

Chapter 2

Key issues

2.1 As chapter 1 discussed, the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill) and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill) introduce a range of measures announced in the 2014 -15 Budget which are intended to improve the long-term sustainability of the welfare system and increase workforce participation.¹

2.2 Submitters to the inquiry noted the breadth and complexity of the measures contained in the Bills and submitted that the Bills would give effect to some of the most significant changes to the social services system in twenty years.² Submitters also noted that certain measures in the Bills would remove or tighten access to poorly targeted entitlements.³ The Australian Council of Social Service (ACOSS) told the committee:

We support a number of social security budget measures which we believe target assistance more appropriately and thereby reduce wasteful expenditure. This includes: abolishing the Seniors Supplement, limiting access to the Seniors Cards for older couples with substantial financial assets or superannuation benefits, the move to take superannuation payments into account in assessing eligibility for the Seniors Health Card; changes to the pension assets test ... and capping Family Tax Benefit Part B payment at \$100,000.⁴

2.3 While participants expressed support for the broad intent of a number of the measures in the Bills, they also highlighted concerns around potential unintended consequences of some measures and argued that these may have a disproportionate impact on vulnerable members of society.⁵

2.4 Submitters also expressed concern at the potential cumulative effect of the measures in the Bills on disadvantaged members of society. For example, in its submission, Anglicare noted that the majority of measures in the Bills are focussed on

1 *Budget 2014-15, Building a strong welfare system*, available at: http://www.budget.gov.au/2014-15/content/glossy/welfare/html/welfare_01.htm (accessed 12 September 2014).

2 For example: Mr Gerard Thomas, Policy and Media Officer, National Welfare Rights Network (NWRN), *Committee Hansard*, 20 August 2014, p. 9.

3 For example: NWRN, *Submission 60*, p. 31.

4 *Submission 50*, p. 6.

5 For example: Dr Eve Bodsworth, Research and Policy Manager, Brotherhood of St Laurence, *Committee Hansard*, 21 August 2014, p. 24; Australian Council of Social Service (ACOSS), *Submission 40*; NWRN, *Submission 60*, p. 4.

people who are nominally employable and their families. However, Anglicare stated expressed concern that some of the changes will accentuate poverty and exclusion and make participation more difficult.⁶

2.5 Submissions to the inquiry tended to focus on the following key measures:

- participation incentives for young job-seekers;
- support for people with disability;
- indexation measures and income test deeming thresholds;
- family payment reforms;
- age pension and related reforms; and
- education and training support.

Participation incentives for young job seekers

2.6 A number of the measures in these Bills are based on the premise that everyone who can contribute to the economy, should contribute.⁷ The Bills seek to introduce incentives, in the form of tighter payment conditions for Newstart and Youth Allowance (other), which are intended to encourage young people aged up to 30 years who are able to work full-time to either earn or learn.

Eligibility for Newstart and Sickness Allowance

2.7 Schedule 8 of the Second Bill provides that from 1 January 2015, young unemployed people aged 22–24 would no longer be eligible for Newstart or Sickness Allowance. They would instead be eligible for Youth Allowance (student) or Youth Allowance (other) until they turn 25 years of age. Existing recipients of Newstart Allowance aged 22–24 years of age will remain on Newstart Allowance. Youth disability supplement would also be available to all youth allowance recipients who have not yet reached 25.⁸

2.8 Participants expressed concern that these measures would exacerbate existing barriers to employment.⁹ ACOSS submitted that this measure would 'entrench poverty, increase homelessness, place financial pressure on families and further disconnect people from the labour market'.¹⁰

2.9 Carers Australia submitted that the measure would capture young people caring for family members who have substantial caring responsibilities but do not

6 *Submission 45*, p. 5.

7 The Hon. Kevin Andrews MP, Minister for Social Services (Minister), *House of Representatives Hansard*, 18 June 2014, p. 6396.

8 Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Second Bill), Explanatory Memorandum (EM), p. 28.

9 For example: Professor Shelley Mallett, General Manager, Policy and Research Centre, Brotherhood of St Laurence, *Committee Hansard*, 21 August 2014, p. 24.

10 *Submission 50*, p. 16.

meet eligibility requirements for the Carer Payment. These young people would be classed as being dependent because they live with their parents, a fact which would preclude them from accessing Youth Allowance.¹¹

2.10 The Explanatory Memorandum (EM) to the Second Bill states that this measure removes a disincentive to pursue full-time study or employment by placing all under 25 year olds on the same payment levels whether they are unemployed or studying full-time. The EM notes that while youth allowance is paid at lower rates to Newstart allowance, the payment has a larger income free area compared to Newstart which provides greater flexibility to recipients to earn while receiving the payment.¹² ACOSS proposed that an alternative incentive would be to lift Youth Allowance in line with Newstart Allowance.¹³

2.11 The committee notes that other incentives that will help ameliorate any potentially harsh consequences of the measures include: the larger income free threshold of Youth allowance (other) compared to Newstart Allowance; provisions to ensure that young people aged 22–24 who have already qualified for Newstart allowance will not be affected by the amendments until their payment is cancelled; and the maintenance of the current age at which a person is regarded as 'independent', meaning that persons above that age will not be subject to parental means testing.¹⁴

Encouraging greater participation in work and other activities

2.12 Schedule 9 of the Second Bill seeks to implement a range of measures which would require young people with full capacity to 'earn, learn or Work for the Dole'.¹⁵

2.13 From 1 January 2015, all new claimants of Newstart Allowance and Youth allowance (other) under the age of 30 years will be subject to the following measures:

Such a person will be subject to a 26-week waiting period before the social security benefit becomes payable. This 26-week period may be reduced if a person has had past periods of gainful work.

After an initial 26-week waiting period, jobseekers may become eligible to receive income support for 26 weeks, after which a person will be required to participate in 25 hours a week of Work for the Dole during this 26-week payment period.

After the 26-week payment period, a person may become subject to a 26-week non-payment period, unless an exemption applies. During this period, a wage subsidy will be available for employers, as well as relocation assistance to encourage people to move to where jobs are available.¹⁶

11 *Submission 63*, p. 9.

12 P. 28.

13 *Submission 50*, p. 18.

14 EM, Second Bill, p. 16.

15 EM, Second Bill, p. 35.

16 EM, Second Bill, p. 35.

2.14 The EM to the Second Bill states:

This measure aims to encourage greater participation in work and other activities and make the welfare system fairer and more sustainable, to ensure a productive Australian workforce for the future. The measure establishes firm expectations for young jobseekers. It provides an incentive for affected persons to be self-sufficient, or to undertake further relevant education or training to increase employability before relying on the taxpayer for support.¹⁷

2.15 In order to commence the new waiting period, a person will need to register as a jobseeker. While subject to the new waiting period and non-payment period, jobseekers will need to comply with activity test and participation requirements. These requirements are to look for work, attend appointments with employment services providers and accept any offers of suitable work. Compliance with these requirements will be monitored through Employment Pathway Plans (EPP) and jobseekers will be required to enter into and comply with the terms of an EPP at all times during the new exclusion period. Jobseekers who fail to comply with an EPP may have their exclusion period extended or have a penalty imposed.¹⁸

2.16 Submitters expressed support for the broad intent of these measures.¹⁹ For example, the Brotherhood of St Laurence expressed support for 'a mutual obligation system that has high expectations of jobseekers, including penalties for those who wilfully fail to meet obligations'.²⁰

2.17 However, submitters also expressed concern that the measures may not strike the appropriate balance between obligations and assistance and may impose harsh unintended consequences on many young Australians.²¹

2.18 Evidence to the committee emphasised a number of challenges that young people face in the modern labour market.²² The Brotherhood of St Laurence stated that it now took young people 'four or five times longer to find employment after leaving education than in the mid-1990s'.²³

2.19 Young Opportunities Australia (YOA) stated:

17 P. 35.

18 EM, Second Bill, p. 36.

19 For example: Jobs Australia, *Submission 56*, p. 6.

20 *Submission 49*, p. 3. See also Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society National Council, *Committee Hansard*, 21 August 2014, p. 24.

