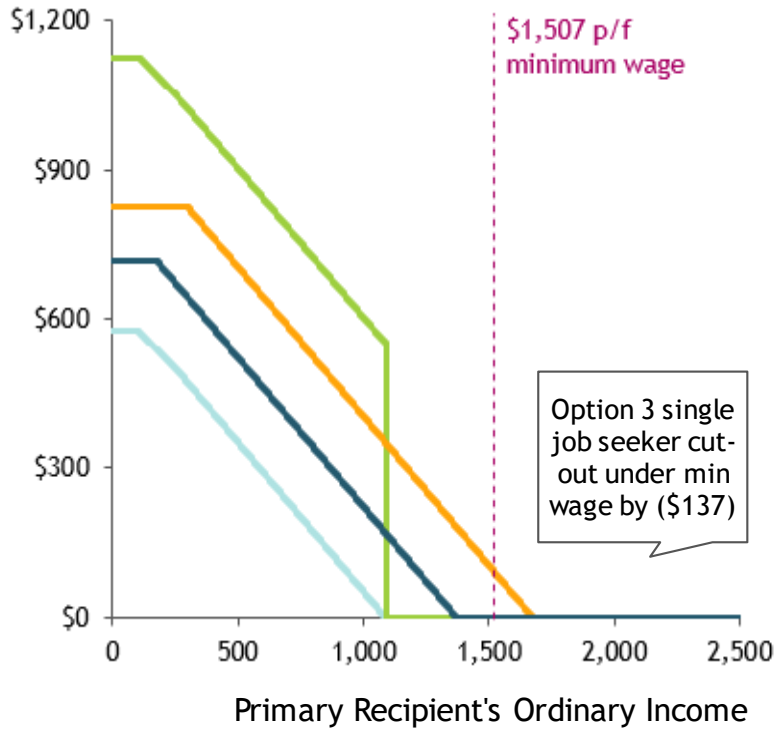
1 Align with pensions: $178 IFA, 50% taper, and allow cut-out to over-shoot minimum wage by $104 p/f

2 Reduced taper only: $106 IFA, 50% taper, and allow cut-out to overshoot minimum wage by $30

3 Increased IFA only: $178 IFA, 60% taper, and reduce cut-out below minimum wage, but higher EMTR







If $30 overshoot still problematic, could reduce IFA, including to zero (which supports simplification)

Note: All scenarios assume no supplements being received

- Pre-COVID payment rate and income test
- From 27 Apr 2020: $550 supplement, same IFA & taper, Partner taper @ 25%
- Post 25-Sep, $250 supplement, $300 IFA, 60% taper, Partner IFA $1165 & 27% taper
- Post 30 June 2020, rate increase of $150, $174 IFA, 50% taper, 50% partner taper

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Deep Dive: Potential to add sharer rate category for key allowances, and abolish sharers provisions for Rent Assistance

Policy context

A sharer's rate may **enhance the targeted and needs-based design** of Australia's social security system by better ensuring that rates of support correspond to individual circumstances.

A sharer's rate which falls between the single and coupled base rates would **recognise the limited economies of scale that accompany shared accommodation.**

A sharer's rate would remove the need for existing sharers provisions for Rent Assistance, which could be abolished. Removing sharers provisions for Rent Assistance would likely offset the base rate reduction for sharers in the rental market and assist a cohort known to have an increased likelihood of experiencing housing stress.

Note, xx
Source: DSS data, Project analysis

From: Single rate category only with wide range of living costs

1. Singles paid the same base rate regardless of whether they live alone or share
2. Sharers provisions for Rent Assistance apply only to recipients in the private rental market, not home owners who share, or those in social housing

Pros:

- ✓ Couple/single payment rates a longstanding principle of the system and well understood
- ✓ Payment does not incentivise or disincentivise certain forms of accommodation

Cons:

- × Single rate arguably makes insufficient reference to economies of scale derived through shared accommodation
- × Single rate for those in shared accommodation arguably inconsistent with coupled rates

To: Single and sharer rate categories that reflect large living cost discrepancy

1. Sharer's rate set at the partnered base rate level plus two-thirds of the difference between the coupled and single base rates for each payment
2. Sharers provisions in Rent Assistance abolished, to avoid "double counting" the economies of scale of sharing a home
3. Current CRA exemptions from having the Sharer's provisions applied would now be available for those facing a sharer ISP rate

Pros:

- ✓ Savings to government
- ✓ Improves equity between private renters, and social housing renters and home owners
- ✓ Better targeting of support to cohorts typically under most pressure

Cons:

- × Adds complexity
- × Negative reception from stakeholders regarding payment adequacy
- × Administratively difficult

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Backup: Other options considered for design of sharers rate

Preferred (reflected on previous slide)

1: New sharers rate created in ISPs, sharers rate in CRA abolished

Description

Sharer rate created within JobSeeker, Age Pension, Youth Allowance Other and Student, and Austudy.
All the exemptions from CRA Sharers Rate would now be applied as exemptions from the ISP sharer rate (e.g. no right of access to a shared kitchen)

Cost Implications

Payment	Single ($ p/f)	Sharer ($ p/f)	Partnered (no dependents) ($ p/f)
JobSeeker	565.70	547.40	510.80
Age Pension	860.60	790.00	648.70
Youth Allowance (other) + (student)	462.50	462.50	462.50
Austudy	462.50	462.50	462.50

2: New sharer's rate applied to all recipients who share an address

As per Option 1, however recipients would be determined to be sharing based only on sharing an address.

This could be simpler for those on payment as people with the same recorded address could be automatically matched as sharing.

This option is not simpler for determining people who share with people not on payment.

It also doesn't recognise the potentially higher costs for accommodation with separate kitchen or bathroom facilities.

Pros:

- ✓ Slightly less administratively complex for households with multiple people receiving payment

Cons:

- × Information not held on people not receiving payment
- × Doesn't recognise potential extra costs for independent accommodation

3: Introduce Sharer's Rate and retain sharers provisions for Rent Assistance

As per Option 1, however sharers rates for Rent Assistance would also be retained.

This option would retain the relatively higher level of support for those in the private rental market in comparison to homeowners.

However, all sharers would be worse off under this proposal, compared to option 1

Pros:

- ✓ Savings to government
- ✓ Retains relatively higher level of assistance for those in the private rental market

Cons:

- × Risk of "double counting" the financial benefits of sharing for recipients
- × Reduces payment rates
- × Administratively complicated
- × Potentially two layers of compliance (for base rate and for Rent Assistance)

Source: DSS data, Project analysis

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Deep dive: Potential opportunity to move all Allowances to PBLCI indexation

Key indices and benchmarks

Consumer Price Index (CPI) - measure of the average change over time in the prices paid by households for a fixed basket of goods and services.

Pensioner and Beneficiary Living Cost Index (PBLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by age pensioner households and other government transfer recipient households.

Male Total Average Weekly Earnings (MTAWE) - published in the Average Weekly Earnings survey by the ABS.

Age Pensioner Living Cost Index (APLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by age or veterans affairs pensioner households.

Other Government Transfer Recipient Households (OGTRLCI) - measures the effect of changes in prices on the out-of-pocket living expenses experienced by households whose principal source of income is a government pension or benefit other than the age pension of veterans affairs pension.

Policy context

Pension indexation is determined by the higher of CPI and PBLCI and is then benchmarked to MTAWE to link the payment to broader community living standards. Allowances are indexed to CPI only, reflecting the objective of ensuring people can meet their basic needs and maintaining the real value of the payment over time.

Differences in indexation rules between pensions and allowances reflect differences in their policy objectives.

These differences in indexation have led to an increase in the disparity between pensions and allowances over time, which both the Henry and McClure Mark II reports raised as a significant problem. The growing gap raised concerns that this created an incentive for people to try and qualify for a more generous pension rather than build their capacity to undertake employment.

However, two factors may have somewhat reduced these concerns for the short-term. Slow wage growth has led to the MTAWE benchmark not binding since 2013, meaning that growth in the allowance-pension gap has been driven only by indexation differences since this time, with the result that the growth of the gap between payments has slowed. In addition, significantly tighter eligibility for the DSP has reduced the opportunity for people to receive a pension rather than an allowance.

Opportunities

The CPI measures the change in prices of a fixed basket of goods and services based on average household expenditure by capital city households. As such, **CPI does not necessarily reflect expenditure patterns of allowance recipients.** One concern is whether CPI indexation adequately reflects allowance recipients housing costs, which are generally the largest component of household expenditure.

By contrast, PBLCI measures the effect of changes in prices on out-of-pocket living expenses by pensioner households and other government transfer recipient households. It is a conceptually better measure of assessing whether the disposable incomes of households have kept pace with price changes. For this reason, **PBLCI could be proposed as an alternative indexation measure for allowances.**

A move to PBLCI, while worthwhile, would not provide a long-term solution to the problem of a growing gap between pensions and allowances, however.

Any change in indexation policy would need to consider:

- How best to reflect cost of living increases faced by households.
- Impact on incentives to work.
- Future fiscal costs.
- Relativities with other payments and broader equity.
- Community expectations.

