

# ABC NEWS

## Tony Abbott's razor gang considered welfare crackdown on 'job snobs' under 30

Exclusive by political reporter [Ashlynn McGhee](#) and Michael McKinnon  
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[The expenditure review committee was made up of Tony Abbott, Joe Hockey and Mathias Cormann. \(AAP: Paul Miller\)](#)

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Tony Abbott's "razor gang" considered banning anyone under 30 from accessing income support in a radical proposal ahead of the 2014 budget, **according to cabinet documents obtained by the ABC.**

Key points:

Options included cutting off under-30s entirely, just those in areas with job opportunities, or with no work history. Most extreme proposal would have saved \$9 billion over four years

Kevin Andrews expressed "significant concerns" about proposal

The expenditure review committee was made up of then-prime minister Mr Abbott, then-treasurer Joe Hockey and Finance Minister Mathias Cormann. It requested then-social services minister Kevin Andrews look at how to ban "job snobs" from receiving the welfare payments. In one document marked "protected", "sensitive" and "cabinet in confidence", Mr Andrews proposed **three options to permanently or temporarily halt income support for job seekers under 30.**

They included cutting off under-30s entirely, cutting off under-30s in areas with employment opportunities, and limiting income support to young people with a work history. There was also an option to roll out an income-managed basics card to "lessen the harshness of the measure".

The most extreme proposal would have saved the federal government nearly \$9 billion over four years. But Mr Andrews, a strong factional ally of Mr Abbott, also anticipated a backlash.

The documents reveal he may have been responsible for killing off the plan.

Concerns plan could lead to homelessness, youth crime

In a draft letter to Mr Abbott and copied to then-employment minister Eric Abetz and **then-human services minister Marise Payne**, Mr Andrews expressed "significant concerns" about the razor gang's request. **"This is a fundamental change to Australia's universal social security system ... it is not clear that there is a strong evidence base for this approach,"** he wrote in the attached proposal. "Young people in financial hardship could experience homelessness, be driven to crime and other antisocial behaviour, family breakdown and possible criminal flow-on resulting from removing the social security safety net."

He noted that there was already a crackdown on youth welfare factored into the 2014 budget and suggested any further changes be part of a broader review of welfare.

In a statement provided to the ABC this morning, Mr Abbott said: "While I never comment on the deliberations of cabinet, the 2014 budget was an attempt to make serious structural reforms to lift our nation's productivity." Senator Abetz also responded by saying the Abbott government "was right to consider all options". "I was pleased at the time that it reached a sensible landing to not pursue these reforms," he said in a statement. "The Coalition

Government was and is eager to ensure that we don't set up young Australians for a lifetime of welfare and in order to find a sensible way forward, of course governments should at least look at all options."

Senator Cormann and Senator Payne declined to comment.

Mr Andrews and Mr Hockey have also been contacted for comment.

Proposal Outlining Three Options to Permanently or Temporarily Halt Income Support for Job Seekers Under 30

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ATTACHMENT A

**Youth Employment Package Option A: eligibility changes for income support for job seekers under 30 years old in areas where unskilled work is available**

Minister: Minister for Social Services

Ongoing

**Authority for NPP:** TA14/0070/ERC

**Affected Agencies:** Department of Social Services; Department of Employment; Department of Human Services

**Critical decision date(s):**

**Financial Implications (\$ millions):**

Without BasicsCard

|   | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---|---------|---------|---------|---------|---------|-------|
| Change to Departmental Expenses:        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Administered Expenses:        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Departmental Capital:         | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Administered Capital:         | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Change in Resourcing:</b>      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Impact on Fiscal Balance:</b>  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Impact on Underlying Cash:</b> | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>ASL:</b>                             | 0       | 0       | 0       | 0       | 0       | 0     |

*\*Department of Finance indicative agreed whole of government costing is -\$2.861billion over 4 years*

With BasicsCard

|   | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|---|---------|---------|---------|---------|---------|-------|
| Change to Departmental Expenses:        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Administered Expenses:        | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Departmental Capital:         | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| Change to Administered Capital:         | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Change in Resourcing:</b>      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Impact on Fiscal Balance:</b>  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>Total Impact on Underlying Cash:</b> | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     | 0.0   |
| <b>ASL:</b>                             | 0       | 0       | 0       | 0       | 0       | 0     |

*\*Department of Finance indicative agreed whole of government costing is -\$1.632 billion over 4 years*

**Proposal Description:**

This proposal would prevent people under 30 years of age who are residing in Prescribed Areas such as capital cities with low unemployment, where unskilled work is available and are capable of working, from claiming income support payments. The policy would also apply in areas where seasonal work is available. Job seekers would either be subject

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to a continuous suspension of income support or a seasonal suspension as declared by the Minister from time to time and limited periods where there is a peak demand for labour. The proposal would commence on 1 July 2015. No grandfathering of current recipients is provided for, this proposal would have immediate effect for all jobseekers under 30.

An option within the proposal could instead offer some basic social assistance to affected job seekers in the form of a BasicsCard loaded with \$200 per fortnight which would be fully (100%) income managed. This option would not be available until 1 July 2016, therefore affected job seekers would be without support during 2015-16.

