



Australian Government
Department of Social Services

Submission to Community Affairs Legislation Committee

Social Services and Other Legislation Amendment (Strengthening the Safety Net) Bill 2023



Introduction

As part of the 2023-24 Budget, the Australian Government announced several changes to social security settings to provide additional assistance for income support recipients and to extend the financial safety net for single parents.

The Social Services and Other Legislation Amendment (Strengthening the Safety Net) Bill 2023 (the Bill) will introduce changes to benefit around 2 million Australians. The Bill will amend the *Social Security Act 1991* to:

1. extend Parenting Payment (Single) eligibility to single principal carers whose youngest child is under 14 years, up from 8 years;
2. increase the rate of eligible working age and student payments by \$40 per fortnight;
3. extend eligibility for the higher JobSeeker Payment rate to single recipients aged 55 and over after nine continuous months on payment (currently only available to those aged 60 years and over); and
4. increase Commonwealth Rent Assistance maximum rates by 15 per cent.

The measures will be implemented from 20 September 2023, subject to the passage of legislation. This timing aligns with the next round of legislated indexation changes for payments including JobSeeker Payment, Commonwealth Rent Assistance and Parenting Payment. This means recipients will receive the increases announced through the Budget and any increase resulting from indexation, at the same time.

These measures deliver on the Government's commitment to consider the adequacy of income support payments in each Budget, while demonstrating fiscal restraint and balancing the need to maintain participation incentives. These measures also take into account recommendations from the Women's Economic Equality Taskforce and the Economic Inclusion Advisory Committee.

Rationale for changes

The Australian social security system is a taxpayer-funded, non-contributory system based on the concepts of residence and need, which aims to support Australians and increase their social and economic participation. The social security system provides a critical safety net for vulnerable people, including by providing support for people while they look for a job, study, or have a temporary injury or incapacity. Targeting assistance to the cohorts most in need allows for support to be increased while recognising the importance of longer-term fiscal sustainability of the social security system and the broader fiscal environment.

Expanding support for single parents

The Government has committed \$1.9 billion over five years from 2022-23 to extend eligibility for Parenting Payment (Single) to single principal carers with a youngest child aged under 14 years. This measure will help single parents and principal carers, who are overwhelmingly women, to balance caring responsibilities and paid work.

Under this measure, eligible single principal carers will no longer transfer to JobSeeker Payment when their youngest child turns 8 but will continue to receive support through Parenting Payment (Single) until their youngest dependent child turns 14. By 14 years of age, children have typically settled into high school and need less parental supervision, putting single parents in a much stronger position to take on paid work. This change in qualifying age also broadly aligns with the age at which Family Tax Benefit A is increased.

This measure will enable eligible single parents to continue receiving the higher level of support provided by Parenting Payment (Single), with a current base rate of \$922.10 per fortnight, until their youngest child turns 14. With these changes, eligible single parents currently on JobSeeker Payment will receive an increase to payment of \$176.90 per fortnight.

Parenting Payment (Single) recipients also benefit from more generous income test arrangements compared to the JobSeeker Payment (single with dependent rate), including an income free area for recipients with one child of \$202.60 per fortnight. For recipients with more children, the free area increases by \$24.60 per fortnight for each additional child. Compared to the income free area of \$150 per fortnight for the JobSeeker Payment (single with dependent rate), eligible single principal carers can now earn at least \$52.60 more per fortnight (depending on how many children they have) before their payment is reduced. As a result, Parenting Payment (Single) recipients with one child can earn up to \$2,622.35 per fortnight before losing payment, a \$569.10 per fortnight increase (this figure is higher if Commonwealth Rent Assistance is payable).

Expanding the eligibility of Parenting Payment (Single) recognises that single principal carer parents face additional barriers to employment, such as needing to balance caring responsibilities and paid work on their own. The expansion acknowledges the greater risk of financial hardship single principal carers face as they navigate the significant costs and responsibilities associated with raising children.