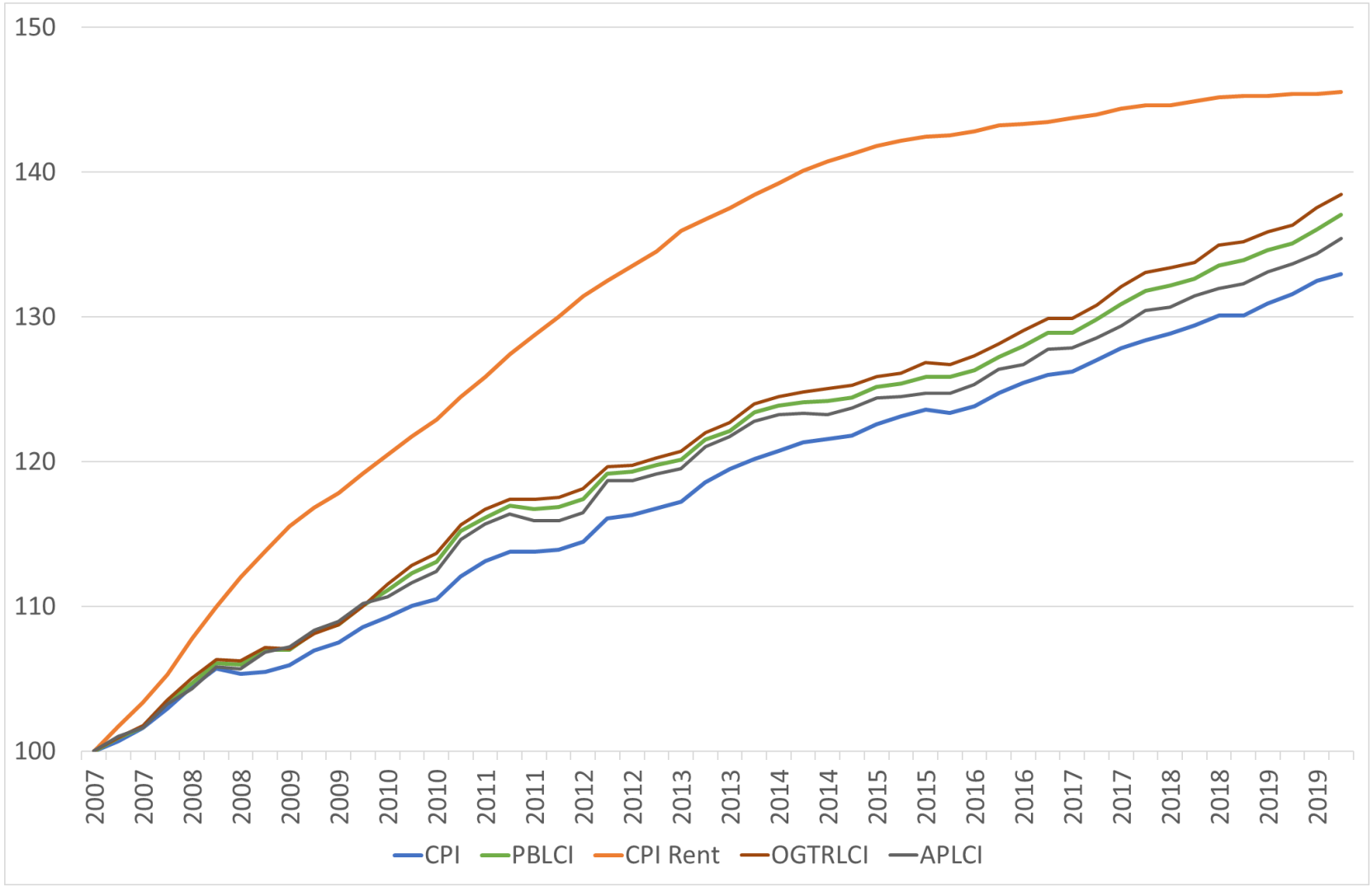
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Backup: Comparison of indices over time

Index comparisons



Growth of indices

The chart on the left shows growth in indices only and is not a comparison of the growth of actual pensions and allowances.

PBLCI measures the effect of changes in prices on the out-of-pocket living expenses experienced by age pensioner households (APLCI) and other government transfer recipient households (OGTRLCI). It can be seen that the APLCI has grown more slowly than the OGTRLCI, meaning that pensioners have benefitted from indexation representing the higher costs of living faced by allowees (and other working age IS recipients, including non-age pensioners) that allowees themselves have not received.

It can also be seen that PBLCI has risen faster than CPI. Hence, a move towards PBLCI indexation of allowances would be expected to lead to more generous indexation arrangements.

The rental component of CPI has also clearly grown significantly faster than the general CPI that allowances are currently indexed to. The proportional size of rents to overall household costs indicate that this will likely have had a significant impact of the purchasing power of allowances over time, notwithstanding the impact of CRA which is also indexed by CPI. More generally, the 2010 Henry Review noted that the composition of the CPI basket means that it is a poor reflection of the housing costs of low income renters. For example, in 2017-18, 7 per cent of the basket was rent while around 43 per cent of low income renters paid above 30 per cent of their income on housing costs.

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Next Steps

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Next steps

In the rest of Sprint 7 (13-24 July)

1. **Progress Stage One Further Analysis to initial output across all topics**

2. **Iterate Stage Two Options materials and costings, ready for engagement with senior stakeholders**
   - Question: Any indication of **likely timing** for these conversations?

3. **Continue to progress modelling of Stage Two Options**
   - Update model with latest data from 30 June 2020
   - Build newly requested policy options in as new features (moving all single parents to a single rate, indexation, sharers rate, working credit changes, etc.)
   - Other items in line with the detailed Model Backlog

4. **Progress handover of the model - once a decision is taken on who should 'own' the model moving forward**
   - Suggest an expert modeller be responsible for upkeep, and providing it as a tool for policy teams to use

During Sprint 8 (27 July to 7 August)

1. **Finalise Stage One Further Analysis, incorporating feedback and requests**

2. **Finalise materials on Stage Two Options, iterating materials and costings as requested**

3. **Complete all prioritised items from the Model Backlog**
   - Including new feature for modelling claim volumes and waiting periods

4. **Potentially, start building out a separate model for FTB and families payments - which could support the families payments review process**

5. **Potentially, scope out opportunity for predictive-analytics led approach to verifications after September 2020 (e.g. for assets, rental, MOCA)**

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Project Canoe: Appendix

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Calendar and key deliverables for coming 6 weeks

	Monday	Tuesday	Wednesday	Thursday	Friday
S6	29 June Daily check-in (9:30)	30 Daily check-in (9:30)	1 July Working session (10:30-11:30pm)	2 Daily check-in (9:30) Briefing on Canoe work-to-date	3 Daily check-in (9:30) Align on topics for MYEFO ★ Check-point with Mary & Kath
	6 Daily check-in (9:30)	7 Daily check-in (9:30) Working session w. Mary & Kath	8 Bringing the options together (10:30-12pm)	9 Daily check-in (9:30)	10 Daily check-in (9:30)
S7	13 Daily check-in (9:30)	14 Daily check-in (9:30) Working session w. Mary & Kath	15 Bringing the options together (10:30-12pm) ★ Check-point with Nathan	16 Daily check-in (9:30)	17 Daily check-in (9:30)
	20 Daily check-in (9:30)	21 Daily check-in (9:30) Working session w. Mary & Kath	22 Bringing the options together (10:30-12pm)	23 Daily check-in (9:30)	24 Daily check-in (9:30) ★ End of sprint read-out with Nathan
	27 Daily check-in (9:30)	28 Daily check-in (9:30) Working session w. Mary & Kath	29 Bringing the options together (10:30-12pm)	30 Daily check-in (9:30)	31 Daily check-in (9:30)
S8	3 August Daily check-in (9:30)	4 Daily check-in (9:30) Working session w. Mary & Kath	5 Bringing the options together (10:30-12pm)	6 Daily check-in (9:30) ★ Pre-read with Nathan	7 Daily check-in (9:30) ★ End of phase read-out with Secretary, Nathan & Shane

Deliverables

- ✓ **MYEFO:** Align on topics to cover
- ✓ **Stage Two:** Initial view of high level options
- ✓ **Modelling:** Progress updates on data & features, and update cohort analysis and volume forecasts

- ✓ **Stage Two:** Initial costing of Stage Two options
- ✓ **Modelling:** Model updated with fresh data and new features required for Stage Two options

- **MYEFO:** First draft of analysis on all topics
- **Stage Two:** Iterated options, with costings
- **Modelling:** Draft analysis available, covering all items requested by KC, NW, SB

- **Stage Two:** Commence costings with POEM team, iterate policy options as required
- **Modelling:** Next stage of handover of model to appointed DSS modeller

- **MYEFO:** Final draft analysis on all topics
- **Stage Two:** Materials required for input into submissions and briefing materials

- **MYEFO:** Finalised analysis on all topics
- **Stage Two:** Final read out of costed policy options; Complete input into submissions and briefing materials
- **Modelling:** Complete handover of model

Offline | Daily check-in | Internal meeting | External meeting | Public holiday | ◆ Deliverable due | ★ Key meeting