21 For example: Brotherhood of St Laurence, *Submission 49*, p. 3.

22 For example: Dr Ian Holland, Director, Services Development, UnitingCare Australia, *Committee Hansard*, 21 August 2014, p. 15; Anglicare, *Submission 45*.

23 *Submission 49*, p. 7.

With five unemployed job seekers for every official job vacancy, it is no wonder that young people with limited years of experience are the last to be considered.²⁴

2.20 Some submitters questioned the effectiveness of Work for Dole programs in preparing young jobseekers for employment.²⁵ The National Welfare Rights Network (NWRN) expressed concern that Work for the Dole type schemes may not provide adequate support to jobseekers to overcome barriers to employment:

[A] group of job seekers who have gone through six months or more without income support and failed to find work is likely to include a significant number of people with substantial barriers to finding and retaining work...some of these people may qualify for an exemption from the non-payment period the second time around...But for the rest, the only thing the government is proposing is a compulsory work for the dole scheme—not intensive case management or any other measure—just work for the dole.²⁶

2.21 Submitters expressed concern that the proposed measures may lead to unintended consequences including the potential for exploitation of participants by employers,²⁷ a reduction in job-searching activities,²⁸ and individuals undertaking training 'regardless of its relevance to future job prospects'.²⁹

2.22 Noting these factors, submitters emphasised the importance of providing young job-seekers with support tailored to their needs. Anglicare told the committee of recent research it had commissioned which identified that the most successful programs are those that:

- use a case management model based on individual needs;
- build strong links with local employers and other support services; and
- provide post-employment support, such as job coaching and mentoring, personal development and peer support.³⁰

2.23 Anglicare argued:

Beyond Supply and Demand addresses issues at the heart of public debate on the link between income support and getting more people into work. There is a lot of comment in the media suggesting people don't try hard

24 *Submission 43*, p. 3.

25 For example: Jobs Australia, *Submission 56*, pp 8-9.

26 *Submission 60*, p. 18.

27 For example: Carers Australia, *Submission 63*, p. 11.

28 For example: Carers Australia, *Submission 63*, p. 11.

29 Australian Council of Social Service, *Submission 50*, p. 16.

30 *Submission 45*, Attachment D.

enough. Evidence from this report suggests that real jobs and individual support make the difference.³¹

Waiting and non-payment periods

2.24 A number of submitters expressed concern at the potential impact of extended waiting and non-payment periods, particularly on young people who may not have family members who are able and willing to support them.³²

2.25 YOA argued that the proposed waiting period coincides with a critical post-graduation period when young people:

...up-skill and become "employment-ready". Undertaking [often unpaid] internships and other volunteer activities has become commonplace and in many cases an implicit prerequisite for even "entry-level" positions.³³

2.26 ACOSS submitted that enacting the proposed six month waiting period would fundamentally undo a basic principle of Australia's social security system:

New rules will deny income support to young people aged up to 29 for six months of every year, unless exempted, and then force them into "work for the dole". The removal of any income support for a group of people not in paid work fundamentally changes the Australian income support safety net. Traditionally, Australia has a safety net for all who need it, and requires participation in return. The budget turns this around by excluding an entire group of people from basic assistance, with exemptions only for select categories of people. In this way, the measure would effect a radical structural change to the social security system.³⁴

2.27 ACOSS estimates that, of the 265 000 young people currently applying for or receiving income support, approximately 113 000 will be affected by the proposed waiting period.³⁵ ACOSS concluded:

This would entrench poverty, increase homelessness, place financial pressure on families, and further disconnect people from the labour market. Not every young person is supported by their parents and it is not reasonable to expect parents to do so up to the age of 30 years.³⁶

2.28 NWRN expressed concern that some aspects of the implementation of the extended waiting period may result in perverse outcomes. In a supplementary submission to the inquiry, NWRN noted the consequences of a person taking up short-term work while serving a waiting period:

31 *Submission 45*, p. 6.

32 For example: Jobs Australia, *Submission 56*, p. 7.

33 *Submission 43*, p. 6.

34 *Submission 50*, p. 5.

35 *Submission 50*, p. 16.

36 *Submission 50*, p. 16.

Under the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014, a person taking up short term work of six fortnights or less will not have to re-serve their waiting period.³⁷

2.29 NWRN told the committee:

We think it is obvious that if people are required to start a new 6 month exclusion period after working for more than 12 weeks this would create a perverse disincentive to work longer than 12 weeks. It would undermine the stated aims of moving people into long term employment. It would also be extremely unfair if people are treated differently based on the duration of employment during the exclusion period.³⁸

2.30 A representative of the Department of Social Services (DSS) confirmed that if a person in a six-month waiting period undertakes part-time or casual work for a period of six-fortnights or less they would only need to serve the residual amount of the waiting period. However, if a person's part-time work extended beyond a six-fortnight period they would need to restart the six month waiting period.³⁹

2.31 The committee notes that the Second Bill makes provision for the Minister to take account of previous periods of gainful work⁴⁰ and that a person will not be subject to the new waiting period or the new non-payment period if they are subject to an exemption. People will be exempt from the waiting period where they:

- are the principal carer of a child;
- are the parent of an FTB child and have qualified to be paid FBT for that child;
- have a partial capacity to work;
- are currently registered as a part-time apprentice, trainee or trainee apprentice;
- are assessed as requiring employment services or disability employment services determined by the Minister; or
- fall within another exemption category determined by the Minister by legislative instrument.⁴¹

2.32 The committee understands that other exemptions to the waiting period also currently apply to people in receipt of the farm household allowance⁴² and stream 3 and 4 jobseekers.⁴³

37 *Supplementary Submission 60*, p. 1.

38 *Supplementary Submission 60*, p. 1.

39 Mr Ty Emerson, Branch Manager, Labour Market Payments Policy Branch, *Committee Hansard*, 21 August 2014, pp 44-45.

40 Proposed new subsection 1157AC(3). The Minister may determine, by legislative instrument, that the waiting period be reduced as a result of previous periods of gainful work. The reduced waiting period must be at least four weeks.

41 See proposed new sections 1157AF and 1157AG.

42 *Farm Household Support Act 2014*.

2.33 A DSS representative told the committee:

If the minister so chooses, he or she could make additional exemptions from the waiting period through the power of a disallowable instrument. That could include other groups, such as—if it were the desire of government—the homeless.⁴⁴

2.34 The committee notes that these measures are intended to provide incentives for young unemployed Australians to either acquire employment or the required skills to obtain gainful employment.⁴⁵

2.35 The committee also notes provisions in the Bill to ensure that people who are already on a support payment and who may already have served waiting periods in the past do not have to serve another waiting period when they transfer to another support payment.⁴⁶ For example, when a Youth Allowance (other) recipient turns 25 years of age under the new rules they will be automatically transferred to Newstart Allowance with no waiting period.⁴⁷

Extension of ordinary waiting period to other payments

2.36 Schedule 6 of the First Bill proposes the extension of the one-week waiting period that currently applies to claimants of Newstart and to new claimants of Youth Allowance (other), Parenting Payment and Widow Allowance. The committee notes that these amendments will ensure consistency in the application of waiting periods across similar working age payments.⁴⁸ Other existing exemptions from the ordinary waiting period will also continue to be available to claimants.⁴⁹

2.37 The amendments would also introduce additional evidentiary requirement to the 'severe financial hardship waiver'.⁵⁰ Under current arrangements the waiting period can be waived if the Secretary of the Department of Human Services is satisfied that the claimant is in 'severe financial hardship', based on consideration of the value of the claimant's liquid assets compared to the amount of the fortnightly payment. The amendments proposed in Schedule 6 will require a claimant to

43 Department of Social Services, *Budget Fact Sheet – Working age payments*, available at: <http://www.dss.gov.au/about-the-department/publications-articles/corporate-publications/budget-and-additional-estimates-statements/2014-15-budget/budget-fact-sheet-working-age-payments> (accessed 12 September 2014).