Providing additional cost-of-living relief for income support recipients

The Government has committed \$4.9 billion over five years from 2022-23 to increase eligible working age and student payments by \$40 per fortnight. This increase provides additional support to income support recipients and assists those who face persistent barriers to employment, such as those who rely on income support for longer periods due to their reduced capacity to participate in the workforce.

This measure will benefit recipients of JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY (Living Allowance), Disability Support Pension (Youth) and Special Benefit. The \$40 fortnightly increase will also flow through to other payments that are linked to rates in the *Social Security Act 1991*, such as Farm Household Allowance, Self Employment Allowance, Disaster Recovery Allowance and certain Veterans' Education and Training schemes.

Additional targeted supports within the income support system continue to be available to eligible recipients. For example, everyone who receives JobSeeker Payment is eligible for at least one additional form of support such as Family Tax Benefit, Pharmaceutical Allowance, and concession cards. Higher rates of income support payments continue to be payable to individuals who need additional support, including some recipients with children, those with primary caring responsibilities, and mature age long-term recipients.

Under this measure, activity tested recipients will still be subject to the same mutual obligation requirements. This recognises the role of mutual obligation policy in helping people connect to employment and become job ready through engagement with employment services, undertaking job search and participating in other activities.

Another mechanism encouraging workforce participation in the social security system is through the long-standing means testing arrangements, such as income free areas and taper rates. These settings will continue to provide incentives to work and ensure individuals are always better off if they are in paid employment than not.

Increasing support for older recipients with barriers to work

As part of increasing support for people on working age payments, the Government is also expanding eligibility for the higher rate of JobSeeker Payment to single recipients aged 55 years and over who have been on an income support payment for at least nine months. The higher rate is currently only available to those aged 60 years and over. This measure will increase the level of support for these recipients, the majority of whom are women (55 per cent), and acknowledges the additional barriers older Australians face when looking for work such as age discrimination or poor health.

Mature aged JobSeeker Payment recipients have a lower probability of exiting income support due to employment earnings over the long term. Over the past 10 years, the proportion of mature-aged recipients on JobSeeker Payment has significantly increased from 17 to 28 per cent (an increase in the Age Pension qualifying age is also a driver).

They are also more likely to be long-term recipients: on average, those aged 55 and over remain on income support payments for 25 per cent (or 69 weeks) longer than those aged between 21 and 54.

Further, around 95,000 recipients, or more than 60 per cent of single recipients aged 55 and over have an assessed partial capacity to work (i.e. they are unable to work more than 30 hours per week) due to a physical, intellectual or psychiatric impairment.

The Bill also provides for consequential amendments to provide a higher rate of payment to eligible recipients aged 55 years and over that receive Farm Household Allowance, Special Benefit and ABSTUDY (Living Allowance)¹. It also extends eligibility to relevant supplementary payments (such as Pharmaceutical Allowance and Telephone Allowance) and the Pensioner Concession Card. This ensures similar support to those aged 60 and over after nine continuous months on income support, is also available to certain recipients aged 55 and over after nine continuous months on income support.

Limiting the increase in payment to single recipients is consistent with providing targeted assistance to those most in need. The current income support payment structure provides differential rates for single and partnered recipients, recognising that partnered recipients are able to pool resources.

Increasing Commonwealth Rent Assistance

The Government has committed \$2.7 billion over five years from 2022-23 to increase the maximum rates of Commonwealth Rent Assistance by 15 per cent. This increase will boost financial assistance to renters who are facing increased housing cost pressures. It also recognises Commonwealth Rent Assistance has not kept pace with the cost of renting despite being indexed biannually to reflect changes in the Consumer Price Index (CPI).

This increase is on top of the roughly \$5 billion the Government currently spends on Commonwealth Rent Assistance each year.

It is also the largest increase to Commonwealth Rent Assistance maximum rates in more than 30 years.

