

AUSTRALIA

1. Overview of the system

Australia has flat-rate, means-tested unemployment benefits. An administrative distinction is made between long-term and initial benefits, although this does not affect the value of entitlements. There are separate provisions for dependent spouses. Housing benefits and child-care benefits are available to all low-income families. Benefits are withdrawn gradually as income increases. Recent changes have made benefit receipt and means tests partly based on individual circumstances rather than that of the family. The 1995 APW level is A\$35 094.

2. Unemployment insurance

There is no unemployment insurance.

3. Unemployment assistance

Unemployment benefit is split into two parts:

- Job Search Allowance (JSA): paid for a maximum duration of 12 months to men between 18 and 65 and women between 18 and 60 who are unemployed;
- Newstart Allowance (NSA): payable after 12 months of JSA benefits, indefinitely.

The distinction between JSA and NSA is an administrative one: benefit entitlements are the same.

3.1 *Conditions for receipt*

All benefits are flat rate and means-tested. Recipients must be actively seeking for work and must be available for and willing to accept suitable work.

3.1.1 *Employment conditions*

None.

3.1.2 *Contribution conditions*

None.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

If both partners in a couple are unemployed and are both aged 21 or older and have children under 16, one spouse can choose to receive Parenting Allowance (PgA) instead of Job Search Allowance. Active job search is not necessary for those receiving Parenting Allowance. Maximum amounts of benefit and means tests are not affected by the choice, although a component of Parenting Allowance -- called Basic Parenting Allowance -- is non taxable (A\$31.40 per week in September 1995), whereas JSA and NSA are taxable in their entirety. Parenting Allowance replaces Partner Allowance from 1 July 1995 for partners of JSA and NSA recipients with children under 16. Home Child-Care Allowance (Section 7) was subsumed into Parenting Allowance and comprises the non-taxable Basic Parenting Allowance component.

Job Search Allowance, New Start Allowance and Parenting Allowance (September 1995 rates)

Category of beneficiary	(A\$ fortnightly)	(A\$ per month)
Single person, 18-20 years old	245.6	532.13
Single person, 21 years and over	310.5	672.75
Lone parent and those aged over 60 after 6 months unemployment ¹	335.9	727.78
Couple 21 years and or with children	(each) 280.2	(each) 607.10

1. Lone parents generally receive the Sole Parent Pension, rather than the JSA/NSA, unless they are not residentially qualified for the pension.

3.2.2 *Income and earnings disregards*

Benefit receipt is dependent on income and assets tests. Spouses each receive half of the total allowance payable to a couple, with the benefits of each means-tested individually. After an initial "free area" (or disregard) of A\$30 per week, 50 per cent of income up to A\$70 is withdrawn against the benefit. Thereafter the withdrawal rate is 70 per cent. If the higher earning partner loses all entitlement to benefit (under 1995 rules, occurring when income exceeds A\$242 per week), the spouse's allowance is reduced by 70% of each dollar his/her partner earns in excess of that amount. Other benefit income is not included in the JSA/NSA/PgA income test.

3.3 *Tax treatment of benefit*

JSA and NSA are taxable, but the tax system is structured such that a year-long recipient without other income will pay no tax.

3.4 *Benefit duration*

There are no restrictions on the duration of unemployment benefit. The waiting period is 7 days. Longer waiting periods may be served by education leavers and applicants with annual leave entitlements or available funds exceeding specified limits.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

Unemployment benefits are A\$532.13 per month for persons who are aged 18 to 20 and do not live at home. For couples, different rates apply (see above). From 1 January 1995, Youth Training Allowance (YTA) has been paid to unemployed people under the age of 18 years.

3.5.2 *Older workers*

Mature Age Allowance (MAA) is paid to the long-term unemployed aged 60 and over and below pension age. To be eligible, people must have been on benefits for 12 months or more and be eligible for New Start Allowance. Recipients are paid the same amount as the old age pension and are subject to the same income and asset tests. The spouse of an MAA recipient can receive a Mature Age Partner Allowance.

4. Social assistance

The Special Benefit serves as a benefit of last resort. It is paid to people in severe financial need through circumstances beyond their control and for whom no other benefit is available. The benefit is means-tested against any income; payment rates are at the discretion of the Secretary of the Department of Social Security but can never exceed JSA/NSA rates. Australia also has an Emergency Relief programme which pays funds to community based centres which aim to help families in crises.