44 Mr Ty Emerson, *Committee Hansard*, 21 August 2014, p. 47.

45 Statement of Compatibility with Human Rights, Second Bill, p. 20.

46 See proposed new section 1157AB.

47 C Ey, M Klapdor, M Thomas, P Yeend, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014*, Bills Digest No. 16, 2014-15, Parliamentary Library, Canberra, 2014, p. 40.

48 EM, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 (First Bill)*, p. 9.

49 EM, *First Bill*, p. 10.

50 See section 19C of the *Social Security Act 1991*.

demonstrate that they are experiencing a personal financial crisis and provide supporting evidence. The definition of 'crisis' is to be set out in rules.⁵¹

2.38 Witnesses expressed concern that the introduction of an additional requirement in Schedule 6 is heavy handed and would be administratively costly.⁵²

2.39 These amendments would also remove the ability for claimants to serve the ordinary waiting period concurrently with certain other waiting periods and preclusion periods. The ordinary waiting period will be served following the end of those other periods.⁵³

2.40 Submitters expressed concern that the removal of the ability for claimants to serve waiting periods concurrently may result in individuals being denied income support for a significant period of time, in some cases as long as 12 months or longer.⁵⁴

Support for people with disability

2.41 The Bills introduce a suite of measures intended to maximise the capacity of Disability Support Pension (DSP) recipients to join the workforce.

Enabling work-ready DSP recipients to transition into employment

2.42 The amendments in Schedule 4 of the First Bill will implement measures affecting DSP recipients aged under 35 years. The committee notes that these measures are intended to assist young people with disability to enter the workforce if they are able to do so.⁵⁵

2.43 The key measures in the schedule are:

- insertion of a new definition—reviewed 2008–2011 DSP starter—into subsection 94(5) of the Social Security Act 1991;
- extension of the requirement to actively participate in a program of support to recipients aged under 35 years; and
- a revised definition of 'program of support' to mean programs funded by the Commonwealth.

2.44 The committee notes the Minister's announcement that DSP recipients under 35 years of age who originally accessed the payment under less rigorous impairment tables in operation between 2008 and 2011 will have their level of impairment reassessed against the current impairment tables and will also have their work capacity reassessed.⁵⁶ The committee notes that revised impairment tables were introduced in

51 EM, First Bill, p. 9.

52 For example: Mr Peter Davidson, Senior Adviser, ACOSS, *Committee Hansard*, 20 August 2014, p. 3.

53 EM, First Bill, p. 10.

54 For example: NWRN, *Submission 60*, p. 14.

55 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6397.

56 *House of Representatives Hansard*, 18 June 2014, p. 6397.

2011 following a review that found the tables to be 'outdated and inappropriate for current use'.⁵⁷

2.45 While the reassessment of recipients will be implemented using existing powers under section 63 of the *Social Security Administration Act*, it is relevant to the new category of 'reviewed 2008–2011 DSP starter'.

2.46 A person will be a 'reviewed 2008–2011 DSP starter' if the person:

- made a claim for disability support pension before 3 September 2011;
- received a notice in relation to assessing their qualification on or after 1 July 2014;
- was under 35 years of age when the notice was given;
- after the notice was given, has not had their access to DSP cancelled by the Secretary;
- as a result of the assessment involving the notice it was determined that the person:
 - does not have a severe impairment; and
 - is able to work at least eight hours per week; and
- does not have a dependent child under six years of age.⁵⁸

2.47 Schedule 4 also extends the requirement to participate actively in a program of support to certain DSP recipients who made a claim for the DSP before 3 September 2011 and whose pension start date was after 2007. These recipients will need to provide evidence that they have actively engaged in activities designed to build their work capacity, including training, work-related activities and activities aimed at addressing non-vocational barriers such as substance dependence.⁵⁹

2.48 The First Bill proposes that only programs wholly or partly funded by the Commonwealth will be programs of support for the purposes of active participation in a program of support.⁶⁰

2.49 Submitters expressed support for the principle that people with disability who have the capacity to work should actively prepare for, seek and ultimately obtain employment.⁶¹ Jobs Australia submitted:

Largely, this measure will result in changes that were introduced by the previous government for DSP recipients who were granted a benefit in

57 P Yeend, L Buckmaster, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014*, Bills Digest No. 14, 2014-15, pp 15-16.

58 P Yeend, L Buckmaster, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014*, Bills Digest No. 14, 2014-15, p. 17.

59 EM, First Bill, p. 24.

60 EM, First Bill, p. 28.

61 For example: Jobs Australia, *Submission 56*, p. 4.

2011-12 [being applied] to some DSP recipients who were already receiving benefits at the time that those changes were introduced. These recipients would have their status reviewed and, a number would be required to participate in a program of support (such as those delivered by Jobs Australia members) and look for work. We support this aspect of the measures.⁶²

2.50 However, submitters expressed concern that the changes do not take adequate account of the challenges that people with disability face in finding and keeping work and that current employment services do not work well for DSP applicants trying to meet program of support requirements, particularly those with multiple disabilities.⁶³

2.51 Submitters questioned the rationale behind differentiating between DSP recipients on the basis of age. Carers Australia submitted:

Implicitly this measure seems to rest on the assumption that people with a disability under the age of 35 are more likely to move into employment than older DSP recipients; perhaps because they are less likely to be long-term unemployed and/or because they are more employable because of their comparative youth. We are unaware of evidence to support either of these assumptions.⁶⁴

2.52 Carers Australia also submitted that the measures do not take into account people whose capacity to work fluctuated due to incapacitating episodic conditions, such as mental illness or epilepsy. The organisation noted that such people have levels of disability which 'vary substantially and unpredictably'.⁶⁵

2.53 ACOSS expressed concern that the penalties that would apply to those recipients who fail to comply with the new requirements are not set out in the Bill.⁶⁶

2.54 The NWRN expressed concern at the impact of these amendments on those DSP recipients who fall within the category of 'reviewed 2008–2011 recipients' and noted a lack of clarity in the drafting of the Bill:

However, we are very concerned about the words "had an opportunity" as inserted by the drafters. This is because under previous rules, people under 35 on DSP were invited to voluntarily participate in a [program of support (POS)], but may have declined. Will these people be disqualified because they fail the POS requirement in 94(2)(aa) on the ground that they had an "opportunity" but did not actively participate?

If the Government wants to apply this requirement to only to (sic) people given an "opportunity" to participate after the passage of this Bill then redrafting to clarify this is required. If the Government deliberately drafted

62 *Submission 56*, p. 4.

63 For example: People With Disability Australia, *Submission 58*, p. 6; NWRN, *Submission 60*, p. 25.

64 *Submission 63*, p. 5.

65 *Submission 63*, p. 5.

66 *Submission 50*, p. 31.

the provision to apply to people whose "opportunity" predated the passage of the Bill, then this is absolutely unfair. Moreover, we predict that this lack of clarity in drafting is likely to cause unnecessary appeals. The Government should specify what is to be required in the Bill and allow proper time for input from the community.⁶⁷

2.55 ACOSS has estimated that approximately 28 000 people under 35 could be required to undertake a program of support after having their qualification for the DSP reviewed.⁶⁸ UnitingCare Australia told the committee of the potential for greater complexity and cost in the administration of the changes:

We are all in favour of—and I think most disability support organisations are in favour of—providing support structures that ensure that those people with a disability who have capacity to work with appropriate supports and training are able to gain that. But it is not a cheap service to provide, and it is going to be rendered, we think, more complex but without the budget or the welfare architecture to support it.⁶⁹

2.56 ACOSS submitted that one effect of the program of support requirement is that people's DSP claims would be 'put on ice' for up to 18 months, during which time recipients would generally qualify for the lower value Newstart Allowance, and therefore be financially disadvantaged.⁷⁰

2.57 The committee notes that this initiative should result in improved opportunities for employment participation for people with a disability. DSP is intended to provide support to people who are prevented from working or being retrained for work because of an on-going impairment. The committee concurs that long-term dependence on DSP is not the best outcome for people who have skills and capacity to participate in the labour market or who are able to build such skills with appropriate assistance.⁷¹

2.58 The government has stated that DSP recipients will be provided with support to develop their work capacity and has announced that it is expanding the number of non-government providers delivering Disability Employment Services (DES). This will be achieved by tendering the 47 per cent of the DES—Disability

67 *Submission 60*, pp 24–25.