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Backup: Rationale for consolidation of each supplement (I/II)

Supplement	Policy intent	Eligibility criteria	Rate[1] ($ p/f)	Volume[2] (000)	Rationale for consolidation
Energy Supplement	To assist with energy costs	Receive income support payment	14.10 (single) 10.60 (couple)	1,250	No current targeting as all welfare recipients receive supplement
Pharmaceutical Allowance	To assist with medicine costs	Receive DSP, receive PP(s), receive income support payment & >60 yrs or reduced capacity to work	6.20 (single) 3.10 (couple)	698	Majority of ISP recipients require medicine thus targeting not required
Telephone Allowance	To assist with costs of maintaining a telephone service	Receive income support payment & >60 yrs or not employed full-time due to reduced capacity	4.65 (basic) 6.86 (full)	556	Archaic supplement, not representative of current costs
Approved Program of Work Supplement	To assist with costs of participating in an approved program of work	Receive income support payment and participate in Work for the Dole or National Work Experience Programme (NWEP)	20.80	41	All current ISP recipients should be applying for jobs or training and thus would incur the same costs
Language, Literacy & Numeracy Supplement	To assist with costs of participating in SEE program	In Skills for Education and Employment (SEE) Program & receive income support payment	20.80	8	All current ISP recipients should be applying for jobs or training and thus would incur the same costs
Essential Medical Equipment Payment	To help with energy costs for medical equipment or medical heating/cooling	Required heating, cooling or certain equipment for medical needs, have a Commonwealth Concession Card & pay for the energy running costs	6.27 (each piece)	TBD	Arguably covered by other concessions for some groups; should be State based support

1. Quarterly and annual payments converted into fortnight equivalent 2. Volume of income support payment recipients receiving supplement; does not include age pension or family tax benefit recipients
Source: DSS data; Project analysis

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Backup: Rationale for consolidation of each supplement (II/II)

Supplement	Policy intent	Eligibility criteria	Rate[1] ($ p/f)	Volume[2] (000)	Rationale for consolidation
Remote Area Allowance	To help with the higher costs of living in remote areas	Receive an income support payment and live in a remote area (as per tax zones determined by the Tax Office)	18.20 (single) 15.60 (couple) +7.30 for each dependent	45	Increase in base rate will remove need to compensate for nil tax paying recipients
Education Entry Payment	To assist with up-front costs of education and training	Receive income support payment, have started an approved course (must be in job plan) & not had Education Entry Payment in last 12 months	8.00	119	All current ISP recipients should be applying for jobs or training and thus would incur the same costs
Fare Allowance	To help with travel costs between home and place of study	Tertiary student living away from home receiving income support payment, or need to travel to meet a course requirement	11.54[3]	1	May not provide the right incentives, increase in base rate will cover fares
Training Allowance	NA	Not applicable	NA	0.02	Decommission but not yet removed from payments system
Pensioner Education Supplement	To assist with ongoing costs associated with study and improve employment prospects	Receive income support payment and study an approved course	62.40 or 31.20	12	Could merge with JSP and be covered by increase in base rate; further analysis required
Mobility Allowance	To help with transport costs for people with disabilities or illnesses	Require help using public transport and travel to/from home for paid work, voluntary work, study, training or to look for work	99.50 or 139.10	2	Could merge with DSP and be covered by increase in base rate; further analysis required

Further Analysis required

1. Quarterly and annual payments converted into fortnight equivalent 2. Volume of income support payment recipients receiving supplement; does not include age pension or family tax benefit recipients 3. Average per student; value is reimbursement of travel via public transport to/from place of study
Source: DSS data; Project analysis

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Thank you

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s 22

From: s 22
Sent: Tuesday, 25 August 2020 4:16 PM
To: PATON, Kath
Subject: FW: Pack of slides and talking points [SEC=OFFICIAL:Sensitive]
Attachments: Potential Working Age Payment Reform - Briefing 25 August 2020 - with notes.pptx; Background papers.pptx

Kath – please see attached.
We made some slight tweaks to slides and added to the notes that s 22 had sent through earlier today – incorporating some comments from Shane.
Background papers here are additional things that Shane and Mary will have on hand if further detail is required

Let me know if there's anything else you think you might want on hand and I'll send through
s 22

From: s 22
Sent: Tuesday, 25 August 2020 2:43 PM
To: BENNETT, Shane s 22 @dss.gov.au>; MCLARTY, Mary s 22 @dss.gov.au>
Subject: Pack of slides and talking points [SEC=OFFICIAL:Sensitive]

Shane, Mary
Please see attached slides for this afternoon's discussion with the office updated with talking points.
The second attachment is the additional background material with additional detail if required.

Happy to discuss,

s 22
Director
COVID Response
Participation and Supplementary Payments Branch
Department of Social Services
P: s 22 **E:** s 22 @dss.gov.au **M:** s 22

The Department of Social Services acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures, and to Elders both past and present.

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DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Potential Working Age Payment Reform

Briefing

25 AUGUST 2020

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Agenda for today

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1. What are the characteristics of those who have joined the welfare system since March 2020?

2. What are some of the options for the working-age welfare system post-COVID? E.g.:

- Merging several payment types
- Lifting base rates and absorbing select supplements
- Expanding income tests, to increase rewards from work
- Support alignment of short-term COVID response to longer-term payment settings and objectives

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1. What are the characteristics of those who have joined the welfare system since March 2020?

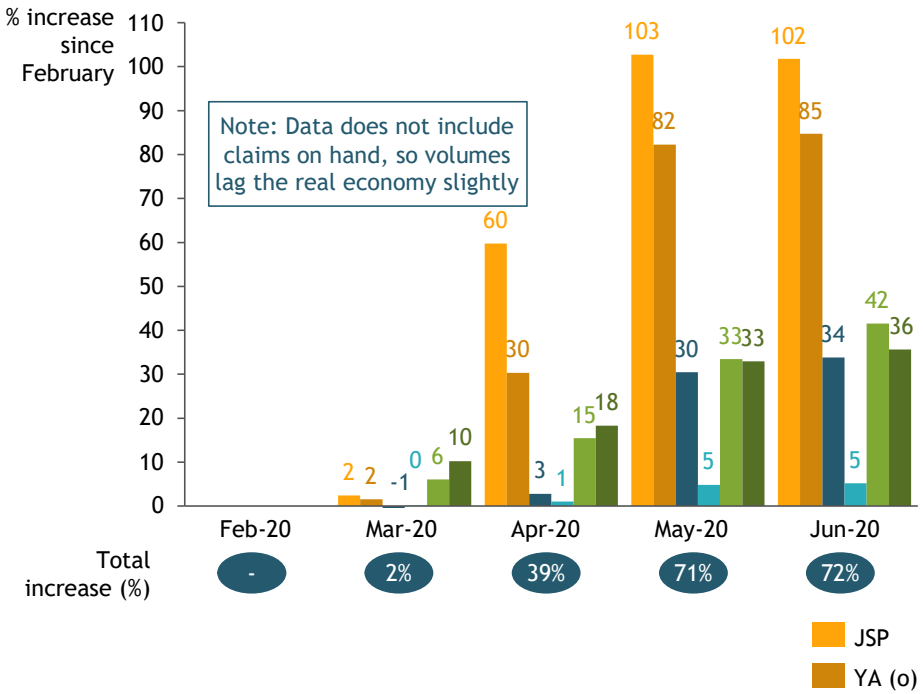
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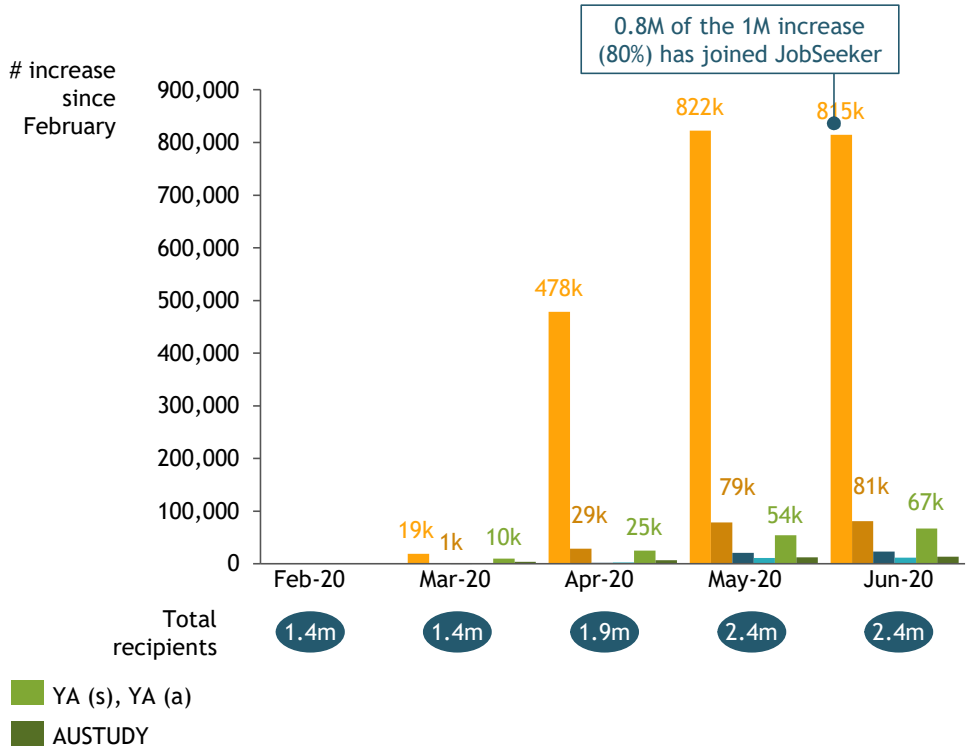
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Overall, the number of working age welfare recipients has increased by 72% since February, with 80% of new entrants joining JobSeeker