5. Housing benefits

5.1 *Conditions for receipt*

Housing Assistance exists in two main forms:

- Rent Assistance (RA) is a non-taxable cash payment generally available to all Department of Social Security clients who rent in the private market;
- Public housing is available at reduced rents (set by state governments), to ensure that tenants pay no more than 20-25 per cent of their income in housing costs.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

Rent Assistance is provided at a rate of 75 per cent of the rent in excess of a threshold-value, up to a maximum rate. The maximum assistance and rent thresholds are indexed for inflation twice a year.

Rent Assistance (September 1995 rates)

Family type	Rent thresholds (A\$ per week)		Maximum assistance (A\$ per week)	
		if both claiming a benefit		if both claiming a benefit
Childless single people		32.20		36.20
Lone parents, 1 or 2 children		43.00		39.70
Lone parents, 3 or more children		43.00		45.30
Couples, no children	50.70	53.90	32.00	34.10
Couples, 1 or 2 children	60.80	64.70	37.40	39.70
Couples, 3 or more children	60.80	64.70	42.60	45.30

5.2.2 Income and earnings disregards

There are no earnings disregards. RA is added to additional family payments for abatement purposes.

5.3 Tax treatment of benefit

Housing benefits are not taxable.

6. Family benefits

Family benefits consist of Basic and Additional Family Payments.

6.1 Conditions for receipt

Basic Family Payments (BFP) are cash benefits for families with children. They are not means-tested against pensions or allowances (JSA, NSA, *etc.*). Additional Family Payments are paid to low-income and income support families with children. Lone parents receive benefits which are subject to a separate means-test.

6.2 Calculation of benefit amount

The amounts are differentiated to two age groups.

6.2.1 Calculation of gross benefit

Basic Family Payments are at the rates in the following table. All benefit entitlement ceases above the maximum income level.

Basic Family Payments

No. of children	Fortnightly rate (A\$)	Maximum income level (A\$ a year)
1	21.70	61 020
2	43.40	+ 3 051
3	65.10	+ 3 051
4	94.00	+ 3 051
5	122.90	+ 3 051
per extra	28.90	+ 3 051

Additional Family Payment (AFP), see table below, also gives the right to Rent Assistance (RA) and lone parents' Guardian Allowance (GA).

Additional Family Payments

Age	Fortnightly rate (A\$)	
	1993	1995
Children under 13	61.90	67.20
Children 13-15	87.40	94.10
Students 16-18 ¹	34.00	34.00

1. Not receiving Austudy or Abstudy.

6.2.2 Income and earnings disregards

BFP ceases above the maximum level (see 6.2.1). AFP and the associated benefits (GA and RA) are reduced by 50 cents per dollar income earned through work above A\$21 700 a year plus A\$624 per child). Income of both spouses is taken into account.

6.3 Tax treatment of benefit

Family benefits are not taxable.

7. Child-care benefits

There are two forms of Commonwealth assistance for child-care: Child-care Assistance (CA) and Child-care Cash Rebate (CCR).

7.1 Conditions for receipt

Families with low to middle incomes whose children are in approved child-care services are eligible for CA. All families with children in registered care are eligible for CCR.

7.2 Calculation of benefit amount

7.2.1 Calculation of gross benefit

The maximum fee or ceiling on which CA will be paid in approved long day-care, family day-care and some occasional care services is A\$2.25 an hour or A\$112.50 for 50 hours of child-care. In approved, outside-school-hours care services, CA is paid at 69 cents per hour per child for families receiving full AFP or 37 cents per hour per child for families receiving part AFP.

Under CCR, the maximum weekly child-care expenses on which families can claim is A\$112.50 per week for one child in care; or A\$225 per week per child for two or more children in care. Families can claim 30 per cent of their weekly child-care costs, after paying the first A\$16.50 and deducting any CA paid. The maximum weekly rebate is A\$28.80 per week for one child in care or A\$62.55 per week for two or more children in care.

Families where both parents (or a lone parent) are working, studying or training for work or looking for work may be eligible to both CA *and* CCR.

7.2.2 Income and earnings disregards

Families are eligible for some CA in these services if their incomes are less than A\$1 181 a week before tax (for families with one dependent child who is in care) or A\$1 431 a week before tax (for families with two or more dependent children who are both or all in care). The cut-off increases for each additional dependent child.