68 *Submission 50*, p. 31. The purpose of the 'program of support' requirement is to assist DSP recipients to improve their work capacity. See Department of Human Services, *Disability Support Pension*, available at: <http://www.humanservices.gov.au/customer/services/centrelink/disability-support-pension> (accessed 12 September 2014).

69 Dr Ian Holland, *Committee Hansard*, 21 August 2014, p. 18.

70 *Submission 50*, p. 31. See also Department of Social Services (DSS), *More accurate and efficient Disability Support Pension assessments*, available at: <http://www.dss.gov.au/our-responsibilities/disability-and-carers/benefits-payments/disability-support-pension-dsp-better-and-fairer-assessments/more-accurate-and-efficient-disability-support-pension-assessments> (accessed 12 September 2014).

71 EM, First Bill, p. 25.

Management Service (DES—DMS) which is currently delivered by an arm of the Department of Human Services.⁷²

2.59 The proposal to only recognise programs that are wholly or partly funded by the Commonwealth as programs of support reflects the need to ensure that people with mild to moderate disability have access to a comprehensive program of support tailored to their needs. The committee notes that generally, non-government funded programs do not meet this criterion.⁷³

Changes to DSP overseas portability rules

2.60 The committee received considerable feedback regarding the proposed changes to DSP overseas portability rules, outlined in schedule 2 of the Second Bill. If the changes are enacted, DSP recipients will cease receiving the payment if they are overseas for more than four weeks in every 52 weeks on or after 1 January 2015 and will have to make a new claim for the pension upon their return to Australia and have their medical condition(s) and work capacity reassessed against current impairment tables.⁷⁴ Under current arrangements DSP recipients can be paid for up to six weeks for each trip taken outside Australia.⁷⁵

2.61 By and large, submitters were opposed to the proposed measures and considered them excessively onerous.⁷⁶ Some explained they had family overseas—spouses and children—whom they could not, for various reasons, bring to, or financially support in, Australia, and would be forced to see infrequently if DSP portability rules are changed.⁷⁷

2.62 A large proportion of submitters argued that the DSP was not adequate to maintain a decent, dignified standard of living in Australia, and that they preferred to spend a portion of each year abroad, where the cost of living, including medical care,

72 Minister, *Expanding Disability Employment Services*, Media Release, 13 May 2014, available at: <http://kevinandrews.com.au/latest-news/2014/05/13/expanding-disability-employment-services-budget-joint-media-release-w-minister-fifield/> (accessed 12 September 2014).

73 EM, First Bill, p. 28.

74 Department of Human Services (DHS), *Budget 2014-15: Disability Support Pension – reduced portability*, available at: <http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/measures/disability-and-carers/65-000801> (accessed 12 September 2014).

75 DHS, *Budget 2014-15: Disability Support Pension – reduced portability*, available at: <http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/measures/disability-and-carers/65-000801> (accessed 12 September 2014).

76 For example: Name Withheld, *Submission 2*; Mr Kenneth Cole, *Submission 3*; Name Withheld, *Submission 5*; Name Withheld, *Submission 6*; Name Withheld, *Submission 9*; Name Withheld, *Submission 10*.

77 For example: Mr Kenneth Cole, *Submission 3*, p. 1.

is lower and their DSP payment stretches further.⁷⁸ Others argued that it is cost effective for the public purse for DSP recipients to spend time out of the country, as they do not rely on the health system while abroad.⁷⁹

2.63 In evidence to the committee, a DSS representative explained:

I guess it really comes down to the fact that everybody understands that there are various reasons why some people would like to travel overseas for longer than the proposed four weeks, but I think it comes down to the fact that it is a taxpayer funded benefit that is meant to be provided for the support of Australian residents in Australia.⁸⁰

2.64 Evidence provided by DSS during the 2014–15 budget estimates hearings indicated that 'it has been estimated that about 2,000 people will stay overseas longer than four weeks each year and will need to reapply' for the DSP.⁸¹

2.65 The committee notes that these amendments are being introduced to better reflect the residence-based nature of the social security system. DSS told the committee:

DSP recipients with some work capacity are expected to be in Australia and engaging in activities that will lead to greater economic and social participation.

DSP recipients with a severe and permanent disability and not future work capacity will continue to be able to apply for unlimited portability.⁸²

2.66 The committee also notes that current portability extension and exception provisions will continue to apply.⁸³

Indexation measures

2.67 The proposed changes to indexation of pensions and payments in the Bills received a great deal of focus in evidence to the committee.⁸⁴ Submitters expressed concern in relation to the intention to pause indexation for certain payments and pensions and the proposed changes to how these payments and pensions will be indexed once each pause is lifted.

78 For example: Name Withheld, *Submission 7*, p. 1; Name Withheld, *Submission 1*, p. 1; Ms Emma Corcoran, *Submission 20*, pp 1–3.

79 For example: Name Withheld, *Submission 21*, p. 1.

80 Mr Peter Hutchinson, Acting Branch Manager, Eligibility and Participation Policy Branch, *Committee Hansard*, 21 August 2014, p. 61.

81 Ms Alanna Foster, Acting Group Manager, Social Security Policy, *Budget Estimates Hansard*, 4 June 2014, p. 119.

82 *Submission 66*, p. 8.

83 Ms Serena Wilson, Deputy Secretary, Department of Social Security, *Budget Estimates Hansard*, 4 June 2014, p. 119; *Submission 66*, p. 8.

84 For example: National Disability Services, *Submission 30*; GetUp Member Submissions, *Submission 35a*; Australian Council of Social Services, *Submission 50*; Carers Australia, *Submission 63*.

Pause family tax benefit payment rates

2.68 Under Schedule 7 of the First Bill, indexation of the maximum and base rates of FTB Part A, the rate of FTB Part B, and an approved care organisation's standard rate would be paused until 1 July 2016. These rates are currently indexed in accordance with the Consumer Price Index (CPI) on 1 July each year.⁸⁵

2.69 Submitters expressed concern that this measure is not sufficiently targeted and would affect all FTB recipients, including the most impoverished. Uniting Care Australia submitted that pausing indexation of family payment rates 'may particularly impact low-income single parent families'.⁸⁶

2.70 NWRN submitted that 'the speed with which payments lose pace with costs of living should not be underestimated, especially for people who are affected by multiple rate and thresholds being frozen and other benefits being removed'.⁸⁷

2.71 In its submission, DSS advised that 'this measure would ensure that the family payments system remains sustainable in the long term'.⁸⁸

Pause indexation of various income and asset thresholds

2.72 Schedule 3 of the First Bill would pause indexation of the income free areas and assets value limits for all working age allowances (other than student payments) and for Parenting Payment Single from 1 July 2014.⁸⁹

2.73 The committee notes DSS' advice:

As [the First Bill] did not pass by 1 July 2014 these free areas and thresholds were indexed in line with existing legislative provisions on that date. This delay has resulted in a reduction to the savings announced in the 2014-15 Budget for these changes. The parental income and family actual means free areas for student payments are set in legislation by reference to the Family Tax Benefit Part A lower income free area (on 1 January each year) and will be paused as a consequence of pausing indexation of the Family Tax Benefit Part A lower income area.⁹⁰

2.74 Schedule 1 of the Second Bill would pause indexation of the income free areas and assets value limits for student payments and student income bank limits for a period of three years from 1 January 2015. Indexation of the income free areas and assets value limits for all pensions (other than Parenting Payment Single), and the

85 EM, First Bill, p. 36.

86 *Submission 42*, p. 2.