The Bill will also amend *A New Tax System (Family Assistance) Act 1999* and the *Veterans' Entitlements Act 1986* to give effect to the Commonwealth Rent Assistance measure.

¹ ABSTUDY (Living Allowance) recipients aged 55 years and over do not need to be on payment for nine continuous months to receive the new higher rate.

Impacts on individuals

Expanded Parenting Payment (Single) eligibility

Extending Parenting Payment (Single) to single principal carers with a youngest child under 14 years of age will benefit around 57,000 single principal carers, including around:

- 52,000 women
- 5,700 First Nations carers

Increase to eligible working age and student payments

The \$40 fortnightly increase to eligible working age and student payments will benefit around 1.1 million income support recipients, including around:

- 580,000 women
- 318,000 young people (under 25 years)
- 150,000 First Nations Australians
- 245,000 Mature aged Australians

Expanded eligibility of higher rate of JobSeeker Payment for single recipients aged 55 and over after 9 months on payment

Expanding eligibility to the higher rate of JobSeeker Payment will benefit around 52,000 single JobSeeker Payment recipients aged 55 to 59 years who have been on payment for nine or more continuous months, of which about 55 per cent are women.

Increase to maximum rates of Commonwealth Rent Assistance

Around 1.1 million Commonwealth Rent Assistance recipient households are expected to benefit from the 15 per cent increase to Commonwealth Rent Assistance maximum rates.

Based on reported March 2023 data, the Commonwealth Rent Assistance demographic breakdown is:

- around 50 per cent are single females
- around 30 per cent are single males
- around 7 per cent are Indigenous

(Note: this covers all CRA recipients not just those on maximum rates.)

Cameos

The cameos outlined below illustrate the combined impact of the measures being progressed by this Bill. All cameos are based on current rates of payment as of 20 March 2023. These rates, except for Family Tax Benefit and Youth Allowance, are indexed each year on 20 March and 20 September. The total rates payable in these cameos exclude non-rent assistance supplementary payments that are also payable to recipients, such as the Energy Supplement, Pharmaceutical Allowance and Pension Supplement (basic amount), and Family Tax Benefit A and Family Tax Benefit B end of year supplements.

Increased support for single parents

Single Parent with a child over 8 years on JobSeeker Payment

Beth is a single principal carer who has three children aged 14, 12 and 9 and who is currently renting a property for \$550 per fortnight. Beth is currently unemployed and has been supporting herself and her children through income support payments. Since her youngest child turned 8, Beth has been receiving income support through JobSeeker Payment. Beth currently receives a maximum basic rate of JobSeeker Payment of \$745.20 per fortnight. Beth receives \$653.38 per fortnight through Family Tax Benefit Part A and \$117.46 per fortnight through Family Tax Benefit Part B. Beth also receives \$208.74 a fortnight in Commonwealth Rent Assistance. **In total she receives \$1,724.78 per fortnight.**

As a result of the 2023-24 Budget measures, Beth will be transferred to Parenting Payment (Single), which is paid at a maximum basic rate of \$922.10 per fortnight, excluding supplementary payments. She will receive an additional \$31.36 in Commonwealth Rent Assistance at \$240.10 a fortnight. **In total she will now receive \$1,933.04 a fortnight.** Beth will maintain the mutual obligation requirements that she had on JobSeeker Payment.

As a result of the 2023-24 Budget measures, Beth will receive an extra \$208.26.

Parenting Payment and Commonwealth Rent Assistance will both be indexed on 20 September 2023.

Single, two children aged 7 and 10

Martha has two children aged 7 and 10, receives parenting Payment (Single) and is studying to become a nurse.

As a result of the 2023-24 Budget measures, when her youngest turns 8 she will now stay on Parenting Payment (Single) with maximum basic rate of \$922.10 per fortnight, excluding supplementary payments. This is **an increase of \$176.90 a fortnight** for Martha compared to previous settings when she would have transferred to JobSeeker Payment. Martha now has more flexibility to meet her children's changing care needs into their teen years and to continue her study to become a nurse.