In these Prescribed Areas, under 30s seeking to claim payment for Newstart or Youth Allowance (Other), would be advised by an employment services provider or Department of Human Services (Centrelink) that they are in a government determined low unemployment area and therefore ineligible for this form of income support. Instead they would be offered intensive support by employment service providers and relocation assistance to move to where the jobs are. Any job seeker who moves from an area of low unemployment would continue to be ineligible for income support indefinitely.

The proposal would affect approximately a total of 70,000 Newstart and Youth Allowance (Other) recipients identified as living in low unemployment zones on a continuous basis on 1 July 2015. A further 35,000 job seekers each year would no longer be eligible for support in these regions. In addition, around 30,000 recipients per year would have their payments suspended for a period of time because they live in areas where seasonal work is available.

Only a very small number of highly targeted exemptions would apply. These will be for people with a capacity to work of less than 23 hours or whose disability prevents them from undertaking the seasonal work available, and principal carer parents. In these cases they would be eligible to receive Newstart or Youth Allowance (other) providing they continue to meet their Mutual Obligations responsibilities.

Eligibility for other forms of income support, such as Disability Support Pension, Parenting Payment, Carer Payment, Youth Allowance (student), Austudy, ABSTUDY Living Allowance and Sickness Allowance would not be changed. The eligibility rules for Special Benefit would need to be amended to ensure there was no unintended flow onto this payment.

This proposal is a fundamental change to the safety net and pre-empts the Welfare System Review currently underway.

### *Background*

Currently young unemployed people are generally able to access income support in their own right from the age of 22. Prior to this age they may also receive income support as a dependent young person, based on an assessment of their parents' means. Youth Allowance is the main form of assistance for young people, whether they are full time students, or looking for work. At 22 years of age, young job seekers may access either Newstart Allowance. Aside from age and activity requirements, the main eligibility criterion for income support is based on the income and asset levels of the individual. Eligibility is set consistently across the country and is not based on previous employment or contributions to a scheme. Payment design is based around the principles of providing an adequate safety for people otherwise at risk of financial hardship, whilst maintaining incentives to work. Full-time activity test requirements and mutual obligation are fundamental to ensuring job seekers are looking for work and seeking to become self-reliant.

### *Option for basic social assistance*

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An option to lessen the harshness of the measure and to assist job seekers under 30s to meet their living expenses, could involve:

- a Basics Card which is a reusable, Personal Identification Number (PIN) protected card that is currently used in areas where Income Management applies. It could be used to purchase food, clothes, health items and hygiene products at a variety of approved stores and businesses. It would be capped at \$200 per fortnight and income managed at 100%.
- Immediate suspension of any support for up to 12 weeks if a job offer was refused or for other non-compliant behaviour.

Such a limited amount of support would not provide for an adequate standard of living. However, the intention is not to provide income support, the intention is to provide a minimum level of social assistance to be spent on prescribed items only.

The cost for DHS of setting up the infrastructure necessary to support the roll out of the BasicsCard is likely to be significant. There would be no capacity to implement the basics card option until 2016-17 as part of new arrangements because only the current approach with the same client groups and coverage can be rolled over with an extension of the current BasicsCard contract.

### *Assistance to find work*

Young people impacted by the changes to eligibility for Newstart and Youth Allowance (other) will benefit from immediate access to Stream B assistance under the Employment Services 2015 model. Assistance under the option without provision of a BasicsCard would be on a voluntary basis. If the BasicsCard was provided then participation in employment services would be compulsory, with immediate suspension for non-compliance.

### *Income Management - Basics Card*

The BasicsCard, a key delivery mechanism of the income management programme, could be made available to enable young income support recipients to access basic necessities whilst they continue work-search efforts. The BasicsCard is a PIN protected card that allows participants to access their income managed funds through EFTPOS facilities at merchants approved as offering priority goods and services, such as food, housing, utilities, clothing and medical care. The existing BasicsCard is not able to be used to pay rent. Under this proposal, an increased footprint of Approved BasicsCard Merchants will be required Australia wide.

The existing income management programme currently supports over 23, 000 people in targeted locations across Australia, including all of the Northern Territory. Income management trials in the Northern Territory, APY Lands in South Australia and various locations in Western Australia will cease on 30 June 2014. An NPP for continuing income management in these locations for a further year is being considered in the 2014-15 Budget process.

The existing income management scheme currently targets particularly vulnerable income support recipients in particular locations (many of them remote) and provides a range of supports, including a high degree of support from DHS staff and from financial management services. This proposal would not seek to replicate such an intensive level of support, on the basis that these young people are likely to be able to better manage electronic and automated payment arrangements than the current client group.

The costs for BasicsCard provision under this proposal will need to take into account broader Government directions on the development of a low cost model of income management, including the option of a new BasicsCard or equivalent, and increased access to self service technology, including but not limited to online servicing, phone interactive voice recognition and smart phone applications. The development of this model will need to take into account the Government's response to the Welfare Reform Review and Review of Indigenous Training and Employment Programmes, with a proposal expected to go to Government for decision following the 2014-15 Budget. This could

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