87 *Submission 60*, p. 28.

88 *Submission 66*, p. 6.

89 EM, First Bill, p. 20. The committee notes that as these Bills did not pass by 1 July 2014 these free areas and thresholds were indexed in line with existing legislative provisions on that date. This delay has resulted in a reduction to the announced savings.

90 *Submission 66*, p. 4.

deeming thresholds for income support payments, would also be paused for three years from 1 July 2017.⁹¹

2.75 DSS advised the committee:

These changes will help slow growth in social security expenditure. The changes will help ensure Australia has a targeted means tested income support system that provides financial assistance to those most in need, while encouraging self-provision.

These changes will be experienced by people with sufficient private income/assets to be assessed under the relevant means test. Specific impacts for people depend on payment type and people's circumstances. People's payments will not be reduced unless customers' circumstances change, such as their income or assets increasing in value.⁹²

2.76 The committee notes that the three year pause for various income and asset thresholds will help slow growth in social security expenditure. DSS told the committee:

These changes will be experienced by people with sufficient private income/assets to be assessed under the relevant means test. Specific impacts for people depend on payment type and people's circumstances. People's payments will not be reduced unless customers' circumstances change, such as their income or assets increasing in value.⁹³

Indexation of social security pensions by the Consumer Price Index

2.77 Schedule 3 of the First Bill and Schedule 1 of the Second Bill would implement the Government's proposal to index pensions only to the CPI.

2.78 Currently, with the exception of Parenting Payment (single), pensions are indexed twice each year by the greater of the movement in the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI). They are then benchmarked against a percentage of the Male Total Average Wage Earnings (MTAWE).⁹⁴ Parenting Payment (single) was previously adjusted in the same way as other pensions, but has been indexed to the CPI and benchmarked to 25 per cent of MTAWE since 2009.⁹⁵

2.79 Changes affecting indexation of Parenting Payment Single were intended to take effect from 20 September 2014.⁹⁶ Changes affecting pension payments for the

91 *Submission 66*, p. 7.

92 *Submission 66*, p. 7.

93 *Submission 66*, p. 7.

94 *Budget Estimates Hansard*, 4 June 2014, p. 98.

95 M Klapdor, *Changed indexation of pensions and tightened eligibility for all benefits*, *Budget Review Paper*, available at: http://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/rp/budgetreview201415/indexation (accessed 12 September 2014).

96 EM, First Bill, p. 20.

aged, veterans, carers and people with disability would take effect from 20 September 2017.⁹⁷ The committee notes that, as the legislation will not be passed in time to facilitate implementation on that date, Parenting Payment Single will be indexed in accordance with existing legislation on that date.⁹⁸

2.80 Submitters expressed concern that over time pauses to indexation of thresholds would result in reduced adequacy of payments, higher effective marginal tax rates and reduced incentives to work.⁹⁹

2.81 Submitters noted that while pensions would continue to rise, they would rise more slowly and recipients may be worse off overall.¹⁰⁰

2.82 National Disability Services, Australia's peak industry body for non-government disability services, submitted that the measure would disadvantage people living with a disability:

People with disability are greatly over-represented among Australia's poor and many people spend many years on DSP. Reducing the indexation rate of the DSP will exacerbate recipients' poverty over time.¹⁰¹

2.83 Carers Australia submitted that 55 per cent of Australia's 770 000 primary carers are reliant on government pensions or allowances, with just under 240 000 of these on Carer Payment, and would therefore be adversely affected by the changes.¹⁰²

2.84 While Carers Australia noted the objective of the Bills is to reduce welfare dependence where possible, it concluded:

...the framing of many of the new provisions seems to be at odds with other government goals. These broader goals include: reducing red tape and administrative complexity; supporting people on social security benefits to engage in education; encouraging people with disability to exercise more choice and control in maximising their chances of participating in economic and community life; and tailoring financial supports and social security participation requirements to individual circumstances.¹⁰³

2.85 Submitters expressed concern that the CPI is not an accurate measure of the increase in cost of living for the lower income groups most affected by the proposed changes to indexation.¹⁰⁴ St Vincent de Paul cited an internal research paper that found:

97 EM, Second Bill, p. 2.

98 DSS, *Submission 66*, p. 3.

99 For example: NWRN, *Submission 60*, p. 20.

100 For example: Australian Council of Social Service, *Submission 50*, p. 34.

101 *Submission 30*, p. 4.

102 *Submission 63*, p. 3.

103 *Submission 63*, p. 3.

104 For example: St Vincent de Paul, *Submission 27*, p. 3; NWRN, *Submission 60*, p. 18; Carers Australia, *Submission 63*, pp 6–7.

[T]he vast majority of low income households' purchases—food, education, public transport, housing and utility bills—is rising at 8.7% higher than CPI...In short, "CPI significantly underestimates the true increase in the price of the basket of commodities which these household groups typically consume".¹⁰⁵

2.86 The National Council of Young Mothers and their Children and the Australian Council of Trade Unions argued that any changes to indexation should reflect the 'annual cost increases and living pressures as experienced by families'¹⁰⁶ or risk seeing single parents' incomes fall further behind community living standards over time.¹⁰⁷

2.87 Carers Australia submitted that 'CPI is not a cost-of-living index but rather a price index designed to measure price movements in relation to a specific basket of goods and services'.¹⁰⁸ Carers Australia concluded that indexing to the CPI would have a detrimental impact on vulnerable recipients:

The Government has estimated that this measure will save \$449 million over four years and will affect around 3.8 million payment recipients. That saving will be achieved at the expense of many financially vulnerable Australians, with 42 per cent of people living on the DSP and 45 per cent of those on the Parenting Payment living in poverty in 2012. Many carers are also already struggling financially, with almost two thirds of Australia's 770 000 primary carers in the lowest two household income quintiles. For recipients of the Carer Payment who are looking after someone with a disability on the DSP, the impact of these measures on household income will be considerable.¹⁰⁹

2.88 COTA told the committee that 'because the Age Pension is a permanent income replacement payment, it needs to reflect changes in community incomes so that pensioners also benefit from improvements in living standards enjoyed by people in paid employment'.¹¹⁰

2.89 National Shelter noted that while changes to the indexation of various family payments will have only minimal immediate impact on households, over time it would gradually erode housing affordability for low income households, putting more households in housing stress and adding to the financial viability problems experienced by social housing providers.¹¹¹

105 *Submission 27*, p. 3.

106 National Council of Young Mothers and their Children, *Submission 46*, p. 4.

107 Australian Council of Trade Unions, *Submission 48*, p. 15.

108 *Submission 63*, p. 7.

109 *Submission 63*, p. 7.

110 *Submission 59*, p. 7.

111 *Submission 41*, p. 8.

2.90 The committee notes that the proposal to index social security payments to the CPI only is intended to ensure more consistent indexation arrangements across payments. In its submission, DSS told the committee:

This will help slow growth in social security expenditure. Pension rates will continue to be adjusted in line with movements in the CPI in March and September every year and purchasing power will be maintained through indexation to movements in prices.¹¹²

Income test deeming thresholds

2.91 From 20 September 2017, the amounts of the thresholds for the deeming of income from financial assets used to determine the rate of payment for social security and veteran's affairs payments will be reset at the same level as when deeming was introduced in 1996.¹¹³ The measures proposed in Part 1 of Schedule 1 of the Bill will pause indexation of the deeming thresholds for a period of three years from 1 July 2017.¹¹⁴ Indexation of pension income and asset test free areas and deeming threshold amounts will recommence on 1 July 2020 and will apply to the reset deeming threshold amounts.¹¹⁵

2.92 The current thresholds are \$46 600 for single pensioners and \$77 400 for couples. Below these thresholds the lower deeming rate of two per cent applies. Above these thresholds the higher deeming rate of 3.5 per cent applies.¹¹⁶ The measures in the bill would return these thresholds to \$30 000 and \$50 000 respectively.