Parenting Payment will be indexed on 20 September 2023.

Increase to working age and student payments, and Commonwealth Rent Assistance

32 years old, single, basic rate JobSeeker Payment recipient, renting

Peter is 32 years old and is on JobSeeker Payment after losing his job 3 months ago. Peter is single, does not have any children and rents an apartment by himself for \$550 a fortnight. He is **currently receiving \$850.30 per fortnight**, including \$693.10 JobSeeker Payment plus supplementary payments (such as Energy Allowance), and \$157.20 in Commonwealth Rent Assistance.

As a result of the 2023-24 Budget measures, Peter will receive more than \$63 extra per fortnight, including an additional \$40 per fortnight JobSeeker Payment and \$23.60 per fortnight in Commonwealth Rent Assistance. He will **now receive \$913.90 per fortnight**.

JobSeeker Payment and Commonwealth Rent Assistance rates will also be indexed on 20 September 2023.

56 years old, single, renting

Kamala is 56 years old and has been on JobSeeker Payment for 9 months. Kamala is single, does not have any dependent children and rents a house by herself for \$650 a fortnight. Kamala is currently receiving \$693.10 per fortnight from JobSeeker Payment excluding any supplementary payments, and \$157.20 per fortnight from Commonwealth Rent Assistance. In total she **receives \$850.30 in income support per fortnight**.

As a result of the 2023-24 Budget measures, Kamala **will now receive \$966 per fortnight**. This is an additional \$115.70 per fortnight in income support, including \$92.10 per fortnight from JobSeeker Payment and \$23.60 per fortnight in Commonwealth Rent Assistance.

JobSeeker Payment and Commonwealth Rent Assistance rates will also be indexed on 20 September 2023.

45 years old, single, with dependent child, renting

William is 45 years old and is on JobSeeker Payment after losing his job 2 months ago. William is single and has a 15 year old daughter who lives with him in a house that he rents. William is currently receiving JobSeeker Payment of \$745.20 per fortnight excluding any supplementary payments, and \$184.94 per fortnight from Commonwealth Rent Assistance. Alongside further assistance of \$257.46 from Family Tax Benefit Part A and \$117.46 of Family Tax Benefit Part B, **William's total payment is currently \$1,305.06 per fortnight**.

As a result of 2023-24 Budget measures, William will receive an extra \$67.72 per fortnight, including an additional \$40 per fortnight JobSeeker Payment and \$27.72 per fortnight in Commonwealth Rent Assistance. In total, **he will receive \$1,372.78 per fortnight**. JobSeeker Payment and Commonwealth Rent Assistance rates will also be indexed on 20 September 2023.

21 years old, living away from home, renting

Tatsuya is 21 years old and is renting as part of a share house that costs him \$350 per fortnight. Tatsuya receives \$562.80 per fortnight from Youth Allowance (Other) and \$104.80 in Commonwealth Rent Assistance. In total, he receives **\$667.60 per fortnight**.

As a result of the 2023-24 Budget measures, Tatsuya will receive an extra \$55.73 per fortnight, including an additional \$40 per fortnight from Youth Allowance (Other) and an additional \$15.73 per fortnight from Commonwealth Rent Assistance. **He will now receive \$723.33 per fortnight.**

Commonwealth Rent Assistance will be indexed on 20 September 2023 and Youth Allowance will be indexed on 1 January 2024.