7.3 Tax treatment of benefit

CA and CCR are not taxable.

7.4 Partnered-parent benefits

Parenting Allowance (PgA) is paid to the partner who is not in paid work or is getting only a low personal income in a couple with at least one dependent child under 16.

PgA has two parts: Basic PgA (which replaces former Home Child-care Allowance) of up to A\$62.80 a fortnight which is neither taxable nor assets tested and is not affected by the level of the partner's income; and Additional PgA of up to A\$217.40 a fortnight which is taxable and assets tested. It is paid if the customer's partner is getting another Social Security benefit or is working and the family has a low income.

The maximum PgA payment at 20 September 1995 was A\$280.2 (A\$62.80 plus A\$217.40) a fortnight.

7.4.1 Calculation of benefit amount

Personal income test: There is an initial “free” area of A\$60 income a fortnight after which 50 per cent of income between the free area and A\$140 a fortnight is withdrawn from the benefit. The withdrawal rate for income above A\$140 a fortnight is 70 per cent.

Partner income test: There is a partner income “free area” of A\$472 a fortnight and the withdrawal rate of PgA for partner income above this amount is 70 per cent.

The rate of Basic PgA is not affected by the partner income test.

7.4.2 Tax treatment of benefit

Basic PgA is not taxable. However, the amount of the Dependent Spouse Rebate available to the dependent partner through the tax system is reduced on a A\$1 for A\$1 basis by the amount of Basic PgA received during the financial year.

8. Employment-conditional benefits

The Employment Entry Payment is a lump-sum payment made on moving into full-time employment (A\$100 for 18 year-olds and over). Each individual is eligible only once every 12 months.

9. Lone-parent benefits

9.1 Conditions for receipt

Sole Parent Pension (SPP) is payable to a person who is not a member of a couple and is caring for a child who is under 16 years of age, or qualifies the person to receive Child Disability Allowance.

A person is not required to seek work to qualify for SSP. If a person obtains work, the earnings may affect the rate payable under the income test.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

The maximum rate of SPP as at 20 September was A\$335.90 per fortnight, plus A\$5.20 per fortnight Pharmaceutical Allowance. Pension rates are indexed in line with the Consumer Price Index in March and September each year. In addition to the basic pension payment, Sole Parent Pensioners

are entitled to Basic Family Payment and Additional Family Payment (see 6.2) and Guardian Allowance (GA) at a rate of A\$30.10 per fortnight.

9.2.2 Income and earnings disregards

SPP is subject to the same income and assets test as the Age Pension, and is taxable. After an income disregard of A\$94 per fortnight plus A\$24 per fortnight for each child, the pension is withdrawn at a rate of A\$0.50 in the dollar. The income and assets tests for GA are the same as for AFP.

10. Tax system

10.1 Income tax

10.1.1 Income tax allowances and credits

There is a system of wastable income tax credits, known as rebates:

- in 1994-95 a Sole Parent Rebate (A\$1 137 per annum) is allowed to lone parents, whatever their income;
- taxpayers with a dependent spouse may also claim a rebate of up to A\$1 452 per annum, although any non-payable Parenting Allowance (which would normally be payable directly to a dependent spouse with children) must be deducted from this amount;
- low income families receive a A\$150 per annum tax rebate, reduced at 4 per cent of taxable income above A\$20 700;
- rebate on JSA/NSA of a maximum of A\$733 per annum, which is sufficient to ensure that beneficiaries with no other source of income during the year will not pay tax. The rebate is reduced with 12.5 cents for each dollar by which taxable income exceeds the maximum rate of JSA/NSA payable to the person;
- rebate on taxable Parenting Allowance of up to A\$49 per annum, which is sufficient to ensure that beneficiaries with no other source of income during the year will not pay tax. The rebate is reduced with 12.5 cents for each dollar by which taxable income exceeds the maximum rate of Parenting Allowance payable to the person.

10.1.2 *Income tax schedule*

The schedule for 1994-95 is:

Income tax schedule

Annual income (A\$)	rate (%)
0 — 5 400	0
5 401 — 20 700	20
20 701 — 38 000	34
38 001 — 50 000	43
50 001 and above	47

10.2 *Tax unit and treatment of benefits*

All individuals are taxed separately. Some benefits are taxable, some are not. Basic Parenting Allowance (A\$31.40 per week) is not taxed.