2.93 DSS provided the following rationale for resetting the thresholds:

What our data tends to show is that, between \$10, 000 and \$20, 000, customers start to look for higher returns. They start to look for a little bit more of a return on their money when they are investing. Resetting the thresholds to those proposed amounts is more aligned with current observed investment behaviour of pensioners.¹¹⁷

2.94 DSS further advised:

...at the moment we have nearly 2.4 million age pensioners. At the moment, nearly 1.5 million age pensioners hold financial investments below those reset thresholds, so they would not be affected by this measure in the future. We have a bit of a time confusion, but that group of people would not be impacted by the measure.¹¹⁸

112 *Submission 66*, p. 7.

113 EM, Second Bill, pp 3–4.

114 EM, Second Bill, p. 4.

115 EM, Second Bill, p. 4.

116 *Budget Estimates Hansard*, 4 June 2014, p. 110.

117 *Budget Estimates Hansard*, 4 June 2014, p. 110.

118 *Budget Estimates Hansard*, 4 June 2014, p. 111.

2.95 Submitters expressed concern at the proposed changes to current deeming thresholds.¹¹⁹ They described resetting the asset levels to be used for deeming purposes at 1996 levels as unfair 'as it completely ignores the improvements in community living standards over the last 18 years and the impact of inflation on people's capital'.¹²⁰ Both Fair Go for Pensioners Coalition and COTA Australia (COTA) argued that resetting the deeming thresholds would not address the issue of people with high levels of assets being able to access the pension and the pension supplement.¹²¹ COTA recommended that consideration of whether there is a case for a review of the deeming thresholds should be included in the proposed Retirement Incomes Review:

Resetting the deeming thresholds does nothing to address the issue of people with high levels of assets being able to access the pension and pension supplement; this is something that COTA believes the Government needs to address.¹²²

Family payment reform

2.96 Schedule 10 to the Second Bill proposes a number of reforms to the family payments system that are intended to improve the sustainability of the system over the long-term and encourage increased workforce participation while continuing to provide assistance to families in need.¹²³

2.97 In introducing the measures, the Minister stated that the measures would:

The government will continue to provide payment assistance to families to supplement their incomes. In 2014-15, the government will provide around \$19 billion in family tax benefit. However, the payment should provide assistance to families who need it most, and encourage everyone who can work, to do so.¹²⁴

2.98 Submitters noted that reform of the family payments system is necessary to ensure it remains 'sustainable and targeted with savings to be re-invested into FTB payments to support those with the greatest need'.¹²⁵ However, submitters argued that any reforms need to be carefully targeted and should take account of the cumulative impact of adjustments in payments on the most vulnerable in society.¹²⁶

119 For example: Fair Go for Pensioners Coalition, *Submission 55*; National Seniors, *Submission 57*, pp 5-6; COTA Australia, *Submission 59*.

120 Fair Go for Pensioners Coalition *Submission 55*, p. 2; COTA Australia, *Submission 59*, p. 10.

121 Fair Go for Pensioners Coalition *Submission 55*, p. 3; COTA Australia, *Submission 59*, p. 10.

122 *Submission 59*, p. 10.

123 Statement of Compatibility with Human Rights, Second Bill, p. 22; DSS, *Submission 66*, p. 12.

124 *House of Representatives Hansard*, 18 June 2014, p. 6398.

125 National Council of Single Mothers and their Children, *Submission 46*, p. 5.

126 For example: Uniting Care, *Submission 42*, p. 4; NWRN, *Submission 60*, p. 28.

FTB Part A large family supplement

2.99 From 1 July 2015, payment of the Large Family Supplement (LFS) will be limited to the fourth and subsequent child in the family. The Large Family Supplement is currently paid for the third and subsequent FTB Part A eligible child in a family.¹²⁷

2.100 FamilyVoice Australia (FVA) expressed concern that this measure 'discourages and discriminates against families of three or more children despite their significant contribution to the nation's fertility and economy'.¹²⁸ FVA expressed concern that changes to family payments would variously have a disproportionate impact on larger families and families on one income.¹²⁹

2.101 The committee notes that very large families will continue to have extra support as the proposed limitation on the large family supplement will better target this supplement to families with four or more children.¹³⁰

FTB Part A removal of per-child add-on

2.102 This measure will remove the FTB Part A per child add-on amount from being used in calculation of a family's higher income free area.

2.103 FVA submitted that this measure unfairly favours families that have one child.¹³¹ However, ACOSS argued that removing the extra child add-on would help to ensure that the family payment system is better targeted to those who most need assistance.¹³²

2.104 The committee notes that this measure is intended to help ensure that the family payment system is sustainable and targeted to those most in need.¹³³ The current higher income free area of \$94,316 will remain, but without the add-on of \$3796 for a second or subsequent child.¹³⁴

Family tax benefit end-of-year supplements

2.105 From 1 July 2015, the FTB Part A and Part B end of year supplements will be reduced to their original values of \$600 and \$300 and indexation on them will cease. Currently, the FTB Part A Supplement is \$726.35 per year per child, and the FTB Part B Supplement is \$354.¹³⁵

127 DSS, *Submission 66*, p. 12.

128 *Submission 52*, p. 6.

129 *Submission 52*.

130 EM, Second Bill, p. 23.

131 *Submission 52*, p. 7.

132 *Submission 50*, p. 27.

133 *Submission 66*, p. 13.

134 Statement of Compatibility with Human Rights, Second Bill, p. 23.

135 DSS, *Submission 66*, p. 13.

2.106 A number of submitters expressed support for this measure, describing it as a fair and reasonable reduction.¹³⁶ NWRN emphasised the critical role played by end-of-year supplements both as an essential income component for low income families trying to meet annual expenses that are unable to be met from fortnightly incomes and as a means of reducing FTB debts.¹³⁷

2.107 The committee notes that the family tax benefit end-of-year supplements were introduced to help minimise the impact of families being overpaid as a result of underestimating their incomes for an entitlement year. Following the change, families will still receive a substantial amount to assist them to cover end-of-year debt.¹³⁸

Better targeting of FTB Part B

2.108 The proposed reforms to FTB Part B are intended to better target the payment to low and middle-income families, and to families with young children.

2.109 This measure would reduce the FTB Part B primary earner income limit from \$150 000 per annum to \$100 000 per annum from 1 July 2015. As a result, families where the primary earner has an adjusted taxable income of over \$100 000 per year will no longer be eligible for the payment. The existing secondary earner income test will continue to apply.¹³⁹

2.110 FVA submitted that this measure discriminates against families with one main income earner and is inconsistent.¹⁴⁰

2.111 Other submitters expressed support for the measure.¹⁴¹ NWRN submitted:

The measures to (a) improve targeting of Family Tax Benefit part B by reducing the primary earner income limit to \$100,000, and (b) to remove the extra child add on from the free area (which will affect families with incomes over \$94,316 and more than one child) represent a better approach to tightening.¹⁴²

2.112 However, NWRN stated that these measures need to be considered in the context of the impact of other measures on working families.¹⁴³

2.113 The committee notes that these reforms are intended to improve the sustainability of family payments, while ensuring that these payments continue to support those most in need of assistance and encourage those who can work to do

136 For example: FamilyValues Australia, *Submission 52*, p. 7.

137 *Submission 60*, p. 29.

138 Statement of Compatibility with Human Rights, Second Bill, p. 23.

139 DSS, *Submission 66*, p. 12.

140 *Submission 52*, p. 7.

141 UnitingCare, *Submission 42*, p. 4; National Council of Single Mothers and their Children, *Submission 46*, p. 5; Australian Council of Social Service, *Submission 50*, p. 27.