Working-age ISP recipients increased 72% since Feb '20, with biggest % increases in JSP & YA(o)



Of those new entrants, 80% have been on JobSeeker



JSP | YA (o) | PP (p) | PP (s) | YA (s), YA (a) | AUSTUDY

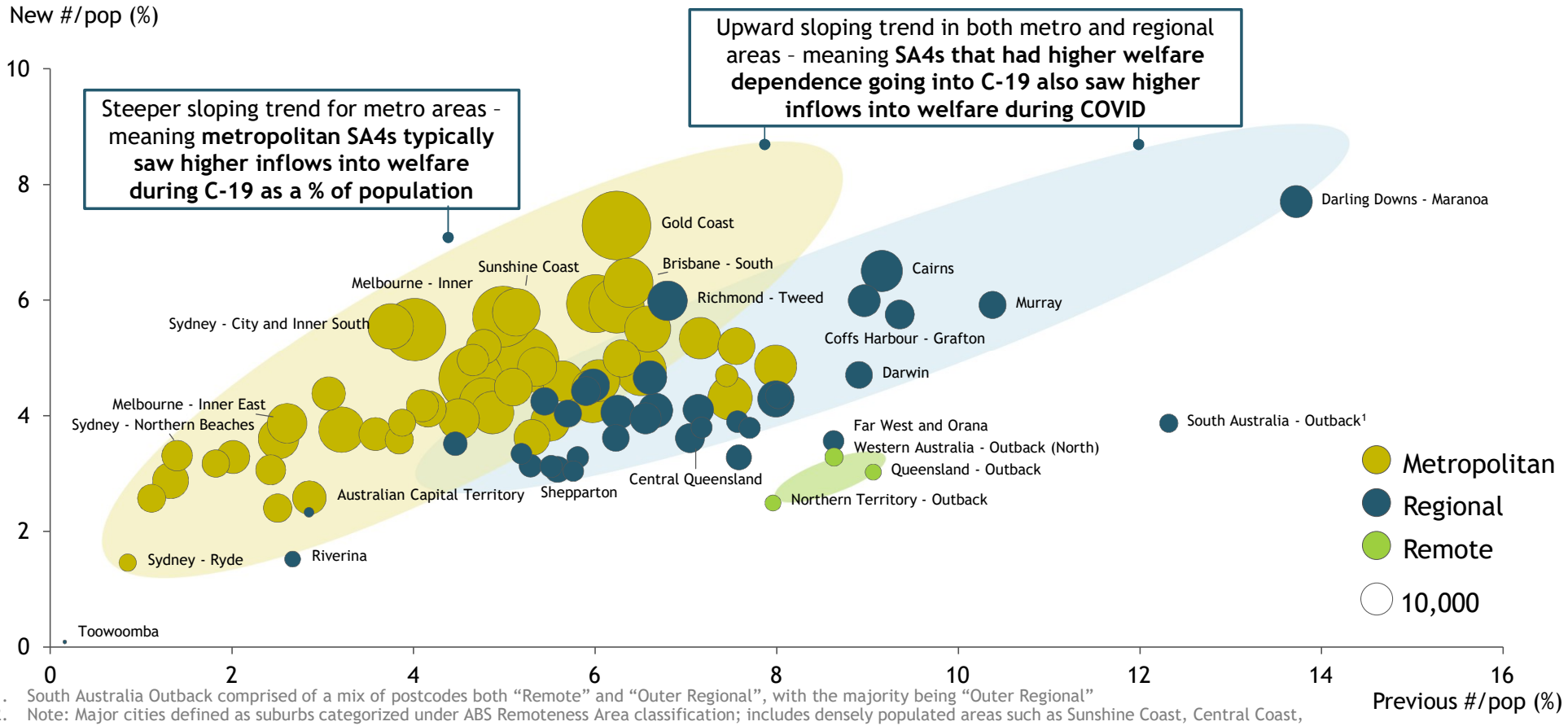
Note: Does not include pending claims, shows actual recipients on ISP at the point in time; includes nil-rate recipients
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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High levels of disadvantage pre-COVID correlates with a high proportion of new ISP entrants, with metropolitan areas worse off than regional and remote areas



1. South Australia Outback comprised of a mix of postcodes both "Remote" and "Outer Regional", with the majority being "Outer Regional"
2. Note: Major cities defined as suburbs categorized under ABS Remoteness Area classification; includes densely populated areas such as Sunshine Coast, Central Coast, Geelong; where an SA4 covers multiple Remoteness Areas, the area with majority locality crossover is selected

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

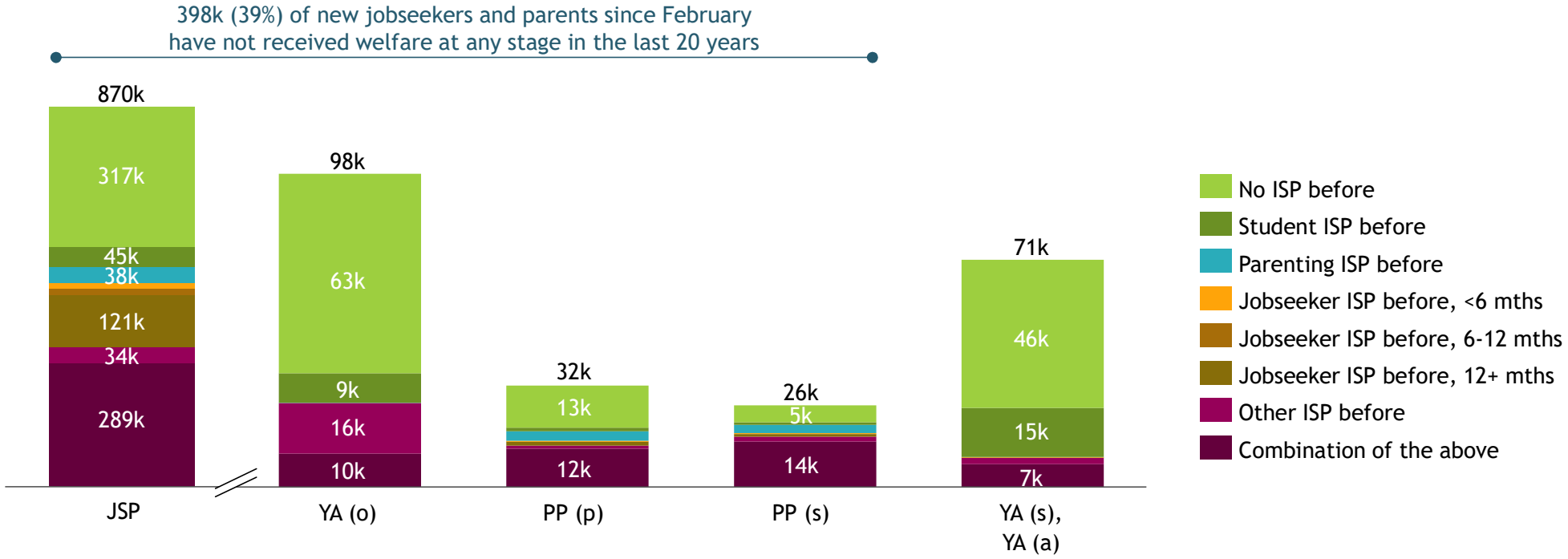
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Almost 40% of new jobseekers and parents have not received welfare in the last 20 years, a further ~5% have been on just a student payment before

Extent of previous engagement with income support (since 2000), for recipients that commenced on payment after 28 February 2020, as at 3 July 2020



Note: "Jobseeker ISP" includes Jobseeker Payment and Youth Allowance (other); "Student ISP" includes Austudy, Youth Allowance (student) and ABSTUDY; "Parenting ISP" includes Parenting Payment Partnered and Parenting Payment Single
Source: DSS data as at 28 February 2020, 3 July 2020; Project analysis

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Overall, four potential archetypes for the new cohort emerge, who likely have differentiated needs…