Tax treatment of benefits

Taxable	Not taxable
Job Search Allowance	Basic Family Payments
New Start Allowance	Additional Family Payments
Sole Parent Pension	Rent Assistance
Special Benefit	Guardian Allowance
Additional Parenting Allowance	Basic Parenting Allowance

10.3 *Social security contribution schedule*

A Medicare levy of 1.5 per cent of taxable income is payable for families with earnings above a certain amount (the shade-in limit). The shade-in limit depends on family size. Otherwise, the levy is 20 per cent of taxable income exceeding a certain amount (the shade-out limit). The Medicare levy is not hypothecated to the provision of individual health cover. It is paid into Consolidated Revenue and the revenue it raises is in any case insufficient to fund universal health care.

Fade-in limits for Medicare levy

Family type	Annualised amounts
Single	12 870
Couple	25 918
Increase per child	2 100

The fade-out limit is calculated on the basis of the fade-in limit: the fade-in limit is multiplied by the quotient of the (high) Medicare levy rate and the difference between this rate and the fade-in rate.

11. Part-time work

11.1 Special benefit rules for part-time work

Free Areas and benefit withdrawal rates for all benefits ensure that part-time work and continued receipt of benefit income is possible.

11.2 Special tax and social security contribution rules for part-time work

None.

12. Policy developments

12.1 Policy changes introduced in the last year

Child-care Cash Rebate (CCR) -- was introduced in July 1994 to help offset child-care expenses for children where both parents are, or a sole parent is, working, studying, training or looking for work. Parents using child-care for these work-related purposes can claim a rebate on the cost of child-care. CCR is administrated by the Health Insurance Commission for the Department of Health and Family Services.

Home Child-care Allowance (HCCA) -- was introduced on 29 September 1994 to assist families where a partner cares for children at home. Dependent partners with children and whose incomes were below A\$10.85 a fortnight received the full rate of A\$60 a fortnight. HCCA was an alternative to the higher (with child) rate of the Dependent Spouse Rebate in the income tax system.

Additional Family Payment (AFP) -- was increased by A\$2 a fortnight per child from 1 January 1995.

Parenting Allowance (PgA) -- was introduced from 1 July 1995, incorporating the former Home Child-care Allowance. The purpose of the payment is to provide financial assistance to families where a partner remains substantially out of the paid workforce to care for children. Parenting Allowance provides an independent source of income to those partners. The payment increases choice for parents in balancing work and family responsibilities. The allowance has two components: a non-taxable payment based solely on the person's personal income, which is not assets tested (Basic PgA); and a taxable payment based on the income of each partner and assets tested on the combined assets of the couple (Additional PgA).

12.2 Policy changes announced

Family payments amalgamated -- Basic Family Payment (paid to low and middle income families) and Additional Family Payment (paid to low income families) were amalgamated into a single Family Payment from January 1996. The amount received by families remained the same but the change resulted in simpler arrangements.

Family Payment Income Test -- The income test for Family Payment was modified to make it more responsive to changes in a family's income. Previously the Family Payment rate was recalculated only when a family's current income rose or fell 25 per cent or more. Since January 1996 a family has been able to have their rate of Family Payment reassessed whenever they experience a reduction in income. Where a family income has a change in circumstances (for example, one partner returns to work) and their combined family income increases 10 per cent or more, they are required to have their Family Payment reassessed.

Maternity Allowance -- The allowance was introduced from 1 February 1996. It assists families with the extra costs that are incurred at the time of the birth of a new baby (including forgone income from non-participation in the paid workforce by the mother around the time of the birth). The allowance is paid in a lump sum equal to six times the weekly maximum rate of Parenting Allowance. It is subject to the same means test as minimum Family Payment.

Rent Assistance -- Rent Assistance payable for families renting privately with children was increased by A\$5 per fortnight from March 1996 in addition to the regular indexation increase in line with movements in the Consumer Price Index.

Guardian Allowance -- From September 1996, this payment made to sole parents who receive Family Payment, was increased by A\$4 per fortnight in addition to the regular indexation increase in line with movements in the Consumer Price Index.