142 *Submission 60*, p. 29.

143 *Submission 60*, p. 29.

so.¹⁴⁴ The reforms target FTB Part B to low and middle-income families and to families with young children. The committee notes that families with a primary earner earning income above the new limit rely less on FTB Part B payments to meet everyday expenses.¹⁴⁵

Limiting FTB Part B to families with children under six years of age

2.114 From 1 July 2015, the age of eligibility for FTB Part B will reduce from up to 18 years to up to six years of age. The new rules will apply for FTB Part B families with children aged under six on 30 June 2015. To transition families to the new arrangements grandfathering rules will apply. In its submission, DSS explained:

To transition families to the new arrangements grandfathering rules will apply allowing around 630,000 families who were eligible for FTB Part B for a youngest child aged six and over on 30 June 2015 to remain eligible for FTB Part B for two years until 30 June 2017. However, if they cease to be eligible for FTB Part B for that child before then (for example, due to secondary earner income) they will not be able to re-test their eligibility for FTB Part B for that child in future.¹⁴⁶

2.115 UnitingCare expressed concern that, notwithstanding proposed transitional measures, limiting family tax benefit Part B to families with children under six years of age may still leave low-income families, especially single parent families, worse off.¹⁴⁷

2.116 The committee notes that limiting the age of eligibility for FTB Part B in this way acknowledges that care requirements for children are higher when they are very young. This measure is intended to encourage parents to participate in the workforce. Families with a youngest child aged six and over at 1 July 2015 will have two years under grandfathering arrangements to adjust to the change.¹⁴⁸

New single parent supplement

2.117 From 1 July 2015 a new single parent supplement will be provided for single parents on a maximum rate of FTB Part A with children aged six to 12 years who do not received FTB Part B. In its submission DSS told the committee:

Single parent families rely on just one income and the new payment of \$751.90 (2015-16 rate) per eligible child will provide important support for these families.

144 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6396.

145 Statement of Compatibility with Human Rights, Second Bill, p. 23.

146 *Submission 66*, p. 13.

147 *Submission 42*, p. 4.

148 Statement of Compatibility with Human Rights, Second Bill, p. 23.

The payment also ensures that single parent families receiving the maximum rate of FTB Part A who lose access to FTB Part B due to changes in the age limit will continue to receive some extra assistance.¹⁴⁹

Age pension and related reforms

2.118 Submitters expressed general support for a well-targeted age pension system that delivers a reasonable standard of living to those who need it. A number of submitters expressed a willingness to work with government to improve the current system.¹⁵⁰

Increase to age pension entitlement age

2.119 Schedule 11 of the Second Bill would increase the age pension qualification age and the non-veteran pension age from 67 to 70 years by increments of six months every two years from 1 July 2025. The measure does not affect people born before 1 July 1958.¹⁵¹

2.120 The EM to the Bill explains that the definition of pension age will flow through to a number of social security entitlements under the Social Security Act. The upper age qualification limits for Newstart allowance and Sickness Allowance and the age qualification for the Commonwealth Seniors Health Card and the upper age limit for the disability support pension will increase in line with the increase in pension age.¹⁵²

2.121 The committee notes that the Statement of Compatibility for the Second Bill states:

This Schedule changes the qualification arrangements for the age pension. However, other social security income support payments will remain available for claimants in the affected age groups who cannot fully support themselves before qualifying for the age pension.¹⁵³

2.122 COTA questioned the basis for the increase to the age pension qualification age and referred the committee to international comparisons that suggest Australia's pension system is one of the most sustainable in the world. COTA recommended that the government should suspend the measure and establish a retirement incomes review.¹⁵⁴

2.123 National Seniors emphasised the need for progress on mature age employment and submitted that 'any pension age increases must come with bold initiatives, driven by government, that engage with, and shift the attitudes of, both business and the community'.

149 *Submission 66*, p. 13.

150 Fair Go for Pensioners Coalition, *Submission 55*, p. 4.

151 EM, Second Bill, p. 55.

152 P. 56.

153 P. 24.

154 *Submission 59*, p. 5.

2.124 Some submitters opposed this measure and argued that it would have a disproportionate impact on vulnerable older Australians.¹⁵⁵

2.125 The committee notes that this measure responds to evidence that indicates that between 2010 and 2050, the number of people aged 65 to 84 will more than double, and those aged 85 and over will more than quadruple. The committee further notes that the measure builds on the previous government's decision to begin increasing the qualifying age for the pension age to 67 from July 2017.¹⁵⁶

2.126 The committee notes that the change in the pension age will encourage greater self-provision by older Australians. At the same time, those who cannot fully support themselves before pension age will be protected by the social security safety net, subject to meeting relevant eligibility criteria.¹⁵⁷

Commonwealth Seniors Health Card and seniors supplement

2.127 Schedules 1 and 2 of the First Bill and Schedule 4 of the Second Bill propose a number of changes in relation to the Commonwealth Seniors Health Card (CSHC).

2.128 Schedule 2 of the First Bill would cease indexation of the clean energy supplement and rename the supplement as the energy supplement. The committee notes that there is no longer a need to increase the rate of the energy supplement beyond 1 July 2014 as the abolition of the carbon tax has reduced household expenses, including energy costs.¹⁵⁸

2.129 Holders of a CSHC and Department of Veterans' Affairs (DVA) gold card are currently entitled to a quarterly seniors supplement. The current annual rate of the Seniors Supplement is \$876.20 for singles, \$1 320.80 (\$660.40 each) for couples and \$876.20 each for couples separated due to ill health, or in respite care or with a partner in prison.¹⁵⁹

2.130 Schedule 1 of the First Bill would cease payment of the seniors supplement. Holders of a CSHC and DVA gold card will continue to receive the Energy Supplement and retain all the other benefits associated with their card, including purchase of Pharmaceutical Benefits Scheme medicines at the concessional co-payment amount and access to the lower Medicare Safety Net.¹⁶⁰

2.131 Schedule 4 of the Second Bill will include untaxed superannuation income in the assessment for the CSHC from 1 January 2015. The committee notes that this measure will bring the CSHC into line with the Age Pension by including tax-free

155 For example: NWRN, *Submission 60*, p. 22.

156 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6401.

157 Minister, *House of Representatives Hansard*, 18 June 2014, p. 6401.

158 DSS, *Submission 66*, p. 2.

159 DHS, *Seniors Supplement*, available at:

<http://www.humanservices.gov.au/customer/services/centrelink/seniors-supplement>
(accessed 12 September 2014).

160 DSS, *Submission 66*, p. 2.

income from superannuation account-based income streams in the CSHC income test. The measure will include grandfathering provisions to protect existing CSHC holders.¹⁶¹

2.132 Submitters expressed support for cessation of the Seniors Supplement, noting that it is not dependent on any income or assets test and is a poorly targeted form of income support.¹⁶² ACOSS noted that most recipients of the seniors supplement fall within the top 20 per cent of households over 65 years of age and is unlikely to cause financial hardship:

This measure would improve the targeting and future sustainability of the social security system as the population ages. It is hard to justify cash payments to couples with over a million dollars in financial assets.¹⁶³

2.133 However, FGFPC did not support the abolition of the seniors supplement and argued that 'given that CSHC is income tested the supplement does not go to people on very high incomes and the changes to the way income is assessed will improve its targeting.'¹⁶⁴

2.134 COTA has called for a broader review of retirement income and argued that such a review should consider the purpose of the CSHC and its place within the retirement income sphere. COTA argued that current eligibility and benefits for the card should remain as they are until such a review has been completed, including the entitlement to the Seniors Supplement.¹⁶⁵

2.135 Submitters also expressed support for the inclusion of untaxed superannuation income in the assessment for a Seniors Health Card. UnitingCare Australia argued that superannuation tax concessions are poorly targeted and expressed support for the streamlining of income and assets tests.¹⁶⁶

Education and training support

Portability period for student payments

2.136 Schedule 5 of the First Bill contains measures that will give effect to the Government's proposal to tighten access to the six-week portability period for student payments.¹⁶⁷ Under current arrangements students have automatic access to up to six

161 DSS, *Submission 66*, p. 2.

162 For example: UnitingCare Australia, *Submission 42*, p. 4; NWRN, *Submission 60*, p. 31.

163 *Submission 50*, p. 23.

