



Policy costing

Reversing unfair Department of Social Services (DSS) measures and age pension cuts	
Party:	Australian Labor Party
Summary of proposal: This proposal has four components. <ul style="list-style-type: none">• Component 1: Remove the one-week waiting period from all working age payments (part of the <i>Social Services Legislation Amendment Act 2017</i>). This would affect the following payments:<ul style="list-style-type: none">– Jobseeker Payment– Newstart Allowance– Parenting Partnered and/or Single Allowance– Sickness Allowance– Youth Allowance (other).• Component 2: Restart the indexation of eligibility thresholds under the <i>Social Services Legislation Amendment Act 2017</i>.• Component 3: Not proceed with Schedules 1, 2 and 4 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017.<ul style="list-style-type: none">– Schedule 1: Enhanced residency requirements for pensioners– Schedule 2: Pension supplement – Stopping the payment of pension supplement after six weeks overseas– Schedule 4: Liquid assets test waiting period.• Component 4: Reverse the following three measures from the Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017.<ul style="list-style-type: none">– Schedule 1: Relocation scholarship payment– Schedule 2: Education entry payment– Schedule 3: Pensioner education supplement. <p>The proposal would have effect from 1 July 2019.</p>	

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$997.0 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$1,019.8 million, partially offset by a decrease in departmental expenses of \$16.2 million and an increase in revenue of \$6.6 million over this period. A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#).

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications of the proposal are sensitive to changes in the number of persons receiving government payments who would be affected by the proposal. The estimates are also sensitive to assumptions about changes in the relevant payment indexation rates.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-192.4	-239.6	-270.5	-295.4	-997.0
Underlying cash balance	-192.4	-239.6	-270.5	-295.4	-997.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The effect of the 2014-15 Budget measure *Apply the One-Week Ordinary Waiting Period to all Working Age Payments* on the new Jobseeker Payment (introduced in the 2017-18 Budget measure *Working Age Payments Reforms*) is the same as what the combined effect would have been for Newstart Allowance and Sickness Allowance.
- The eligibility threshold for student payments would be indexed on 1 January each year consistent with the existing indexation arrangements.
- Schedule 1, Schedule 2 and Schedule 4 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017 would still be unlegislated as at the start of the proposal (1 July 2019).
- With respect to Schedule 1 and Schedule 2 of the Social Services Legislation Amendment (Payment Integrity) Bill 2017 there would be no material change in migration levels.

Methodology

Component 1: Removing the one-week waiting period for all working age payments

Administered expense impacts are based on DSS's model for the 2014-15 Budget measure, updated for parameters and policy settings as at the 2019 Pre-election Economic and Fiscal Outlook, including the commencement of Jobseeker Payment, and the cessation of Newstart and Sickness Allowances.

Component 2: Restart the indexation of eligibility thresholds for payments

Administered expense impacts for DSS payment recipients were calculated using the Policy Evaluation Model. This model is based on unit record administrative data of income support recipients. The financial implications represent the difference between the total financial implications under the proposal and the baseline.

Increased tax revenue as a result of increased taxable support payments was included in the costing.

Component 3: Not proceed with Schedules 1, 2 and 4 of the Social Services Legislation Amendment (Payment Integrity) Bill

Administered and departmental expense impacts over the 2019-20 Budget forward estimates period are based on costing models for the relevant measures obtained from Commonwealth agencies.

Component 4: Reverse three measures from the Social Services Legislation Amendment (Better Targeting Student Payments) Bill 2017

Administered expense impacts over the 2019-20 Budget forward estimates period are based on DSS models for the corresponding 2017-18 Budget measures. These estimates were updated for parameters as at the 2019-20 Budget.

All components

All estimates in this costing have been rounded to the nearest \$100,000, except for administered expenses for Component 1, which have been rounded to the nearest \$1 million.

Data sources

The Department of Social Services provided the Policy Evaluation Model as at the 2018-19 Mid-year Economic and Fiscal Outlook.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

The Department of Social Services provided their 2017-18 Budget costings for the measures contained in Schedules 1, 2 and 3 of the Social Services Legislation Amendment (Better Targeting Student Payments) Bill.

