



The Hon Kevin Andrews MP

Minister for Employment and Workplace Relations and Minister
Assisting the Prime Minister for the Public Service

Welfare to Work – Improved returns from work for people receiving allowances

What funding is the Government committing to improve returns from work for people receiving allowances?

- ▶ The Government will provide \$943 million over five years to increase incentives for people to move from welfare to work.

How is the Australian Government improving returns from work for people receiving allowances?

- ▶ The income tests for most allowances and related payments have been made more generous, so that people can keep more of their earnings. This will make working more financially rewarding.

What payments are affected?

- ▶ The allowances affected are: Newstart Allowance, Mature Age Allowance, Partner Allowance, Sickness Allowance, Widow Allowance and Youth Allowance.
- ▶ Also affected are related payments: Parenting Payment (for partnered parents), Austudy and Abstudy.

What changes apply to allowances?

- ▶ The existing income test-free area of \$62 a fortnight will continue.
- ▶ Currently the allowance income test reduces payments by 50 cents for each dollar of income over \$62 a fortnight, and by 70 cents for each dollar of income over \$142 a fortnight.
- ▶ The change will extend the 50 cents in the dollar taper rate to incomes up to \$250 a fortnight. In addition, income above \$250 will reduce payments by 60 cents in the dollar, instead of the current 70 cents in the dollar.
- ▶ The partner income test taper rate will also be reduced from 70 cents in the dollar to 60 cents in the dollar.



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- ▶ The income test for student Youth Allowance will be changed in the same way as other student payments (see below).

How many people will be better off under the new income test?

- ▶ Over 300 000 people will be better off financially as a result of the new income test, either through increases in the rate of their income support payment, or by becoming newly eligible for income support.

How much better off will people be under the new income test?

- ▶ The new income test makes getting work, or increasing hours worked, more rewarding financially. The amount of extra assistance depends on the income a person has. A single income couple with a child, with one partner working full time earning minimum wages (currently \$12.30 an hour, or \$467.40 a week), will get around \$45 a week more income support than under current arrangements. A single person working 15 hours a week at minimum wages would get around \$17 a week more income support.

What changes apply to Parenting Payment for partnered people?

- ▶ The partnered Parenting Payment income test currently reduces payments by 50 cents for each dollar of income over \$62 a fortnight, and by 70 cents for each dollar of income over \$245 a fortnight.
- ▶ The change will extend the 50 cents in the dollar taper rate to incomes up to \$250 a fortnight. In addition, income above \$250 will reduce payments by 60 cents in the dollar, instead of the current 70 cents in the dollar.
- ▶ The partner income test taper rate will also be reduced from 70 cents in the dollar to 60 cents in the dollar.

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What changes apply to the payments for students?

- ▶ The existing generous income test-free area of \$236 a fortnight for students will remain. The 50 cents in the dollar taper rate for income between \$236 and \$316 a fortnight is also unchanged.
- ▶ For students, income above \$316 a fortnight will reduce payments by 60 cents for each extra dollar, rather than the current 70 cents in the dollar.
- ▶ The partner income test taper rate will also be reduced from 70 cents in the dollar to 60 cents in the dollar.

What does this measure build on?

- ▶ This change builds on the Working Credit scheme introduced in September 2003 to improve financial rewards for people taking up available paid work.
 - ▶ The Working Credit allows people to earn up to \$1 000 without affecting their income support payment.
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