Further segmentation deep dives available

Australia

		18-29	30-54	55+
Single (no dep. children)	New entrants	388k (+92%)	200k (+80%)	64k (+48%)
	Average assets	$11k (+251%)	$46k (+394%)	$100k (+304%)
	Homeowners	3% (+1ppt)	19% (+11ppt)	45% (+15ppt)
Single (dep. children)	New entrants	14k (+12%)	48k (+21%)	2k (+22%)
	Average assets	$10k (+187%)	$40k (+210%)	$78k (+290%)
	Homeowners	8% (+5ppt)	28% (+11ppt)	44% (+16ppt)
Partnered (no dep. children)	New entrants	57k (+250%)	155k (+300%)	81k (+115%)
	Average assets	$37k (+382%)	$98k (+371%)	$192k (+227%)
	Homeowners	18% (+15ppt)	52% (+27ppt)	77% (+14ppt)
Partnered (dep. children)	New entrants	22k (+69%)	71k (+105%)	3k (+67%)
	Average assets	$32k (+282%)	$74k (+257%)	$124k (+248%)
	Homeowners	27% (+17ppt)	51% (+20ppt)	62% (+16ppt)

1. **Young, single, no dependents, with limited assets, half with year-12 quals or less (53% of new entrants)**
   - Potential risk of "scarring effect"
   - May benefit from extra training, study and entrepreneurial opportunities, as well as clear incentives for work

2. **Older workers 55+, with assets to fall back on, and typically own a home, 40% with year-12 qualifications or less (14% of new entrants)**
   - Risk of challenges in reskilling/retaining to find new work
   - May benefit from intensive supports, particularly those without higher ed[1]

3. **Young & middle aged parents, typically modest assets, often own a home if partnered, typically with higher ed/tertiary quals (14% of new entrants)**
   - Pressure from parenting responsibilities, and financial pressure as mortgage and rent deferrals end. 85% of single parents are female
   - May benefit from differentiated approach to mutual obligations, employment services, and social supports

4. **Young and middle aged couples with no dependents, typically with moderate assets, many owning a home (19% of new entrants, 73% of those aged 30-54)**
   - Natural safety net for many in having a partner with income
   - May benefit from clear incentives for work, and self-service digital tools to connect with different types of employment opportunities

1. Note successful examples of reskilling older workers from the automotive industry following closure of Holden, Ford and Toyota manufacturing facilities 2. E.g. hospitality, tourism, domestic and personal services
Note: Number of dependents taken as the maximum of the dependent children, primary carer children and family tax benefit children
Source: DSS data; ABS data; Project analysis

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2. What are some of the options for the working-age welfare system post-COVID?

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Three illustrative reform packages

Payment types
Rates
Incentives
Service delivery

Minimal Reform

- Lift Allowance payment rates by $150 pf, and abolish 11 supplements for Allowance recipients: Energy Supplement, Pharmaceutical Allowance, Telephone Allowance, APW, LLN, Essential Medical Equipment Payment, Remote Area Allowance, Education Entry Payment, Training Allowance, Fares Allowance, PES — $7.2b p.a[2]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.

Deep dive in following slides

Mid-level Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers
  And abolish 11 supplements for allowance recipients (as shown under Minimal Reform) — $6.4b p.a[2]
- Broaden existing mid-tier JSP rate for >60 year olds, by removing 9 mth on payment requirement[3] — $20m p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Broad Reform

- Consolidate into JSP: PP(P), PP(S), and YA(o) — <$10m p.a.
- Consolidate Austudy and YA(s) — ($30m) p.a
- Lift Allowance payment rates by: $150 pf for single recipients, $130 for partnered recipients, $80 for youth living at home, and $25 for PPS and JSP Principal Carers, and:
  - Abolish the 11 supplements for allowance recipients
  - Merge under 18 rates into broader youth rates
  - Abolish higher student rates for long term ISP recipients — $6.4b p.a[2]
- Broaden existing mid-tier rate in JSP to all aged >60, and all PCW assessed at <15 hrs/week by a GCD[6] — $275m p.a.
- Move all single parents onto a single (mid tier) rate of payment, regardless of child's age[4] — ($395m) p.a.
- Index all Allowances to PBLCI, rather than CPI, and index student payments twice per year — $20m p.a.[5]
- Make IFAs and taper rates for Allowances consistent with Pensions (IFAs at $178, max 50% tapers for personal and partner income tests) — $745m p.a.
- Expand & simplify working credit (accrue whole IFA, move cap to 2000 credits) — $90m p.a
- Abolition of SWPP — $10m p.a.
- Expansion of nil rate periods for Allowances and DSP

Note 1: All outlays figures are modelled based on FY22 delta to Current Path.
Note 2: Of the 11 supplements proposed for removal, we have not modelled costs for Essential Medical, Fares, Training, Education Entry
Note 3: Removing 9 month requirement results in ~2.5% transfer of JSP single, no child. Broadening to include PCW <15 hours results in ~30%
Note 4: Current recipients of PPS would be grandfathered. Delta calculated assuming base rate increase
Note 5: No outlays costed for shift to PBLCI under the budget rules. In actual cash terms, expect add'l $55m p.a. in FY22
Note 6: Government Contracted Doctor (GCD)
Source: DSS Data, Project analysis

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Deep Dive: Rationale for consolidating payment types

Merging YA(o), PPP, PPS into Jobseeker

Having distinct Parenting Payments alongside JobSeeker Payment has created a number of friction points in the system, including:

- Additional rates and payment structures – creating complexity in the system
- Payment transitions, e.g. for PPP & PPS recipients once children turn 6 or 8, and for YA(o) recipients turning 22
  - Requires additional administrative effort
  - Triggers payment changes, and “payment cliffs” especially for PPS recipients moving to JSP
- The ongoing "identity focus" of Parenting Payment and Youth Allowance vs the "activity focus" of JSP Payment

Merging Parenting Payment and Youth Allowance (other) into Jobseeker would:

- Better orient parents of young children toward seeking work and taking up employment opportunities
- Simplify the welfare system
- Reduce administrative overhead

Merging YA(s) into Austudy

Today, the distinction between YA(s) and Austudy creates a number of friction points in the system, including:

- Inconsistent payment rates between YA(s) and Austudy for recipients aged 25+
- Complexity due to nuanced differences between the payments, e.g. allowable time requirements, temporary incapacity exemptions
- The ongoing "identity focus" of Youth Allowance vs the "activity focus" of Austudy

Merging YA(s) into Austudy would:

- Simplify the welfare system
- Reduce administrative overhead
- More clearly align payment types with policy intent

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Deep Dive: Resulting structure of payments and supplements

To be consolidated in this option
No change in this option
xx # recipients at 1/12/19

From 8 Allowances, 21 Supplements…

Allowance Income Support Payments

Jobseeker Payment	728k
Parenting Payment (S)	229k
Parenting Payment (P)	68k
Youth Allowance (o)	85k
Youth Allowance (s)	134k
Austudy	28k
ABSTUDY Allowance	27k
Special Benefit	7k

Supplements and other payments

Energy Supplement ($9-$12 pf)	1,313k
Pharmaceutical Allowance ($6 pf)	855k
Telephone Allowance ($5 pf)	556k
Approved Program of Work Supplement ($21 pf)	81k
Language, Literacy and Numeracy Supplement ($21 pf)	15k
Essential Medical Equipment Payment ($6 pf)	TBC
Remote Area Allowance (up to $18 pf)	42k
Education Entry Payment (equivalent to $8 pf)	133k
Fares Allowance (ave $300 p.a)	1,301
Training Allowance	16
Pensioner Education Supplement[1] ($62 pf)	12k
Mobility Allowance	15k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k

Worth up to $146 p/f[2]

…To 4 Allowances, 10 Supplements

Jobseeker Payment	1110k

3 payment types merged into Jobseeker: PPS, PPP, YA(o)
1 payment type merged into Austudy: YA(s)

Austudy	162k
ABSTUDY Allowance	27k
Special Benefit	7k

11 supplements absorbed into rate increase

Note: 9 of these supplements would still exist for some Pension recipients

Mobility Allowance	14k
Rent Assistance	1,292k
Economic Support Payment	TBC
Crisis Payment	Ad hoc
Utilities Allowance	29k
Relocation Scholarship	TBC
Carer Allowance	611k
Carer Supplement	TBC
Assistance for Isolated Children	12k
Double Orphan Pension	1k

1. Pensioner Education Supplement able to be paid to Principal Carers with mutual obligation exemptions on JSP, and Youth Allowance 2. Does not include Training Allowance, given only 16 current recipients for that supplement. APW and LLN supplements are mutually exclusive. Uses fares allowance at the average payment rate of $300 p.a
Source: DSS data; Project analysis

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Deep Dive: Example future rate card (Mid-level reform) I/II

Current

Payment	Rate	Vol	Amt		Proposed Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25	Top Tier Rates		
	Single, with dependent child	160,000	$612.00	+$150	Single principal carer with exemption	4,005	$815.10
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150	Single, with child <8	242,000	$815.10
	Single, no children	909,000	$565.70	+$150			
	Partnered, with or without children	497,000	$510.80	+$130	Mid Tier Rates		
Parenting Payment	Single, with child <8	242,000	$790.10	+$25	Single, dependent child aged 8+	160,500	$762.00
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150	Single, aged >60	119,000	$762.00
	Partnered, with child <6	500	$510.80	+$130	Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25	Foundation Tier Rates - Aged 22+		
	Single, with dependent child	500	$606.00	+$156	Single, no dependent children	863,000	$715.70
	Partnered, with child	1,500	$507.90	+$133	Partnered, with or without children	497,500	$640.80
	Partnered, no children	5,500	$462.50	+$130			
	Single, over 18 years, away from home	52,000	$462.50	+$150	Foundation Tier Rates - Aged 16-21		
	Single, over 18 years, at home	101,000	$304.60	+$80	Partnered, with children	1,500	$640.80
	Single, under 18 years, away from home	4,500	$462.50	+$150	Partnered, no children	5,500	$592.50
	Single, under 18 years, at home	7,000	$253.20	+$80	Single, no children, away from home	56,500	$612.50
					Single, no children, at home, 18-21	101,000	$384.60
					Single, no children, at home, under 18 years	7,000	$333.20