The Treasury provided payment population and indexation projections as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided estimates of payment recipient numbers and average payment rates as at the 2019-20 Budget.

Commonwealth of Australia, 2014. *2014-15 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2018-19 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

The Department of Social Services provided the model for the 2014-15 Budget measure *Apply the One-Week Ordinary Waiting Period to all Working Age Payments*.

The Department of Social Services provided average payment amounts and population projections over the 2019-20 Budget forward estimates period.

Attachment A – Reversing unfair Department of Social Services (DSS) measures and age pension cuts – financial implications

Table A1: Reversing unfair Department of Social Services (DSS) measures and age pension cuts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 2 – Restart indexation of eligibility thresholds for payments – income tax</i>	1.4	1.7	1.7	1.8	6.6
Total – revenue	1.4	1.7	1.7	1.8	6.6
Expenses					
<i>Administered</i>					
<i>Component 1 – Removing the one-week waiting period for all working age payments</i>	-66.0	-67.0	-69.0	-71.0	-272.0
<i>Component 2 – Restart the indexation of eligibility thresholds for payments</i>	-8.7	-9.5	-9.5	-9.6	-37.2
<i>Component 3 – Not proceeding with Schedule 1 of the Payment Integrity Bill – Enhanced residency requirements for pensioners</i>	-16.2	-46.4	-71.8	-91.9	-226.2
<i>Component 3 – Not proceeding with Schedule 2 of the Payment Integrity Bill – Pension supplement – Stopping the payment of pension supplement after six weeks overseas</i>	-43.2	-44.3	-45.4	-46.6	-179.6
<i>Component 3 – Not proceeding with Schedule 4 of the Payment Integrity Bill – Liquid assets test waiting period</i>	-50.5	-51.5	-53.9	-55.5	-211.4
<i>Component 4 – Reverse Schedule 1 of the Better Targeting Student Payments Bill – Relocation scholarship payment</i>	-0.5	-1.0	-1.1	-1.1	-3.7
<i>Component 4 – Reverse Schedule 2 of the Better Targeting Student Payments Bill – Education entry payment</i>	-2.4	-4.8	-4.8	-4.8	-16.8
<i>Component 4 – Reverse Schedule 3 of the Better Targeting Student Payments Bill – Pensioner education supplement</i>	-10.2	-20.7	-20.9	-21.1	-72.9
Total – administered	-197.7	-245.2	-276.4	-301.6	-1,019.8
<i>Departmental</i>					
<i>Component 1 – Remove the one-week waiting period for all working age payments</i>	2.0	2.0	2.0	2.0	8.0
<i>Component 2 – Restart the indexation of eligibility thresholds for payments</i>
<i>Component 3 – Not proceeding with Schedule 1 of the Payment Integrity Bill – Enhanced residency requirements for pensioners</i>	1.8	1.8	2.1	2.3	7.9
<i>Component 3 – Not proceeding with Schedule 2 of the Payment Integrity Bill – Pension supplement – Stopping the payment of pension supplement after six weeks overseas</i>	0.1	0.1	0.1	0.1	0.3
<i>Component 3 – Not proceeding with Schedule 4 of the Payment Integrity Bill – Liquid assets test waiting period</i>	-	-	-	-	-
<i>Component 4 – Reverse Schedule 1 of the Better Targeting Student Payments Bill – Relocation scholarship payment</i>	-	-	-	-	-
<i>Component 4 – Reverse Schedule 2 of the Better Targeting Student Payments Bill – Education entry payment</i>	-	-	-	-	-
<i>Component 4 – Reverse Schedule 3 of the Better Targeting Student Payments Bill – Pensioner education supplement</i>	-	-	-	-	-
Total – departmental	3.9	3.9	4.2	4.4	16.2
Total – expenses	-193.8	-241.3	-272.2	-297.2	-1,003.6
Total	-192.4	-239.6	-270.5	-295.4	-997.0

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- .. Not zero but rounded to zero.
- Indicates nil.