Family Tax Initiative -- From 1 January 1997, all families with dependent children (couples and sole parents) aged below 18 years and with family taxable incomes up to A\$70 000 in the current year (plus A\$3 000 for each dependent child after the first) will receive an increase in the tax-free threshold for one parent of A\$1 000 for each dependent child (an increase in disposable income of A\$200 per annum per child). For low income families, the assistance will be available as a fortnightly cash payment (A\$7.70 per fortnight for each child).

Additional assistance will be provided to families with one main income (including sole parent families) with young children. Providing the main income earner spouse's current taxable income is below A\$65 000 in the current year (plus A\$3 000 for each dependent child after the first), and their spouse (if a couple) satisfies an income test (currently taxable income below A\$4 561) and they have a child under the age of five years, a further increase of A\$2 500 to the tax-free threshold will be provided (an increase of A\$500 per annum per family). For low income families, this extra amount will also be available as a fortnightly cash payment of A\$19.24).

Child-care Assistance (CA) -- From 1 April 1997, the additional income allowed for dependent children when assessing eligibility for CA will be abolished. The CA income cut-offs for second and subsequent children will also be reduced.

Abolish the Earnings Credit -- The existing earnings credit will be abolished from 20 March 1997 to achieve greater simplicity of income testing arrangements. The allowance income testing arrangements introduced in July 1995 ensure that people are better off undertaking casual or temporary work, eliminating the need for an earnings credit.

Treatment of annual leave -- The waiting period for annual leave referred to in Section 3.4 has been amended to include sick, recreation, maternity and long service leave from September 1997.

Extend Liquid Assets Waiting Period (LAWP) -- The current waiting period served is four weeks for liquid assets exceeding specified. From September 1997, the maximum length of the LAWP will be increased to 13 weeks, with the length of the waiting period contingent on available funds.

Apply the Parental Income Test to Youth Training Allowance and Sickness Allowance Customers under 18 years of age -- From January 1997 the minimum rate of payment will be abolished for customers aged under 18. The Parental Income Test (PIT) will then be applied to determine the actual rate of payment. The PIT will not apply to customers under 18 years who are eligible for the “independent”, “married” or “with child” rates.

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The annual tax/benefit position of an unemployed single person, 1995 (Australian dollars)

A. Taxable benefits	
Means-tested benefits	
Job Search/New Start Allowance	8 073
Total taxable benefits	8 073
B. Income tax and social security contributions	
Income tax allowances	8 073
Taxable income	835
Income tax credits	0
Social security contributions	0
Total income tax and social security contributions	0
C. Non-taxable benefits	1 882
Rent Assistance	1 882
D. Net income out of work (A-B+C)	9 955
E. Net income in work	26 614
F. Net replacement rate (D/E) (per cent)	37

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The annual tax/benefit position of an unemployed married couple with two children, 1995 (Australian dollars)

A. Taxable benefits	
Means-tested benefits	
Job Search/New Start Allowance	7 285
Additional Parenting Allowance	5 652
Total taxable benefits	12 937
B. Income tax and social security contributions	
Income tax allowances	12 938
Taxable income	728
Income tax credits	0
Social security contributions	
Total income tax and social security contributions	0
C. Non-taxable benefits	
Means-tested benefits	
Additional Family Payments	3 494
Rent Assistance	2 064
Basic Family Payments	1 128
Basic Parenting Allowance	1 633
Total non-taxable benefits	8 320
D. Net income out of work (A-B+C)	21 258
E. Net income in work	29 375
F. Net replacement rate (D/E) (per cent)	72

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The annual tax/benefit position of an unemployed lone parent with two children, 1995 (Australian dollars)

A. Taxable benefits	
Means-tested benefits	
Sole Parent Pension	8 733
Total taxable benefits	8 733
B. Income tax and social security contributions	
Income tax allowances	8 733
Taxable income	1 954
Income tax credits	0
Social security contributions	0
Total income tax and social security contributions	0
C. Non-taxable benefits	
Means-tested benefits	
Additional Family Payments	3 494
Rent Assistance	2 064
Guardian Allowance	783
Pharmaceutical Allowance	135
Basic Family Payments	1 128
Total non-taxable benefits	7 604
D. Net income out of work (A-B+C)	16 337
E. Net income in work	28 879
F. Net replacement rate (D/E) (per cent)	57