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Deep Dive: Example future rate card (Mid-level reform) II/II

Current

Payment	Rate	Vol	Amt	
Austudy	Single, with dependent children	3,500	$606.00	+$156
	Single, no children	25,000	$462.50	+$150
	Partnered, no children	3,000	$462.50	+$130
	Partnered, with children	5,000	$507.90	+$133
	Single, no dependent children, long-term[1]	6,500	$561.90	+$150
	Partnered, no children, long-term[1]	500	$507.90	+$130
Youth Allowance (student)	Single, with dependent children	200	$606.00	+$156
	Single, under 18 years, at home	2,500	$253.20	+$131
	Single, over 18 years, at home	129,000	$304.60	+$80
	Single, under 18 years, away from home	5,000	$462.50	+$150
	Single, over 18 years, away from home	84,000	$462.50	+$150
	Partnered, no children	5,500	$462.50	+$130
	Partnered, with children	500	$507.90	+$133
	Single, over 18 years, at home, long-term[1]	1,000	$373.70	+$80
	Single, living away from home, long-term[1]	2,000	$561.90	+$150
	Partnered, no children, long-term[1]	200	$507.90	+$130

Proposed

Rate	Vol	Amt
Top Tier Rates		
Mid Tier Rates		
Single, with dependent children	3,700	$762.00
Foundation Tier Rates		
Partnered, with children	5,500	$640.80
Partnered, no children	8,500	$592.50
Single, aged 25+, no children	25,000	$612.50
Single, aged 16-24, no ch'n, away from home	89,000	$612.50
Single, aged 18-24, no children, at home	129,000	$384.60
Single, aged 16-17, no children, at home	2,500	$333.20
Single, over 18 years, at home, long-term[1]	1,000	$453.70
Single, living away from home, long-term[1]	8,500	$711.90
Partnered, no children, long-term[1]	700	$637.90

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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Deep Dive: Four key decisions regarding Parenting Payment Single

	1 Lift Basic Rates by $50 rather than $25?	2 Exclude Pensioner Education Supplement from absorption?	3 Restrict eligibility for PPS to single parents of a child <6 years old	4 Grandfather recipients that would still be worse off?
Description	Lift payment rates for PPS by $50 p/f, rather than the $25 p/f costed as part of the three illustrative packages Note: Would also likely need to apply to JSP Principal Carers, but volume of these recipients is small (~4k)	Remove the Pensioner Education Supplement from the group of 11 being absorbed into the rate lift for allowance recipients. Would affect 11k PPS recipients and 2k JSP recipients Note: Would also likely need to apply to JSP Principal Carers, but volume of these recipients is small (~4k)	From the date of commencement of the measure, new applicants seeking the PPS rate of payment would have to have a child under the age of 6 years old Note: This assumes that existing recipients would be grandfathered, for their current youngest child (but not for new children not yet born by the commencement date	Grandfather the entitlements and payment rates of recipients who might be worse off under the decisions considered on this slide Note: This grandfathering would wash through in 8 years
Policy rationale	• Reduces the number of PPS recipients who would be worse off, after accounting for absorption of the 11 supplements, from 19k to 14.5k (assuming PES is still absorbed) • Provides a more meaningful rate lift of ~$30 p/f, after absorption of supplements, for most (~90%) of PPS recipients, supporting the narrative of greater support for most ISP recipients	• Substantially reduces the number of PPS recipients worse off as a result of the rate rise & supplement absorption (from 19k to 8.5k if a $25 p/f rate rise given, or from 14.5k to 4.5k if a $50 p/f rate rise given	• Simplifies the welfare system by aligning the eligibility for PPS and PPP style exemptions from mutual obligations • Provides an opportunity to engage single parents with employment services and employment earlier – improving long-term outcomes for families and children • 6 years old is the age most children commence school, and parents have greater capacity for work	• Ensures predictability for those welfare recipients already in the system • Supports perceptions of balance and equity in the overall reform package
Drawbacks, sensitivities	• Would cost a further $150m-$170m p.a., based on a volume of 244,000 PPS recipients	• Reduces the savings from abolition of the PES supplement by $15m-$25m • Leaves additional complexity in the welfare system	• May attract criticism by reducing the level of welfare payments to future single parents of children aged 6-7 years old • May attract criticism due to the earlier introduction of mutual obligations for single parents	• Increases complexity in the welfare system in the short time • Likely requires additional outlays during the grandfathering period

Proportion of recipients better off under these three decisions further explored in Compendium

Source: DSS Data as at 26 June 2020, Project analysis

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Data table for slide 3
Characteristics of new entrants

% increase since February

	Mar-2020	Apr-2020	May-2020	Jun-2020
JSP	2%	60%	103%	102%
YA (o)	2%	30%	82%	85%
PP (p)	-1%	3%	30%	34%
PP (s)	0%	1%	5%	5%
YA (s), YA (a)	6%	15%	33%	42%
Austudy	10%	18%	33%	36%

	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Total increase (%)	-	2%	39%	71%	72%

increase since February

	Mar-2020	Apr-2020	May-2020	Jun-2020
JSP	19,040	478,434	822,759	814,924
YA (o)	1,460	28,930	78,550	80,913
PP (p)	-551	1,941	21,134	23,477
PP (s)	403	2,369	11,250	11,975
YA (s), YA (a)	9,793	24,946	54,025	67,116
Austudy	3,883	6,945	12,526	13,543

	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Total recipients	1.4m	1.4m	1.9m	2.4m	2.4m

Note: Does not include pending claims, shows actual recipients on ISP at the point in time; includes nil-rate recipients
Source: DSS Data as at 28 February 2020, 26 June 2020; Project analysis

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Data table for slide 4

Backup: Major metro areas typically responsible for the largest volumes of new entrants, with increased representation from historically wealthy areas

Victoria

	New entrants	Previous #/pop (%)	New #/pop (%)
Ballarat	9865	8.96	5.99
Latrobe - Gippsland	11583	6.66	4.09
Melbourne - North East	32375	6.01	5.94
Shepparton	4061	5.76	3.04
Hume	7132	5.70	4.04
North West	4746	5.51	3.12
Bendigo	5034	5.29	3.14
Melbourne - West	40610	5.24	4.96
Warrnambool and South West	4177	5.19	3.34
Geelong	13570	5.10	4.50
Melbourne - South East	39119	4.63	4.64
Melbourne - North West	16007	4.50	3.94
Mornington Peninsula	12665	4.16	4.12
Melbourne - Inner	37431	4.01	5.49
Melbourne - Outer East	19939	3.21	3.76
Melbourne - Inner East	15131	2.61	3.87
Melbourne - Inner South	15844	2.51	3.61

South Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
South Australia - Outback	3282	12.31	3.87
Barossa - Yorke - Mid North	4316	7.70	3.79
Adelaide - North	18890	7.49	4.31
South Australia - South East	6942	6.23	3.62
Adelaide - South	16947	6.04	4.61
Adelaide - West	10654	5.93	4.49
Adelaide - Central and Hills	14651	5.36	4.85

ACT

	New entrants	Previous #/pop (%)	New #/pop (%)
Australian Capital Territory	10871	2.85	2.58

New South Wales

	New entrants	Previous #/pop (%)	New #/pop (%)
Murray	7109	10.38	5.92
Coffs Harbour - Grafton	8120	9.35	5.75
Far West and Orana	4178	8.63	3.56
New England and North West	6127	7.58	3.28
Illawarra	16623	7.16	5.34
Mid North Coast	9057	7.14	4.10
Richmond - Tweed	15032	6.80	5.99
Sydney - Blacktown	20323	6.58	5.50
Hunter Valley exc Newcastle	11247	6.25	4.06
Sydney - Parramatta	29144	6.24	5.91
Capital Region	10319	5.98	4.53
Sydney - South West	18947	5.97	4.26
Central Coast	15734	5.65	4.60
Central West	6533	5.59	3.07
Newcastle and Lake Macquarie	14652	5.50	3.90
Sydney - Inner South West	35438	4.98	5.71
Southern Highlands and Shoalhaven	5435	4.46	3.51
Sydney - City and Inner South	19918	3.75	5.54
Sydney - Outer South West	10438	3.58	3.68
Sydney - Baulkham Hills and Hawkesbury	10773	3.06	4.39
Riverina	2445	2.67	1.52
Sydney - Outer West and Blue Mountains	7777	2.51	2.40
Sydney - Inner West	10494	2.01	3.29
Sydney - Sutherland	7260	1.82	3.17
Sydney - Northern Beaches	8979	1.40	3.31
Sydney - North Sydney and Hornsby	12581	1.32	2.88
Sydney - Eastern Suburbs	7541	1.12	2.57
Sydney - Ryde	2913	0.85	1.46