164 *Submission 55*, p. 4.

165 *Submission 59*, p. 11.

166 *Submission 42*, p. 4. Also see: Fair Go for Pensioners Coalition, *Submission 55*, p. 4.

167 *Budget 2014-15, Budget paper No. 2: Budget Measures, Part 2: Expense Measures*, available at: http://www.budget.gov.au/2014-15/content/bp2/html/bp2_expense-21.htm (accessed 12 September 2014).

weeks of payment while temporarily overseas, irrespective of the reason for the absence.¹⁶⁸

2.137 The committee notes that the purpose of student payments is to assist students financially while they are undertaking full-time study. The proposed changes will align the portability rules for students with those that current exist for Newstart allowance and Youth allowance, by limiting the six-week portability rule to absences that are for the purpose of seeking eligible medical treatment or attending to an acute family crisis.¹⁶⁹ These changes will realise savings of \$153.1 million over four years.¹⁷⁰

2.138 Submitters were supportive of the exemption provided for those travelling overseas for the purpose of undertaking studies that form part of an educational course of study the student was undertaking prior to leaving Australia.¹⁷¹ New apprentices will also be allowed to travel for up to 6 weeks where the travel is deemed part of their apprenticeship training.¹⁷²

2.139 The Australian Technology Network of Universities (ATN) provided evidence that of the 24 743 Australian students across 38 universities who reported international study experiences, 92.8 per cent were for academic credit. ATN argued:

Therefore for the ongoing success and maximum participation of students in semester or year-long international mobility programs, including the New Colombo Plan, it is necessary that Austudy and Youth Allowance recipients remain exempt from the limits on overseas portability for study related travel.¹⁷³

2.140 Representatives from the National Union of Students (NUS) told the committee that NUS' main concern with this measure related to implementation of the administrative process through which students would need to reapply for student payments.¹⁷⁴

Relocation scholarships

2.141 Schedule 5 of the Second Bill will restrict qualification for the relocation scholarship payable to students who need to leave the family home to undertake higher education studies.

2.142 Relocation scholarships are intended to assist with the additional costs involved associated with relocation and are currently paid at a rate of \$4 145 in the

168 EM, First Bill, p. 29.

169 EM, First Bill, p. 29.

170 EM, First Bill, p. 30.

171 For example: Australian Technology Network of Universities, *Submission 31*, p. 2.

172 EM, First Bill, p. 29.

173 *Submission 31*, p. 2.

174 Ms Deanna Taylor, President, and Mr Jack Gracie, National Welfare Officer, *Committee Hansard*, 21 August 2014, p. 38.

first year the student is required to live away from home and \$1 036 for each subsequent year to assist students relocating from major cities. Students relocating from regional or remote areas are paid at a higher rate of \$2 073 in the second and third year they are required to live away from home to study.¹⁷⁵

2.143 The proposed measures will restrict qualification for the relocation scholarship payment to students relocating to or from regional or remote areas from 1 January 2015. Students relocating from major cities will only remain qualified for a relocation scholarship payment if they relocate to a regional or remote area.¹⁷⁶

2.144 The committee notes that the measure will continue to recognise the reduced level of course and institution choice in regional and remote areas and the high proportion of regional and remote students who need to relocate to study.¹⁷⁷

2.145 ATN noted that this reform is a rational one, but expressed concern that payments to current scholarship recipients may be stopped from 1 January 2015 if they are no longer eligible under the new provisions.¹⁷⁸ ATN told the committee that 'there may be a negative impact on participation rates and the future success of current scholarship recipients, particularly if they are forced to take on additional hours of paid work or withdraw from or reduce their study load. ATN recommended grandfathering of the relocation scholarship for all current recipients.¹⁷⁹

2.146 The NUS also expressed concern about the impact of these measures on students and recommended that the measures be abandoned.¹⁸⁰

Pensioner Education Supplement and Education entry payment

2.147 The Second Bill proposes the cessation of the Pensioner Education Supplement (PES) and Education Entry Payment (EdEP) from 1 January 2015.¹⁸¹ The EdEP is an additional annual supplement of \$208 paid to eligible income support recipients.¹⁸²

2.148 The PES is mainly paid to sole parents and people with disabilities to assist with the ongoing costs of full time or part time study.

175 EM, Second Bill, p. 18.

176 Statement of Compatibility with Human Rights, Second Bill, p. 7.

177 Statement of Compatibility with Human Rights, Second Bill, p. 7.

178 *Submission 31*, p. 2.

179 *Submission 31*, p. 3.

180 *Submission 65*, pp. 7-8.

181 See Schedules 6 and 7 of the Second Bill.

182 Recipients of Newstart Allowance, Parenting Payment Partnered, Partner Allowance or Widow Allowance who have received payment continuously for at least 12 months. A person may also be eligible if they are receiving Carer Payment, DSP, Parenting Payment Single, Special Benefit (in some cases), Widow B Pension or Wife Pension subject to certain eligibility criteria. Refer C Ey, M Klapdor, M Thomas, P Yeend, *Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014*, Bills digest, 16, 2014-15, Parliamentary Library, Canberra, 2014, p. 32 (accessed 29 August 2014).

2.149 The EM states that the Government remains committed to providing incentives for income support recipients to improve their employment prospects through study or training and notes that more appropriate channels of government-funded study and training assistance are available.¹⁸³

2.150 Submitters argued that cessation of these payments would increase the difficulties faced by income support recipients and would have adverse impacts on the ability of some income support recipients to engage in education and training that may improve their employment prospects.¹⁸⁴

2.151 In its submission, DSS told the committee that:

Better targeted and individualised means of assisting vulnerable cohorts to participate in training or education have, to a large extent, subsumed the original intent of the PES.

More appropriate channels of government funded study and training assistance are available through employment service providers and the HECS-HELP, FEE HELP and VET FEE HELP tuition loan programs. Eligible students will also still be able to access student payments such as Youth Allowance (student) and Austudy.¹⁸⁵

Committee view

2.152 The committee notes that the changes proposed in these Bills are motivated by a desire to ensure a more sustainable welfare system. The measures seek to strike a balance between providing incentives toward greater individual responsibility and self-reliance, while at the same time providing support to the most vulnerable members of society.

2.153 The committee notes that there was generally a high degree of support among submitters to the inquiry for the general intent of the Bills, particularly the need to better target payments to those who need them most and to provide incentives for greater workforce participation. The committee recognises submitters' concerns regarding specific provisions of the Bills, but is satisfied that the measures are accompanied by appropriate safeguards to address these concerns.

2.154 The committee notes submitters' comments regarding the need to consider the interrelated nature of welfare payments and for changes to welfare payments to be considered as part of an overarching process of reform and notes concerns that the Bills are proceeding ahead of the final report of the Review of Australia's Welfare System, led by Mr Patrick McClure.¹⁸⁶ The committee also notes COTA's recommendation for a systematic review of all aspects of retirement incomes that

183 EM, Second Bill, p. 24.

184 For example: Carers Australia, *Submission 63*, pp 7-8; NWRN, *Submission 60*, pp 26-27.

185 *Submission 66*, p. 10.

186 For example: UnitingCare Australia, *Submission 42*, pp 1-2.

involves all key stakeholders and takes into account any changes that emerge from the Government's reviews of the financial system and taxation.¹⁸⁷

Recommendation 1

2.155 The committee recommends that the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 be passed.

Recommendation 2

2.156 The committee recommends that the Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 be passed.

Senator Zed Seselja

Chair