Financial impact

Cost by measure

Measure	Whole of Australian Government					
	Total cost (\$m)*					
	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Extend eligibility for Parenting Payment (Single) to principal carers up until their youngest child is 14 years of age	2.4	365.4	487.6	507.4	521.8	1,884.60
Increase working age and student payments, including extend eligibility for higher rate of JobSeeker Payment to single recipients aged 55 and over, on payment for nine continuous months to higher rate	5.4	981.9	1,290.7	1,292.8	1,300.6	4,871.40
Increase maximum rate of Commonwealth Rent Assistance by 15 per cent	5.9	537.9	704.6	725.3	743.3	2,716.9

*expenses only, not related receipts

Cost by agency

	Total Cost (\$m)*						
	Agency	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Combined income support measures	Social Services	0.0	1,842.8	2,475.1	2,506.7	2,540.9	9,365.50
	Services Australia	13.7	27.2	-26.6	-27.2	-26.8	-39.8
	Health and Aged Care	0.0	4.6	7.0	8.3	9.2	29.1
	Employment and Workplace Relations	0.0	9.8	26.0	36.4	41.2	113.3
	Veterans' Affairs	0.0	3.0	3.6	3.5	3.4	13.50
	Whole of Australian Government - total payments	13.7	1,887.4	2,485.1	2,527.7	2,567.8	9,481.6
	<i>Related receipts (\$m) Australian Tax Office</i>	0.0	0.0	50.0	70.0	70.0	190.00

*includes departmental funding

Implementation

These changes are scheduled to commence from 20 September 2023, subject to the passage of the Bill.

All changes to social security payment require amendments to primary legislation, which requires time for them to be considered and passed through Parliament.

The commencement date accounts for the time required by Services Australia to implement ICT and systems changes to deliver these measures. This includes ICT systems build and changes, service delivery changes, technical and business verification testing, quality assurance, customer communications and staff training. These measures require a number of changes to rates and eligibility criteria for some payments. For most recipients, this will occur automatically.

The commencement aligns with the legislated indexation for many social security payments, including JobSeeker Payment, Parenting Payment and Rent Assistance. Recipients will receive the changes to the payments and any increase resulting from indexation, at the same time.

Background

JobSeeker Payment is the main income support payment, providing financial assistance to people aged between 22 years and Age Pension age whilst they look for a job or have a temporary injury or incapacity.

Youth Allowance is a means-tested payment which provides assistance to young people aged 16 to 24 years who are in full-time education, training, a full-time Australian Apprenticeship, or for job seekers aged under 22 years.

Entitlement to Youth Allowance reflects the expectation that parents should support dependent young people in their care, where they are able, until they achieve financial independence. For this reason, a dependent young person claiming or receiving Youth Allowance may be subject to parental income testing.

Student payments, such as **ABSTUDY (Living Allowance)**, **Youth Allowance** and **Austudy** are provided to encourage people to undertake further education and training. Student payments are designed to make a contribution towards students' living expenses and there is a long standing principle that students share this responsibility with the Australian Government.

Eligible working age and student payment recipients may also receive a range of supplementary benefits and concessions including but not limited to:

- Commonwealth Rent Assistance
- Pharmaceutical Allowance, and
- Low income health care card.

Special Benefit is an income support payment for people who are unable to earn a sufficient livelihood for themselves and their dependents, and who are ineligible for any other income support payment. It is a payment of last resort for those who have no other means of support and are in financial hardship.

Parenting Payment is the main income support payment available to people with sole or primary responsibility for the care of a young child, and provides a safety net for parents who would otherwise be at risk of hardship. Single parents may currently be eligible for Parenting Payment (Single) until their youngest child turns 8. Partnered parents may be eligible for Parenting Payment (Partnered) until their youngest child turns 6.

Commonwealth Rent Assistance is a non-taxable income supplement payable with income support payments, Family Tax Benefit Part A, and veteran's service pensions or income support supplements, to eligible Australian individuals and families renting in the private rental market and community housing.

To receive Commonwealth Rent Assistance, a person must pay rent above a minimum level, called the rent threshold. Commonwealth Rent Assistance is then calculated at a subsidy rate of 75 cents for each dollar above the rent threshold up to a maximum rate.