Tasmania

	New entrants	Previous #/pop (%)	New #/pop (%)
Launceston and North East	6304	8.02	4.35
West and North West	4249	7.18	3.80
Hobart	10841	6.60	4.66
South East	902	2.84	2.34

Queensland

	New entrants	Previous #/pop (%)	New #/pop (%)
Darling Downs - Maranoa	9917	13.72	7.70
Cairns	16394	9.16	6.50
Queensland - Outback	2489	9.06	3.02
Wide Bay	12738	7.99	4.29
Ipswich	17087	7.99	4.86
Moreton Bay - North	13092	7.55	5.20
Central Queensland	8154	7.05	3.61
Townsville	9354	6.55	3.96
Brisbane - South	23320	6.37	6.30
Gold Coast	45339	6.24	7.29
Mackay - Isaac - Whitsunday	7326	5.44	4.25
Logan - Beaudesert	12370	5.30	3.62
Sunshine Coast	21715	5.13	5.79
Brisbane - North	11544	4.77	5.19
Brisbane - West	9497	4.66	4.96
Brisbane - East	9923	4.10	4.17
Moreton Bay - South	7655	3.84	3.58
Brisbane Inner City	8660	2.43	3.06
Toowoomba	138	0.16	0.09

Western Australia

	New entrants	Previous #/pop (%)	New #/pop (%)
Western Australia - Outback (North)	3207	8.64	3.28
Western Australia - Outback (South)	4606	7.56	3.89
Mandurah	4794	7.45	4.70
Perth - South East	24647	6.51	4.78
Perth - North East	13257	6.29	4.99
Bunbury	8076	5.90	4.42
Western Australia - Wheat Belt	4502	5.81	3.28
Perth - South West	17440	4.87	4.05
Perth - North West	23914	4.78	4.23
Perth - Inner	7011	3.87	3.88

Northern Territory

	New entrants	Previous #/pop (%)	New #/pop (%)
Darwin	6988	8.91	4.70
Northern Territory - Outback	2462	7.96	2.49

Source: DSS Data as at 28 February 2020, 26 June 2020; ABS data; Project analysis

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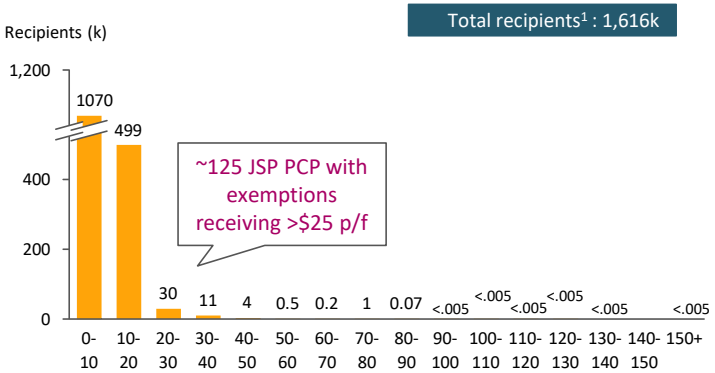
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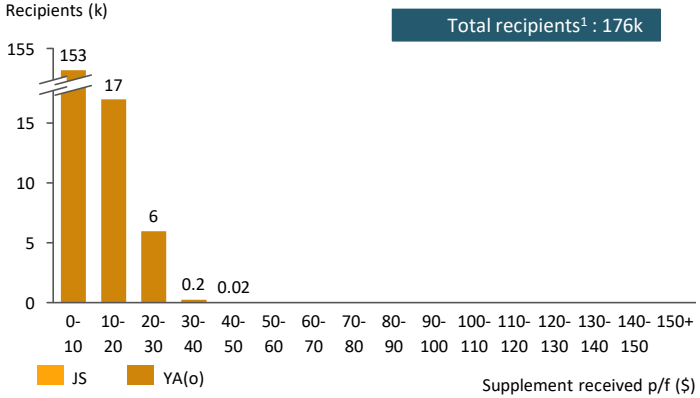
R1 Lift in base rates

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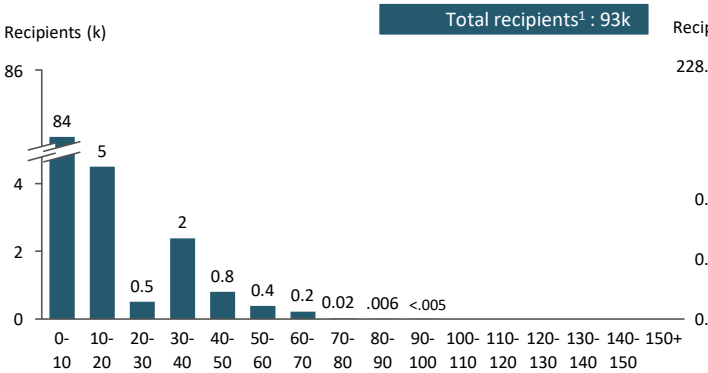
19k recipients to be worse off after rate lift + absorption of 11 supplements, largely on PP(s) payment

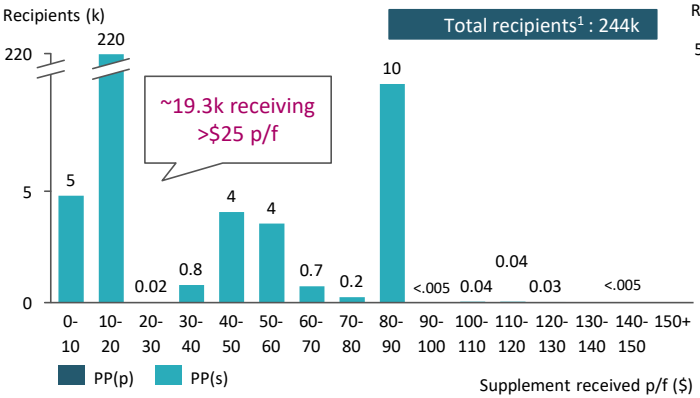
Jobseekers



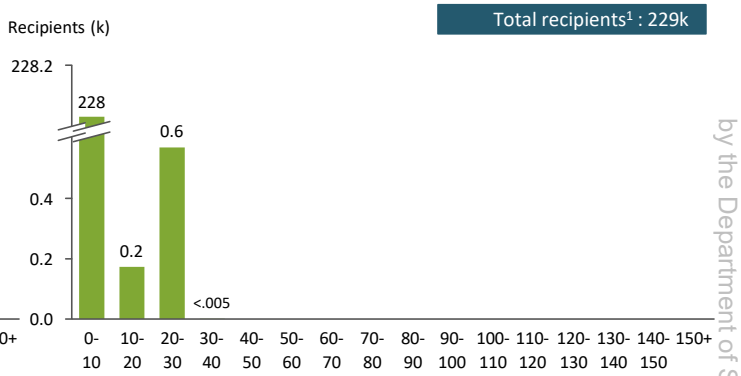


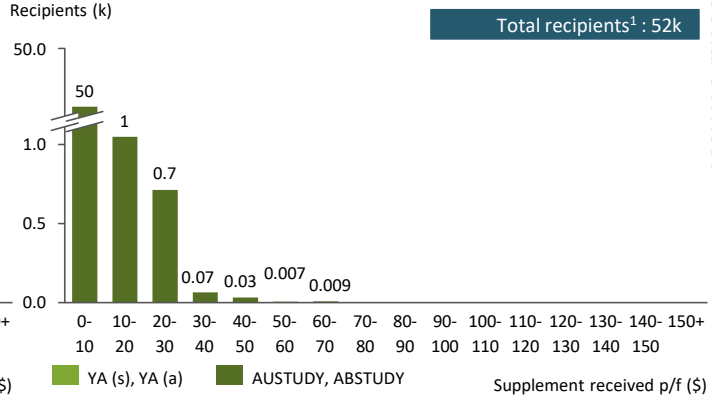
Parents of young children





Students





1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Charts exclude Telephone Allowance, Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed; Figures include recipients currently on suspended payments; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data as at 26 June 2020, Project analysis

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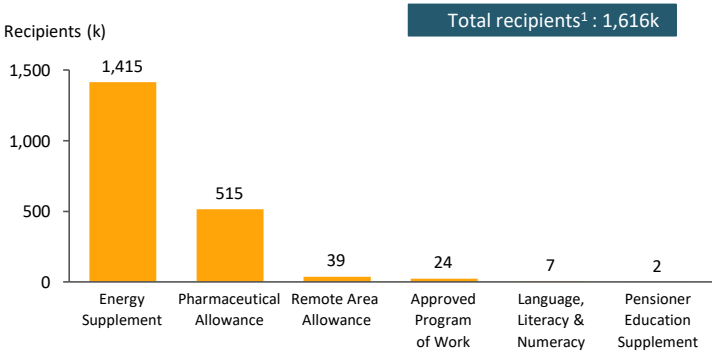
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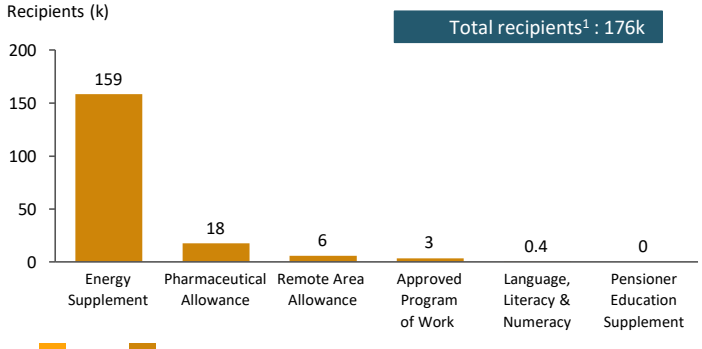
R1 Lift in base rates

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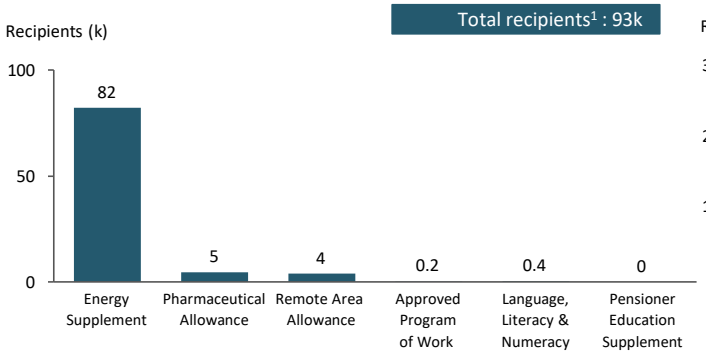
Backup: Breakdown of how many recipients receive each supplement

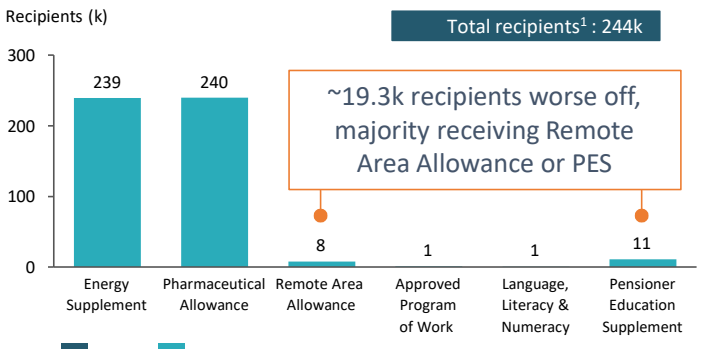
Jobseekers



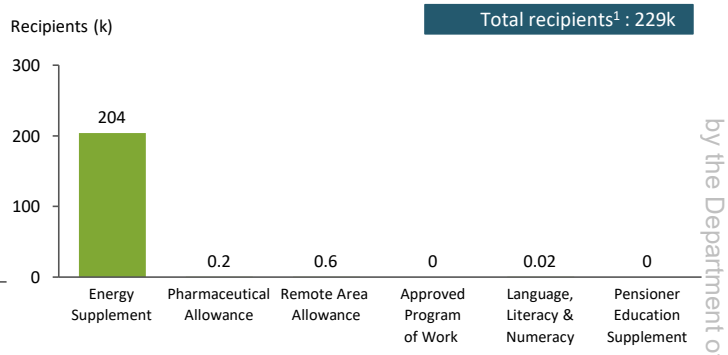


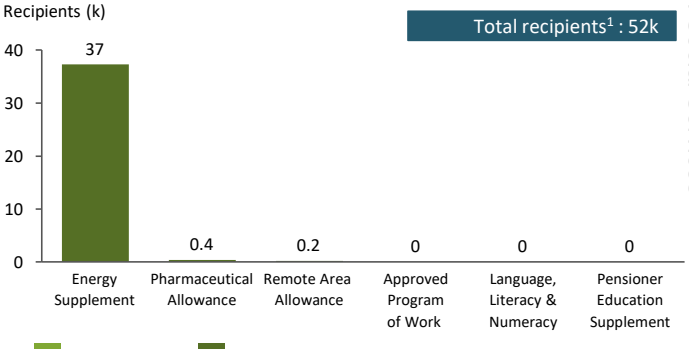
Parents of young children





Students





Average payment p/f ($)						
JS	8.29	5.54	19.29	20.80	20.80	58.87
PP(p)	10.93	6.14	32.57	20.80	20.80	59.66
YA (s), YA (a)	5.89	5.25	18.65	NA	20.80	NA

1. Total number of payment recipients receiving at least one supplement type to be abolished
Note: Charts exclude Telephone Allowance, Essential Medical Equipment Payment, Education Entry Payment, Fare Allowance and Training Allowance, also to be removed; Figures include recipients currently on suspended payments; Numbers are rounded to the nearest 10, and small numbers are rounded to less than 5
Source: DSS Data as at 26 June 2020, Project analysis

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R1 Lift in base rates

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Rate Card: Broad Reform, maintain relativities (Jobseekers and Parents)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt		Proposed Rate	Vol	Amt
Jobseeker	Single principal carer with exemption	4,000	$790.10	+$25	**Top Tier Rates**		
	Single, with dependent child	160,000	$612.00	+$150	Single principal carer with exemption	4,005	$815.10
	Single, aged 60 or over, after 9 months	73,000	$612.00	+$150			
	Single, no children	909,000	$565.70	+$150	**Mid Tier Rates**		
	Partnered, with or without children	497,000	$510.80	+$130	Single, dependent child	400,500	$762.00
Parenting Payment	Single, with child <8	242,000	$790.10	+$25	Single, aged >60, or with a partial capacity to work (14 hrs or less)	137,000	$762.00
	Partnered with child <6, sep. by illness/prison	90,000	$612.00	+$150	Partnered, with a dependent child, but separated due to illness, respite, or prison	90,000	$762.00
	Partnered, with child <6	500	$510.80	+$130			
Youth Allowance (other)	Single, principal carer with exemption	5	$790.10	+$25	**Foundation Tier Rates - Aged 22+**		
	Single, with dependent child	500	$606.00	+$156	Single, no dependent children	845,000	$715.70
	Partnered, with child	1,500	$507.90	+$133	Partnered, with or without children	497,500	$640.80
	Partnered, no children	5,500	$462.50	+$130			
	Single, over 18 years, away from home	52,000	$462.50	+$150	**Foundation Tier Rates - Aged 16-21**		
	Single, over 18 years, at home	101,000	$304.60	+$80	Partnered, with children	1,500	$640.80
	Single, under 18 years, away from home	4,500	$462.50	+$150	Partnered, no children	5,500	$592.50
	Single, under 18 years, at home	7,000	$253.20	+$131	Single, no children, away from home	56,500	$612.50
					Single, no children, at home	108,000	$384.60

Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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R1 Lift in base rates

DRAFT FOR DISCUSSION - NOT FOR CIRCULATION

Rate Card: Broad Reform, maintain relativities (Students)

1 2 3 4 5 6 7

Current

Payment	Rate	Vol	Amt
Austudy	Single, with dependent children	3,500	$606.00
	Single, no children	25,000	$462.50
	Partnered, no children	3,000	$462.50
	Partnered, with children	5,000	$507.90
	Single, no dependent children, long-term[1]	6,500	$561.90
	Partnered, no children, long-term[1]	500	$507.90
Youth Allowance (student)	Single, with dependent children	200	$606.00
	Single, under 18 years, at home	2,500	$253.20
	Single, over 18 years, at home	129,000	$304.60
	Single, under 18 years, away from home	5,000	$462.50
	Single, over 18 years, away from home	84,000	$462.50
	Partnered, no children	5,500	$462.50
	Partnered, with children	500	$507.90
	Single, over 18 years, at home, long-term[1]	1,000	$373.70
	Single, living away from home, long-term[1]	2,000	$561.90
	Partnered, no children, long-term[1]	200	$507.90

Proposed

Rate	Vol	Amt	
Top Tier Rates			
Mid Tier Rates			
Single, with dependent children	3,700	$762.00	+$156
Foundation Tier Rates			
Partnered, with children	5,500	$640.80	+$133
Partnered, no children	9,200	$592.50	+$130
Single, aged 25+, no children	31,500	$612.50	+$150
Single, aged 16-24, no ch'n, away from home	91,000	$612.50	+$51
Single, aged 16-24, no children, at home	132,500	$384.60	+$85

1. For long-term income support recipients who either commence full-time study or an Australian Apprenticeship, having been in receipt of an income support payment for at least six out of the last nine months since turning 22, or who study an approved course in English where English is not their first language 2. Based on FY22 delta to Current Path
Note: Recipient volumes include suspended recipients, and a % of pending claims expected to be granted; May 2020 recipient volume figures used; Definition of a Dependent Child is set out at s1.1.D.70 of the Social Security Guide (www.guides.dss.gov.au/guide-social-security-law/1/1/d/70), and generally includes a child under 16 under the recipient's legal care, or a child aged 16-22 that is wholly or substantially dependent on the recipient, receiving full time education, and not receiving income support or substantial other income

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